



The Massachusetts Education Reform Act of 1993, codified under Chapter 70 of the Massachusetts General Laws, was adopted to ensure that every child in the Commonwealth had access to an adequately funded public school education. The Act defined and measured educational output and identified a level of district funding necessary to meet those standards. The Act incorporated a funding formula that considers the socio-economic make-up of different schools and districts, resulting in the “foundation budget.” Yet the formula has not been changed in two decades, despite rising costs in key areas. Many school districts and education advocates, in Worcester and beyond, argue that the formula no longer represents the actual cost of educating students and are currently contemplating measures—from lawsuits to legislation—to force an update to Chapter 70.

**How the Foundation Budget Works**

Every school district is different, and every community that hosts those school districts is different. This seemingly anodyne sentiment can be tricky when it comes to devising a standard formula for distributing state funds. Chapter 70 attempts to provide answers to two questions—how much money does a district need, and how much of that should be paid for by the state?

Net School Spending (NSS), the minimum amount of money statutorily required to be spent to educate students within a specific district, is achieved through a combination of state aid and a local contribution. The maximum local contribution is 82.5 percent, meaning the state will, at a minimum, provide 17.5 percent of a district’s required costs under the formula. The formula calculates the amount the local district must contribute to NSS by taking into account a district’s property values, personal income, and the Municipal Revenue Growth Factor (MRGF), which measures the most recent change in local revenues. This formula results in lower-income communities getting a larger percentage of NSS from the state than higher-income communities. Worcester’s minimum local contribution in 2018, for example, was around 29 percent of NSS, while Cambridge’s was around 82 percent.

**Foundation Budget Review Commission**

In 2015, the Foundation Budget Review Commission (FBRC), convened by the state

legislature, flagged four areas of funding concern: special education, English Language Learners (ELL), economically disadvantaged students, and health care for employees and retirees.

To address the resulting shortfalls, the FBRC recommended an increase of .25 percent for the predicted rate of special education students, an increase in the increment allotted for ELL students, and a change in the way ELL rates are computed. The recommendations for economically disadvantaged students focused not only on increased spending, but best practices that districts should adopt to meet the needs of these students, such as an extended day or school year. The commission also recommended an increase in the reimbursement rate for students attending schools outside of the district.

**Table 1: How WPS Funded the Foundation Budget Gap, FY16**

Money would have been spent on:		Money instead spent on:	
Teachers	\$44m	Special Education	\$31.6m
Maintenance	\$13m	Health Insurance	\$30.9m
Instructional Materials	\$8m	English Language Learners	\$5m
Professional Development	\$3m		

Source: WPS estimates

Health insurance spending for employees far exceeds the current foundation budget factor. The Commission recommended that the health insurance rate of the formula should reflect the Group Insurance Commission (GIC) and that a new category, “Retired Employee Health Insurance,” should be added to the funding formula, along with a separate health care cost inflation adjustor for the health insurance part of the formula.

### **Impact on Worcester**

The failure of the Foundation budget to adequately account for costs and inflation has hindered the Worcester Public Schools’ ability to meet the full needs of all public school students. According to Worcester’s own analysis, in the FY17 budget the district costs for special education were \$34.6 million above the foundation budget allocation, and employee benefits were \$34.9 million above. As a result, the district was forced to divert funds from general education requirements (see Table 1) to address the needs of special education students and the requirements of employee benefits, the cost of which the foundation budget was established to include and address. The funding gap leaves the WPS with less money to spend on professional development, instructional equipment and technology, pupil services, and operations and maintenance. This has resulted in 770 fewer teachers than the formula would have otherwise provided, for example. In the FY19 budget, the

City’s calculated minimum local contribution is \$100.2 million. The State’s contribution is \$249.9 million. With no increase in state aid to the district, the WPS projects deficits over the next three years.

A number of legislative solutions building off the FBRC recommendations have been proposed. While they differ in scope (see Table 2), all attempt to address the failures of the current formula to accurately account for special education, employee health insurance, ELL, and economically disadvantaged students.

### **Recommendations**

Despite the best efforts of advocates, not all school districts in the Commonwealth are able to feasibly provide the same high standards of education to all students. A critical roadblock to this mission is a lack of personnel, driven in large part by a lack of adequate funding. The Chapter 70 formula fails to accurately reflect actual costs in many larger school districts. While debates about specific details of such reform are appropriate—and the three main legislative proposals each have strengths and weaknesses—the fact remains that the Worcester Public Schools are unable to offer the same programs and services, especially recognizing the significant level of student need, as wealthier and more homogenous districts. Worcester should work with the city’s legislative delegation to voice the city’s school needs in the legislative process.

<b>Table 2: Proposals for Foundation Budget Reform, 2019</b>			
	<b>Governor's Plan - An Act to Promote Equity and Excellence in Education</b>	<b>Senate Bill SD.101 - The Promise Act</b>	<b>House Plan</b>
<b>Health Care for Employees and Retirees</b>	Increases budget formula for health care, including benefits to retirees; Aligns with Group Insurance Commission rates WPS estimate of local benefit: \$15.3 million	Attaches specific estimates for employee health care costs to Group Insurance Commission rates WPS estimate of local benefit: \$18.1 million	Allocation formula based on Group Insurance Commission three-year rates
<b>English Language Learners</b>	Differentiates rates by grade level to increase the increment for high school students; Does not count students who meet state requirements as ELLs WPS estimate of local benefit: \$2.2 million	Increases the base rate of funding schools receive by 50 percent to 100 percent per student, depending on district wealth WPS estimate of local benefit: \$2.6 million	Increases the increment for ELLs by around \$2,350 for most enrollment categories, increasing by inflation in subsequent years WPS estimate of local benefit: \$1.1 million
<b>Economically Disadvantaged Students</b>	Increases aid to the 10 percent of districts with the highest percentage of economically disadvantaged students WPS estimate of local benefit: \$11.5 million	Increases the base rate of funding schools receive by 50 percent to 100 percent per student, depending on district wealth WPS estimate of local benefit: \$72.7 million	Varies by percentage of low-income students, but with a minimum increase of 50 percent of the average per student rate
<b>Special Education</b>	Increases the assumed rate to 4 percent for non-vocational students and 4.75 percent for vocational students; increases out of district reimbursement rate WPS estimate of local benefit: \$3.4 million	Increases the assumed rate to 4 percent for non-vocational students and 5 percent for vocational students; increases out of district reimbursement rate WPS estimate of local benefit: \$3.5 million	Increases the assumed rate to 4 percent for non-vocational students and 5 percent for vocational students; increases out of district reimbursement rate WPS estimate of local benefit: \$3.5 million
<b>Other Changes</b>	Expands foundation budget category for counseling and behavioral health services; Provides a limited amount of Chapter 70 Funding to support persistently underperforming schools; Provides increment for early college and career pathways programs	Creates a data advisory committee to inform future policy decisions; establishes a five-year review of the Foundation budget formula	Establishes the Student Supports Fund to develop classroom programs for students in districts or schools with a high number of low-income students; creates a data advisory committee
<b>FY20 State Cost</b>	Estimated \$200 million	Estimated \$900 million to \$2 billion	N/A
<b>Implementation Schedule</b>	7 years	N/A	5 years

Sources: Foundation Budget Review Committee, 2015; Press release, Governor's Office, 1/23/19; Worcester Public Schools, Superintendent Report, 2/7/19