THE TALE OF OUR CITIES

THE IMPACT ON THE UNDERFUNDING OF THE STATE'S FOUNDATION BUDGET IN:

CHELSEA  LYNN
Malden  Revere
Salem  Saugus
FOUNDATION BUDGET
PREMISE

Resulted from the McDuffy v Secretary of the Executive Office of Education (1993)

Intended to assure a fair and adequate minimum spending by defining a foundation budget for each community

Communities pay a share of the foundation budget based on an ability to pay, aggregate wealth, using property taxes and income
LEGISLATIVE CHARGE OF FOUNDATION BUDGET REVIEW COMMISSION

- Review Components of the Foundation Budget.
- Seek to Determine and Recommend Measures to Promote Effective Resource Allocation.

Noteworthy Resources:
“Cutting Class: Underfunding the Foundation Budget’s Core Education Program”, Massachusetts Budget and Policy Center, 2011.

“Building an Education System that Works for Everyone: Funding Reforms to Help All Our Children Thrive”, Massachusetts Budget and Policy Center, 2018.
FINDINGS AND RECOMMENDATIONS

- Health Insurance
- Special Education
- English Language Learners
- Low Income Students
HEALTH INSURANCE

FINDINGS

• Actual spending "far exceeds" current foundation budget allotment by more than 140%.
• Current formula does not factor cost for retiree health insurance

RECOMMENDATIONS

• Adjust the employee health insurance rate to the state's GIC rate.
• Add "Retired Employee Health Insurance" to foundation budget.
• Change inflation factor to annual change to GIC rates.
SPECIAL EDUCATION

FINDINGS

- Districts spend "far more" than the current foundation budget allotment for out-of-district placements by more than 59%.
- The current assumed in-district special education enrollment is less than the actual statewide enrollment.

RECOMMENDATIONS

- Increase the assumed in-district special education enrollment.
- Increase the out-of-district cost rate to capture the total costs that districts bear before circuit breaker is triggered.
SPECIAL EDUCATION

IN-DISTRICT RECOMMENDATION

• Increase the assumed in-district special education enrollment rate from 3.75% to 4.00% (for non-vocational students) and 4.75% to 5.00% (for vocational students)

• Current assumption (3.75%) = 15% of students receiving SPED services 25% of the time

• Proposed change (4.00%) = 16% of students receiving SPED services 25% of the time

OUT-OF-DISTRICT RECOMMENDATIONS

Increase the out-of-district special education cost rate to capture the total costs that districts bear before circuit breaker reimbursement is triggered. One example of how this might be done is to increase the out-of-district special education cost rate by an amount equal to the following:

\[4 \times \text{statewide foundation budget per-pupil amount} - \text{[statewide foundation budget per-pupil amount + out-of-district special education cost rate]}\]
SPECIAL EDUCATION

FBRC RECOGNITION

Average expenditure per pupil exceeds foundation budget, even upon adoption of recommendations, by $700 million*.

*Page 15 of the FBRC Report
Funding Progress in Massachusetts Has Eroded

Chapter 70 Aid doubled over first decade

...and has been cut $405 mil since FY 2002

Inflation adjusted using factor identified in CH70 law (Implicit Price Deflator for State and Local Government), 2019 $
CHAPTER 70 FUNDING FOR TWO SAMPLE DISTRICTS – 4 STEPS

Budgeted per pupil spending by revenue source, FY2018

<table>
<thead>
<tr>
<th>District</th>
<th>Foundation Budget</th>
<th>Total Actual Budget</th>
<th>Required Local Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worcester</td>
<td>$12,356</td>
<td>$12,495</td>
<td>$139</td>
</tr>
<tr>
<td></td>
<td>$3,520</td>
<td>$8,836</td>
<td></td>
</tr>
<tr>
<td>Southborough (K-8)</td>
<td>$9,239</td>
<td>$18,628</td>
<td>$7,682</td>
</tr>
<tr>
<td></td>
<td>$2,360</td>
<td>$8,586</td>
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</tbody>
</table>

- Extra Local Contribution
- CH 70 State Aid
- Required Local Contribution
Foundation Budget Undercounts Critical Costs by $2.63 Billion

Fiscal Year 2017

- **Health Insurance & Other Benefits**: $1.44 billion
- **SPED In-District Teachers**: $1.03 billion
- **SPED Out-of-District (net of Circuit Breaker reimbursements)**: $159 million

Statewide foundation budget & total spending, health insurance & other benefits, special education, FY 2017
Lower Wealth Districts Spend Nearly 30% Less Than Foundation on Regular Ed. Teachers

-27 percent

Districts clustered by community property wealth and income Per pupil spending on Regular Education Teachers, FY 2017
Foundation Budget is Substantially Less Than What All Districts Need, Wealthier Communities Can Spend More to Compensate

Districts clustered by community property wealth and income. Total district spending per pupil, FY 2017

Foundation Budget

Actual Spending

$12,308

$13,175

$13,338

$14,540

$17,315

Lowest 20%

Second 20%

Middle 20%

Fourth 20%

Highest 20%
FOUN DATION BUDGET REVIEW COMMISSION

• In 2014-2015, MA legislature convened a commission to review critical issues in school finance

  • Legislative leaders, teachers unions, school administrative organizations, and educational nonprofits

  • Reviewed Chapter 70 foundation budget and offered suggestions for improvements.

• Key findings (October 2015)

  • Update health care, special education assumptions
  • Additional funds for low-income and English-learners to support multiple effective interventions
  • Cost for solutions potentially $1B in new school spending
The Impact by District on Health Insurance and Special Education Spending
Health Insurance

Budget Gaps
Health Insurance

$8.2 million Gap

- Already Changed Contribution Rates
- Already Changed Co-Pays and Deductibles
Health Insurance

$20.7 million Gap
- Already Reduced Plans
- Already Changed Contribution Rates
- Already Changed Co-Pays and Deductibles
Health Insurance

$6.7 million Gap

- Changed Co-Pays and Deductibles
- Changed Contribution Rates
- Changed Plans
Health Insurance

$6.5 million Gap

- Already Changed Contribution Rates
Health Insurance

$6.1 million Gap
- Already Changed Plans
- Already Changed contribution rates
- Already Changed Co-Pays and Deductibles
Health Insurance

$7.7 million Gap

- Outsource Whole Departments
- Cut Staff to Reduce Costs
Special Education

Budget Gaps
Special Education

$7.4 million Gap

- Expanded in house services for autism
- Clear and explicit entrance and exit criteria
- Internal speech, vision, and OT services

* Excludes employee benefits / fixed charges
$13.7 million Gap

- Developed In-District Autism Program to Reduce Out-of-District Placements

- High Use of Lower Cost Special Education Collaborative Programs
Special Education

$13.7 million Gap

- Developed Programs to Bring Out of District Placements to Lower Cost In District Programs
- Increased Inclusion Practices

* Excludes employee benefits / fixed charges
Special Education

$9.1 million Gap

- Additional Use of Special Education Collaborative Programs
- Programs Brought In-District
- Increased Participation

* Excludes employee benefits / fixed charges
Special Education

$11.2 million Gap

- Expanded in district substantially separate programs
- High use of lower cost Special Education Collaborative placements

* Excludes employee benefits / fixed charges
Special Education

$4.8 million Gap

- Built New In-House Programs to Keep Out of District Placements Low
- Implemented Data Driven Process to Reduce the Use of Paraprofessionals and Increase Inclusion Practices

* Excludes employee benefits / fixed charges
# Tale of Our Cities

## Combined Foundation Budget Gaps

FY17 Spending Compared to FY17 Formula

($ in millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Chelsea</th>
<th>Lynn</th>
<th>Malden</th>
<th>Revere</th>
<th>Salem</th>
<th>Saugus</th>
<th>Combined</th>
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</thead>
<tbody>
<tr>
<td>Health Insurance</td>
<td>$8.2</td>
<td>$20.7</td>
<td>$6.7</td>
<td>$6.5</td>
<td>$6.1</td>
<td>$7.7</td>
<td>$55.9</td>
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<tr>
<td>Special Education</td>
<td>$7.4</td>
<td>$13.7</td>
<td>$13.7</td>
<td>$9.1</td>
<td>$11.2</td>
<td>$4.8</td>
<td>$59.9</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$15.6</td>
<td>$34.4</td>
<td>$20.4</td>
<td>$15.6</td>
<td>$17.3</td>
<td>$12.5</td>
<td>$115.8</td>
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Not including funding for other FBRC Items:
- ELL student funding based on add on rate
- Additional funding for low income students
OTHER AREAS OF THE FBRC

• **Low Income:** The FBRC recommendation was to increase the increment to 50%-100% of extra funding. The Mass Budget and Policy Center Report* uses an increase in the increment of 70%.

• **ELL Increment:** The FBRC recommendation is to change the per pupil rate from a fixed rate to an increment similar to the increment for low income students. The FY19 final state budget converted the rate to an increment (although different than the FBRC proposal)

*Recommendation of Massachusetts Budget and Policy Center (Report (2018). The actual FBRC recommendation was to increase the increment for districts with high concentration of low income students but left the exact calculation of each low income calculation to legislative action.*
IMPACT OF THE FUNDING GAPS

IF $116 MILLION MORE IS SPENT ON HEALTH INSURANCE AND SPECIAL EDUCATION THAN THE FORMULA PROVIDES, HERE IS THE DIRECT IMPACT ON THE DISTRICTS
Foundation Budget Gaps:
FY17 Chelsea Analysis

- Administration: $3,177,906 - $3,514,331
- Operations & Maintenance: $6,593,076 - $9,636,308
- Teacher PD: $2,636,463 - $1,373,088
- Instructional Materials: $2,592,141 - $3,502,835
Foundation Budget Gaps:
FY17 Chelsea Analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual Spending</th>
<th>Formula Provides</th>
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</thead>
<tbody>
<tr>
<td>Special Education Aides</td>
<td>60</td>
<td>28</td>
</tr>
<tr>
<td>Special Education Teachers</td>
<td>80</td>
<td>46</td>
</tr>
<tr>
<td>Non-Special Education Aides</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>Non-Special Education Teachers</td>
<td>332</td>
<td>511</td>
</tr>
</tbody>
</table>

179 Teacher gap
Foundation Budget Gaps: FY17 Lynn Analysis

Administration*
- Actual Spending: $6,232,185
- Formula Provides: $7,942,049

Operations & Maintenance
- Actual Spending: $2,716,829
- Formula Provides: $16,632,692
- Total Budget: $22,035,719

Teacher PD
- Actual Spending: $3,539,439
- Formula Provides: $3,117,057

Instructional Materials
- Actual Spending: $8,971,242
- Formula Provides: $8,971,242
Foundation Budget Gaps: FY17 Lynn Analysis

- Special Education Aides: Actual Staffing = 78, Current Formula = 222
- Special Education Teachers: Actual Staffing = 125, Current Formula = 223
- Non-Special Education Aides: Actual Staffing = 56, Current Formula = 119
- Non-Special Education Teachers: Actual Staffing = 1,035, Current Formula = 1,389

Paraprofessional gap: 63
Teacher gap: 354
Foundation Budget Gaps: FY17 Malden Analysis

- Administration
  - Actual Spending: $2,581,299
  - Formula Provides: $3,688,498

- Operations and Maintenance
  - Actual Spending: $6,329,249
  - Formula Provides: $9,579,796

- Professional Development
  - Actual Spending: $177,290
  - Formula Provides: $1,364,669

- Instructional Equipment and Tech
  - Actual Spending: $1,641,343
  - Formula Provides: $3,841,544
Foundation Budget Gaps: FY17 Malden Analysis

Special Education Aides
- Actual Staffing: 34
- Formula Provides: 106

Special Education Teachers
- Actual Staffing: 55
- Formula Provides: 170

Non-Special Education Aides
- Actual Staffing: 49
- Formula Provides: 52

Non-Special Education Teachers
- Actual Staffing: 390
- Formula Provides: 580

190 Teacher gap
Foundation Budget Gaps: FY17 Revere Analysis

Revere Public Schools

- **Administration**: $2,882,402 (Actual) vs. $3,604,273 (Formula)
- **Operations & Maintenance**: $7,916,717 (Actual) vs. $9,379,499 (Formula)
- **Teacher PD**: $533,270 (Actual) vs. $1,336,471 (Formula)
- **Instructional Materials**: $1,645,494 (Actual) vs. $3,749,482 (Formula)
Foundation Budget Gaps: FY17 Revere Analysis

Revere Public Schools

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual Staffing</th>
<th>Current Formula</th>
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</thead>
<tbody>
<tr>
<td>Special Education Aides</td>
<td>34</td>
<td>103</td>
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<tr>
<td>Special Education Teachers</td>
<td>55</td>
<td>104</td>
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<tr>
<td>Non-Special Education Aides</td>
<td>37</td>
<td>52</td>
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<tr>
<td>Non-Special Education Teachers</td>
<td>430</td>
<td>577</td>
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</table>

147 Teacher gap
Foundation Budget Gaps: FY17 Salem Analysis

- Administration*: $2,707,466 ($2,211,711)
- Operations & Maintenance: $3,798,149 ($6,061,263)
- Teacher PD: $494,371 ($852,221)
- Instructional Materials: $1,009,353 ($2,593,471)

Legend:
- Actual Spending
- Formula Provides
Foundation Budget Gaps: FY17 Salem Analysis

- Special Education Aides: Actual Staffing 21, Current Formula 116
- Special Education Teachers: Actual Staffing 34, Current Formula 112
- Non-Special Education Aides: Actual Staffing 19, Current Formula 31
- Non-Special Education Teachers: Actual Staffing 323, Current Formula 368

45 Teacher gap
Foundation Budget Gaps: FY17 Saugus Analysis

Administration
- Formula Provides: $1,319,296
- Actual Spending: $1,221,001

Operations and Maintenance
- Formula Provides: $3,120,180
- Actual Spending: $2,984,420

Professional Development
- Formula Provides: $443,915
- Actual Spending: $162,654

Instructional Equipment and Tech
- Formula Provides: $730,316
- Actual Spending: $1,456,582
## Foundation Budget Gaps: FY17 Saugus Analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual Staffing</th>
<th>Current Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Education Aides</td>
<td>12</td>
<td>74</td>
</tr>
<tr>
<td>Special Education Teachers</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>Non-Special Education Aides</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Non-Special Education Teachers</td>
<td>153</td>
<td>176</td>
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</tbody>
</table>

23 Teacher gap
FINDING THE SOLUTION

INCREASE IN CHAPTER 70 WITH FULL FUNDING OF THE FBRC: HEALTH INSURANCE, SPECIAL EDUCATION, ELL AND LOW INCOME

<table>
<thead>
<tr>
<th>City</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chelsea</td>
<td>$21.5 million</td>
</tr>
<tr>
<td>Lynn</td>
<td>$47.1 million</td>
</tr>
<tr>
<td>Malden</td>
<td>$18.2 million</td>
</tr>
<tr>
<td>Revere</td>
<td>$19.4 million</td>
</tr>
<tr>
<td>Salem</td>
<td>$10.5 million</td>
</tr>
<tr>
<td>Saugus</td>
<td>$4.5 million</td>
</tr>
</tbody>
</table>

Combined: $121.2 million


Statewide Increase: $1.8 billion
CALL TO ACTION

As described by our state Supreme Court in its interpretation of our state Constitution 25 years ago: "What emerges...is that the Commonwealth has a duty to provide an education for all its children, rich and poor, in every city and town of the Commonwealth at the public school level, and that this duty is designed not only to serve the interests of the children, but, more fundamentally, to prepare them to participate as free citizens in a free State to meet the needs and interests of a republican government, namely the Commonwealth of Massachusetts".*

* Massachusetts Department of Elementary and Secondary Education.
"McDuffy Case Reports." pgs. 3-4