



## The Research Bureau

### ***The Massachusetts Foundation Budget***

*This primer is drawn from and summarizes the key findings and recommendations of the Foundation Budget Review Commission. The report, issued 30 October 2015, represents more than a year of work by the 21 members of the Commission. Members and staff of the Commission are noted in Appendix B.*

The Massachusetts Education Reform Act of 1993 (MERA) overhauled public education in the Commonwealth. Recognizing the responsibility of the state, and not just local districts, in funding public education, MERA sought to guarantee educational excellence and equity. The resulting Foundation Budget, established under Chapter 70 of the Massachusetts General Laws, defines the *minimum* level of school spending necessary to provide an *adequate* education to students. The Foundation Budget is established annually for each school district and reflects the specific grades and programs in the district's schools and the demographic and economic characteristics of the community and its students.

Initially, the Foundation Budget effectively supported the original legislation's goals. Over time, however, that support has faltered. According to a summer 2012 report in *Commonwealth Magazine*, school spending in the state's poorest districts was 21% below the Foundation level in 1993. By 2010, spending in poorer districts remained 16% below the Foundation level if adjusted for actual cost increases. After nearly two decades, poorer districts were barely better off than they were at the start of the education reform. The situation remains challenging today. The promise of the Foundation Budget has not been met, compromising the ability of Massachusetts to meet the aims of educational improvement.

The reasons are varied, but two stand out: (1) a dramatic increase in the cost of health care coverage—a difference in cost borne by local districts; and (2) a significant increase in the number of children requiring special education services and the growing cost to educate them. In Worcester, the cost of health insurance is \$55 million annually, while the Foundation Budget accounts for only \$31 million. The district spends \$30 million more on special education than the Foundation Budget allocates.

Covering the cost of these two items has a direct impact on teaching and learning including, but not limited to: increased class sizes across grade levels; the availability of electives for secondary school students; the availability of current technology for teachers and students; the adequacy of laboratory facilities; the size of the teaching force; the availability of current textbooks and instructional supplies; and the ability to maintain the many buildings for which the district is responsible.

The current Foundation formula also does not adequately account for inflation, an additional anomaly that increases the cost shouldered by school districts. In Worcester, this means a shortfall of at least \$12 million. Full funding these elements of the Foundation Budget would result in an additional \$93 million for education in Worcester alone. With respect to direct teaching and learning, that translates into the ability to hire over 600 additional classroom teachers. The impact would be felt in decreased class size and the increased availability of both core courses and electives in our secondary schools. The impact on education for every student would be enormous.

As a result of these issues with the funding formula, Worcester, like the other Gateway Cities with high educational needs and a limited local tax base, has struggled to meet these core costs. This issue is made more stark when reviewing student outcomes in communities with the ability to supplement mini-

mum required local contributions and those struggling to even meet the bare minimum. Despite the efforts of MERA and the goals of the Foundation Budget, the funding gap between wealthy and poor communities continues to grow, constraining long-term education and life outcomes for too many.

### **The Foundation Budget Review Commission:**

In 2015, the Legislature created the Foundation Budget Review Commission to “determine the educational programs and services necessary to achieve the commonwealth’s educational goals” and to “review the way foundation budgets are calculated and to make recommendations for potential changes in those calculations as the commission deems appropriate.” The Commission was further charged that in making such a review that it determine the “educational programs and services necessary to achieve the commonwealth’s educational goals and to prepare students to achieve passing scores on the Massachusetts Comprehensive Assessment System examinations.” The Commission was also charged with determining and recommending measures to promote the adoption of ways in which resources can be most effectively utilized and to consider various models of efficient and effective resource allocation. The final report offers finding and recommendations in two categories: *Foundation Budget Changes* and *Efficient Resource Allocation*.

Part A of the Commission’s Report addresses Foundation Budget changes. The Commission made findings and recommendations as follows:

#### **Health Insurance**

Over the last two decades, dramatic increases in the costs of health insurance have significantly affected school district budgets. The Commission found that on statewide average, district spending on Employee Benefits and Fixed Charges exceeds the Foundation Budget assessment by 140%. This amount does not include retiree health insurance costs also incurred by districts.

#### Recommendations

- Adjust the health insurance rate to reflect the average state Group Insurance Commission (GIC) rate
- Add retiree coverage to the Foundation calculation
- Establish an inflation adjustment tied to changes in the GIC rate

#### **Special Education**

The Foundation Budget currently assumes a rate of district enrollment of 15% of students receiving special education services 25% of the time, rather than calculating actual enrollment and service time. As a result of significant growth in the number of students receiving special services, particularly among those enrolled in out-of-district services, the Foundation Budget undercounts the number of students requiring special education and understates the cost of services to them.

#### Recommendations

- Increase the enrollment rate assumption
- Increase the out-of-district special education cost rate to more accurately reflect the cost to districts

Statewide, these recommendations would still be \$700 million less than what Commonwealth districts are paying for services to students now.

#### **English Language Learners**

While the Massachusetts algorithm determining the cost of education for English language learners (ELL) compares favorably with that of other states, district leaders across the Commonwealth express serious concerns about the rapid and sizable growth in the numbers of students whose formal education has been interrupted or limited. These students, often refugees or from war zones, may also bring significant social and emotional needs. Additionally, the formula used for vocational schools, which overall serve significant numbers of ELL students, is calculated differently, leading to funding issues.

Recommendations

- Convert the ELL increase from a base rate to an increment on the base rate
- Apply the increment to ELL students enrolled in vocational schools
- Increase the increment for all grade levels, including high school, to the current effective middle school increment

**Low Income Students**

Recommended funding weightings for low income students vary widely in the national education literature. Research is unequivocal, however, that mitigating the effects of poverty on learning requires significant investment of time, human capital, and financial resources. Among Massachusetts districts that have successfully begun to close achievement gaps between low income students and their higher income peers there is an emerging body of best practices. The Commission identified these as: extended school days; addressing social and emotional and health needs; instructional improvement through professional development and common planning time; targeted class size reduction for the highest need populations; early education including full-day kindergarten and full-day pre-K; and the use of instructional teams and coaches.

Recommendations

- Increase funding for districts with high concentrations of students living in poverty and provide those districts with sufficient funding to employ several best-practice turnaround strategies at once
- Recognizing the shift from eligibility for free and reduced-price lunch meals as a proxy for poverty, ensure that any new definition accurately counts all economically disadvantaged students
- Leave the calculation of each increment to the legislature
- Require that each district post how it will use funds allocated for low income and ELL students and the outcome measures that will define success

Part B of the Commission Report considers accountability for efficient resource allocation. The Commission made the following observations and recommendations to assure that funding was used effectively with respect to meeting the learning objectives of the Commonwealth's most needy and vulnerable populations.

Recommendations:

- Establish a data collection and reporting system that tracks funding for ELL and low income students
- Establish a data collection and reporting system that allows greater access to school-level expenditures and allows a clearer understanding of the effect of state policy on school-level investments and interventions
- Establish a Stakeholder Data Advisory Committee to promote effective resource allocation decisions at the local level

**Appendix A**

**Budget Impact: Health Insurance and Special Education Changes**

Statewide Summary	GAA	25% Phase In	<i>Difference</i>	100%	<i>Difference</i>
	FY16	FY16		FY16	
Enrollment	942,120	942,120	0	942,120	0
Foundation Budget	\$10,090,177,272	\$10,340,927,612	\$250,750,340	\$10,912,226,442	\$822,049,170
Required District Contribution	\$5,943,909,031	\$6,002,726,108	\$58,817,077	\$6,080,502,587	\$136,593,556
Chapter 70 Aid	\$4,511,521,973	\$4,607,300,066	\$95,778,093	\$4,943,298,626	\$431,776,654
Required Net School Spending (NSS)	\$10,455,431,004	\$10,610,026,174	\$154,595,170	\$11,023,801,213	\$568,370,210

**Appendix B:**

**Budget Implications of the Foundation Budget Review Commission Recommendations for Worcester**

Category	Impact
Health Insurance	\$29.1M
Special Education	\$29.8M
English Language Learners	\$5.0M
Low Income Students	\$20.0M
Inflation Factor Adjustment	\$9.0M
Foundation Budget Review Commission Impact	\$92.9M

## Appendix C: Staff and Members of the Foundation Budget Review Commission

### Commission Chairs

- Senator Sonia Chang-Díaz, Senate Chair of the Joint Committee on Education
- Representative Alice H. Peisch, House Chair of the Joint Committee on Education

### Commission Members

- Tom Moreau, Secretary of Education Designee
- Commissioner Mitchell D. Chester, Department of Elementary & Secondary Education
- Commissioner Tom Weber, Department of Early Education & Care
- Representative Michael Moran, Speaker of the House Designee
- Senator Patricia Jehlen, Senate President Designee
- Representative Kimberly Ferguson, House Minority Leader Designee
- Edward Moscovitch, Senate Minority Leader Designee
- Paul Reville, Governor Designee
- Evan Ross, House Ways & Means Chair Designee
- Senator Sal DiDomenico, Senate Ways & Means Chair Designee
- Mayor Kevin Dumas, Massachusetts Municipal Association Appointee
- Joe Esposito, Massachusetts Business Alliance for Education Appointee
- Patrick Francomano, Massachusetts Association of School Committees Appointee
- Mary Bourque, Massachusetts Association of School Superintendents Appointee
- Barbara Madeloni, Massachusetts Teachers Association Appointee
- John Coleman Walsh, American Federation of Teachers Massachusetts Appointee
- John Lafleche, Massachusetts Association of Vocational Administrators Appointee
- Michael Wood, Massachusetts Association of Regional Schools Appointee
- David Verdolino, Massachusetts Association of School Business Officials Appointee

### Advisory Members (non-voting)

- Mary Frantz, League of Women Voters of Massachusetts Appointee
- Luc Schuster, Massachusetts Budget and Policy Center Appointee
- JD Chesloff, Massachusetts Business Roundtable Appointee
- Jennifer Francioso, Massachusetts Parent Teacher Association Appointee
- Carolyn Ryan, Massachusetts Taxpayers Foundation Appointee
- Jason Williams, Stand for Children Massachusetts Appointee
- Chris Martes, Strategies for Children Appointee

### Commission Staff

- Jennie Williamson, Research Director of the Joint Committee on Education
- Nathanael Shea, Chief of Staff in the Office of Senator Sonia Chang-Díaz
- David Bunker, Staff Consultant to the Commission

*Sources: Commonwealth Magazine, "Not Adding Up," July 2012, Linda Enerson; Foundation Budget Review Commission Final Report, October 2015; Worcester Telegram and Gazette, As I See It, Jennifer Davis Carey; Foundation Budget Review Commission: Report to the Worcester School Committee, Brian Allen*