RESEARCH UPDATE

August 19, 2026

BOSTON MUNICIPAL RESEARCH BUREAU

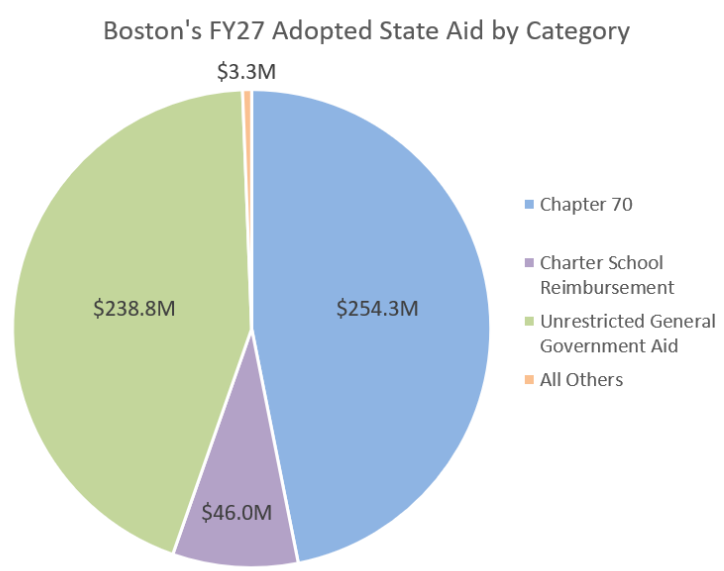
Trends in State Education Aid to Boston

Foundation Budget Review Commission to Review Chapter 70 Funding Formula

On July 9, Governor Healey signed Massachusetts' FY27 state budget, finalizing state aid totals to municipalities throughout the state and reconvening a commission to examine how state education aid is distributed.

State Aid Over Time – State aid[1] is Boston's second-largest source of revenue after the property tax. State aid to Boston is determined annually in the Massachusetts state budget[2] and delivered through several separate programs, with factors such as the City's population, demographics, and need influencing the total aid amount received. Boston's FY27 budget, adopted in June, reflects the Governor's proposed funding level of $538.1M in state aid, which accounts for 10.9% of the City's total general fund revenue, up slightly from 10.8% in FY26. The adopted state budget increased this amount by 0.8% to $542.4M, raising education aid to the City by 2.5% ($7.3M) over the Governor's proposed budget while decreasing unrestricted general government aid by 1.2% (-$2.9M).

Despite this increase in state aid, the share of City revenue coming from the state remains well below historical levels. Twenty years ago, state aid comprised 20.5% of the City's revenue; in FY27, it is budgeted to make up just 10.9%. This has been driven by two factors: slow growth in state aid, which grew just 13.1% ($62.8M) over the last two decades, and the rapid and consistent growth of the property tax, which grew 178.8% or $2.32B from FY08, rising to make up 73.1% of the general operating budget. The Research Bureau has previously explored the flatlining of state aid and its diminishing role in funding Boston's general operating budget in its November 2024 *Special Report* on revenue diversification.



Net state aid, or the state aid that is actually available for city operations after subtracting state assessments, is budgeted to account for only 2.4% of general fund revenue in FY27, the lowest level on record and down from 15.0% two decades ago. This reflects a steep drop in state aid's overall importance to funding city services as assessments, such as charges for the Massachusetts Bay Transportation Authority (MBTA) and per-pupil costs for children attending charter public schools, have grown. State aid net of assessments has fallen from $351.3M in FY08 to a budgeted $119.7M in FY27.

[1] For the purposes of historical comparison, the Research Bureau's definition of state aid excludes teacher pensions and school construction line items.

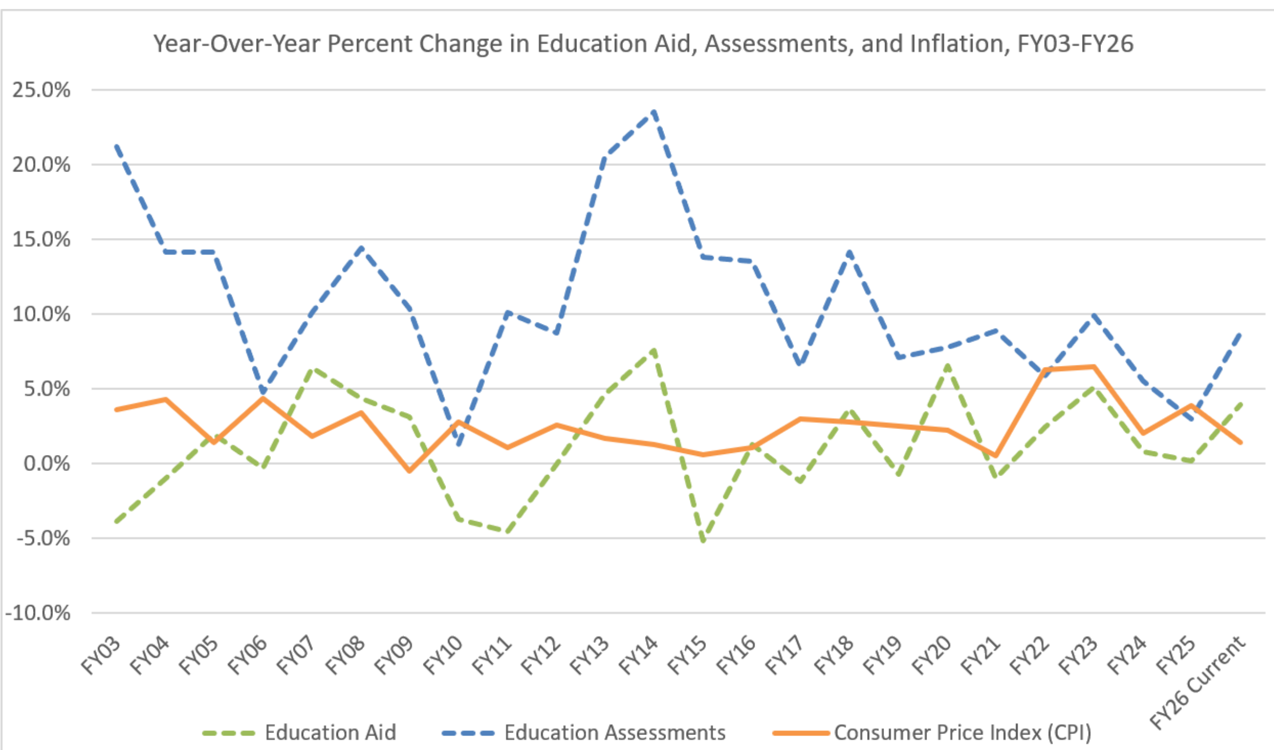
[2] Unless otherwise indicated, FY27 state aid figures in this report use the state aid and assessment estimates included in the adopted FY27 Massachusetts state budget.

Education Aid Over Time – Education aid consists of two parts: $254.3M (84.7%) in funding for Boston Public Schools through Chapter 70, the state's primary program for delivering aid to public school districts, and $46.0M (15.3%) in reimbursements to the City for charter school tuition. Education aid represents the largest share of Boston's state aid, accounting for 55.4% ($300.3M) of budgeted state aid in FY27, with an additional 44.0% ($238.8M) going to unrestricted general government aid (UGGA). The $46.0M in charter school reimbursements does not cover the entire $310.5M cost to the City of charter school tuition, but rather provides partial reimbursement for increases in Boston's charter school tuition costs along with reimbursement of the capital (facilities) component of the tuition rate.

Education aid is budgeted to increase 5.4% in FY27, the highest increase since FY20. Over the last five years (FY23-FY27), education aid grew at an average annual rate of 3.1% up from 2.2% over the prior five years (FY18-FY22). This increase in annual growth rate can be partly attributed to the 2019 passage of the Student Opportunity Act, which phased in a revamped Chapter 70 funding system and increased state aid allocations to districts, achieving full funding in FY27.

Despite this recent uptick, aid growth has been modest over the longer term. Chapter 70 aid peaked at $221.4M in FY09, then fell and stayed below that peak for a full decade before finally surpassing it again in FY20. As a result of this sluggish recovery, Boston's Chapter 70 aid in FY27 is only 14.8% ($32.8M) higher than in FY09, an average annual growth rate of just 0.9%. Charter school reimbursement aid, by contrast, grew much faster over the same period, nearly tripling from $15.4M in FY09 to $46.0M in FY27.

The slow rate of education aid growth has not kept pace with inflation. From FY02 to FY26, the Boston-Cambridge-Newton consumer price index rose by 80.6%, while education aid grew just 33.2%. Over that same period, education assessments, driven by rising costs and an increase in the charter school spending cap in 2010, grew by 1026.8%.



In Perspective: Boston's Education Aid Compared to Other Cities

Under Chapter 70 – Massachusetts' primary education aid program to municipalities – aid amounts are determined by multiple factors, including school enrollment, student demographics, and the ability of local governments to contribute funding. The state estimates local governments' ability to contribute based on local property values and residents' income levels. As a result of this, while Boston receives a sizable state aid contribution – $530.4M in FY26 – the second-highest level in the state, other cities benefit more from the state's local aid formula according to need. An example of this is Springfield, which, with a population (153.7K) less than one-quarter of Boston's (653.8K), receives the largest allocation ($617.9M) of state aid in Massachusetts, ahead of Boston's allocation of $530.4M. A contributing factor to this dynamic is that Boston has a per capita income nearly 3.5 times that of Springfield.

At 10.6% of Boston's general operating fund revenue, Boston's share of operating revenue coming from state aid is half of the state average of 21.2%. There is wide variation among the top five cities in Massachusetts by population: Boston, Worcester, Springfield, Cambridge, and Lowell. Cities such as Worcester, Springfield, and Lowell rely more on state aid to fund their budgets compared to Boston. In FY26, 61.7% of Springfield's, 53.3% of Lowell's, and 49.3% of Worcester's operating budgets came from state aid. In contrast, Cambridge, which has a higher per capita income than Boston, received 4.8% of its budget from state aid. Education aid in particular is a driving force behind aid totals for cities reliant on the state to fund operations, with 92.0% of Springfield's, 89.1% of Lowell's, and 88.5% of Worcester's total state aid allocation coming from education aid in FY26.

FY26 State Aid Profile: Five Largest Massachusetts Cities

	State Aid	Population	State Aid Per Capita	State Aid as % of Total Revenues	Ed Aid as % of State Aid	Income Per Capita
Springfield	$617.9M	153,672	$4,021	61.7%	92.0%	$19,379
Boston	$530.4M	653,833	$811	10.6%	53.7%	$67,404
Worcester	$475.3M	207,621	$2,289	49.3%	88.5%	$25,458
Lowell	$302.7M	114,296	$2,649	53.3%	89.1%	$27,446
Cambridge	$53.5M	118,214	$453	4.8%	48.8%	$87,857

Source: MA Dept. of Revenue (DOR). For FY26 data, population is from 2023 Census and income per capita from 2022 DOR data

Education State Assessments Have Grown Rapidly – While state education aid has grown only modestly over the last 25 years, state education assessments, the amount the state charges the City for services provided by the state or its authorities or for the reallocation of funds, have grown rapidly. Education assessments in Boston consist of two parts: $310.5M (98.5%) in charter school tuition for Boston resident students attending charter schools, whether located in Boston or elsewhere, and $4.8M (1.5%) for the school choice program, which, under Massachusetts General Laws (M.G.L.) c.76 §12B, sends students in Boston to other participating districts.

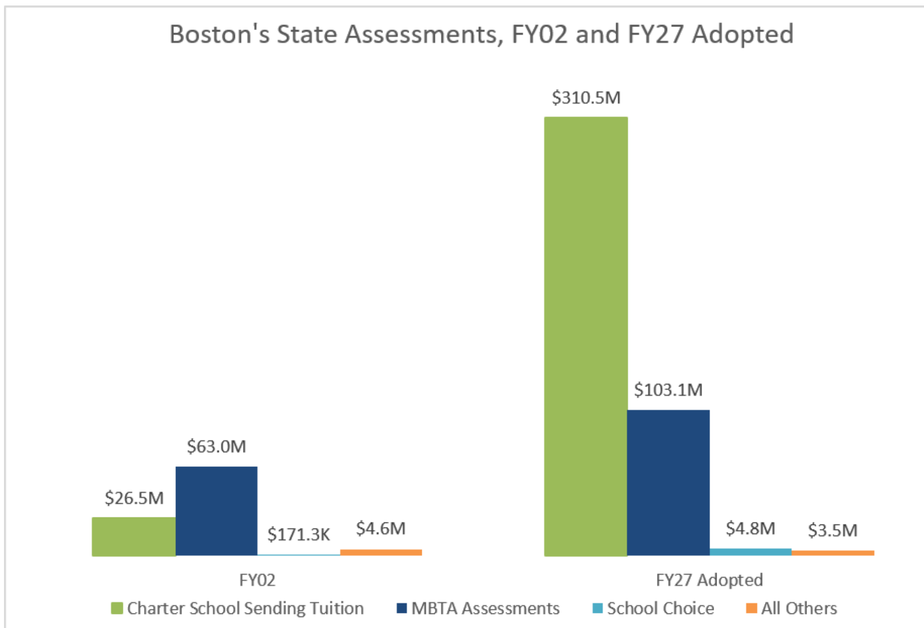
Charter school tuition has grown rapidly over the last 25 years, rising 1016.5% ($269.8M) from $26.5M in FY02 to $296.4M in FY26. This trend has been partly driven by the growth in Boston's charter school enrollment[3] over this period, which reached 10,268 student full-time equivalents (FTEs) by FY26, more than triple the number of student FTEs (2,888.8) in FY02. In FY26, students from Boston comprised 21.7% of all charter school student FTEs in Massachusetts, despite Boston being 9.3% of Massachusetts' population. School

[3] Massachusetts Department of Elementary and Secondary Education, "Summary of Historical Sending District Commonwealth Charter School FTE, Tuition and Reimbursements." FY26 figures are preliminary and subject to change.

choice assessments have also grown significantly over the last 25 years, rising from $171.3K in FY02 to $4.7M in FY26, an increase of $4.5M (2624.6%).

Growth in the charter school population followed the passage of the 2010 Act Relative to the Achievement Gap, which raised the local charter spending cap from 9% to 18% in the state's 10% lowest-performing districts, including Boston, enabling significant charter sector expansion through the 2010s. More recently, the 2019 Student Opportunity Act has driven cost growth by raising required per-pupil spending statewide. Because charter tuition is calculated from that same per-pupil figure, this has pushed tuition rates upward even where enrollment has flatlined.

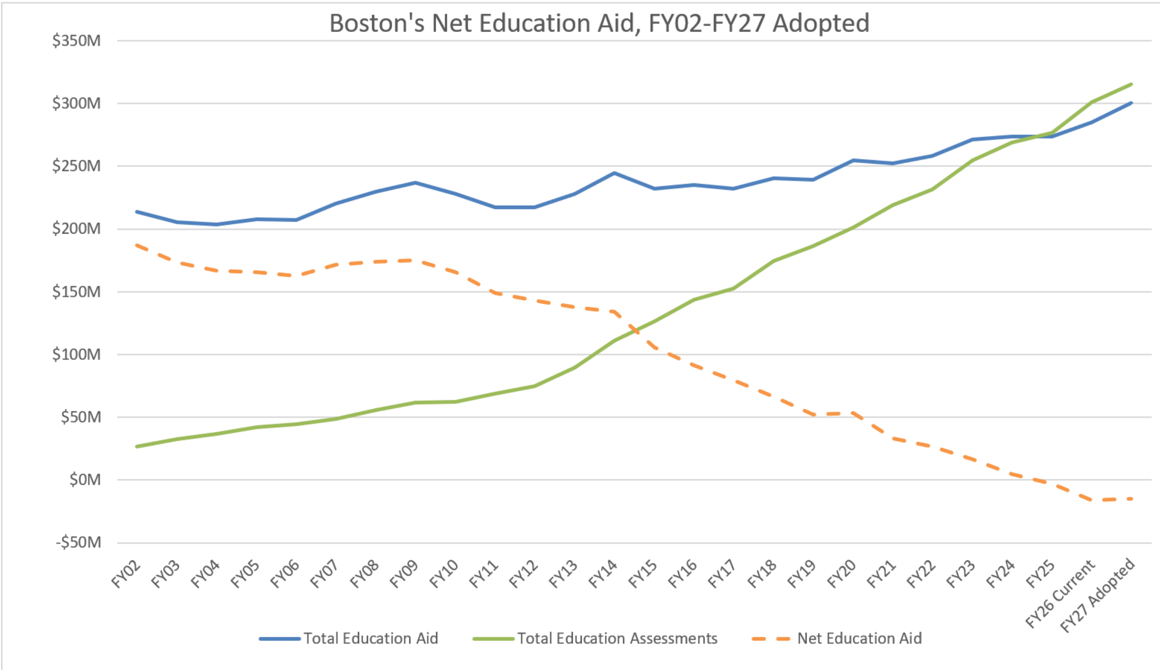
Despite this increase, in recent years the number of charter school student FTEs peaked at 10,914.2 FTEs in FY21 and decreased by 5.9% (-646.2 FTEs) as of FY26. Amid recent declining enrollment, the cost per student FTE rose steadily over the same period, climbing from $19,946 to $28,863, an increase of 44.7% in just five years, driven by higher tuition. Over the last decade, education assessments grew 80.9%, more than three times as fast as the 24.7% growth in education aid over the same period.



The growth in charter school assessments has also increased education assessments' share of total state assessments. In FY02, MBTA assessments made up two-thirds (66.8%) of state assessments, while education assessments made up 28.3%. By FY27, education assessments had grown to make up roughly three-quarters (74.6%) of state assessments, more than three times as large as MBTA assessments, which make up 24.6%.

Net Education Aid – From FY02-FY26, growth in education assessments consistently outpaced growth in education aid, before aid growth slightly overtook assessment growth in FY27. As a result, net education aid (education aid minus assessments, or the amount of aid actually available for city operations) has shrunk dramatically over time.

For the first time in FY25, Boston paid more in education-related state assessments than it received in education aid. This trend has continued in the adopted FY27 state budget, with net education aid for Boston budgeted at negative $15.1M. The scale of this shift is stark. In FY02, net education aid alone generated $187.2M for the City and comprised 10.3% of total City revenue. In FY27, it instead represents negative 0.3% of revenues. This change in net education aid has been a primary driver of the decline in overall net state aid, which fell from $411.2M in FY02 to a budgeted $119.7M in FY27, shrinking the influence of state aid in Boston's revenue mix.



State Commission on Chapter 70 Funding – Massachusetts' FY27 budget amends M.G.L. c.70, which establishes the statutory framework for calculating minimum school spending requirements, known as the "foundation budget," and distributes state education aid. The law reconvenes the Foundation Budget Review Commission, a 28-member commission charged with evaluating the state's K-12 school funding formula and making recommendations for potential changes. The commission is modeled after the 2014-2015 commission, whose recommendations informed the 2019 Student Opportunity Act, the last major reform to the state's education funding system. It includes 15 representatives from state government, 12 representatives from key stakeholder organizations, and one member appointed by the Governor with experience in municipal or school finance.

Companion budget provisions allow the commission to report on other matters of school finance, including rural school aid, charter school costs, out-of-district special education costs, and transportation costs. The commission must submit its first report by October 31, 2028, and thereafter convene at least once every ten years. Before issuing any recommendations, the commission is required to hold at least four public hearings in different regions of Massachusetts to ensure geographic representation. Upon completion, the final report must be made publicly available on the Department of Elementary and Secondary Education's website.