

## **Fiscal Policy Work Group - Commission to Study School Funding**

### **Notes 10/13/20 10AM**

Attendees: Dave Luneau, Chris Dwyer, Mel Myler, John Beardmore, Bill Ardinger, Rick Ladd, Mary Heath, Dick Ames, Jay Kahn. Also in attendance: Jordan Hensley, Bruce Mallory, Alice Peisch, Aiden Church. 14 public attendees.

Just after 10am Dave Luneau called the meeting to order and called the roll.

Discussion began on Massachusetts' Chapter 70 school funding system.

Alice – legislation passed just over a year ago reformed legislation initially passed in 1993 following a Commission study. The prior formula was found to in some areas not reflect reality – while the 1993 formula was indexed to inflation (regionally), and that was updated as well as reflecting the costs of healthcare. Spent the most time on the component/additional increment for low income students. The number of low income students has a significant impact on how much funding is available – the initial formula provided the same amount of money per low income student regardless of community type, and the Commission recommended that increment be more in those communities with higher percentages of low income students. Spent a lot of time on that issue trying to figure out what was actually needed, and worked to try to get data to support what would ultimately pass, but there is not a lot of data available. Divided into 13 or so groups, in the poorest areas it doubles the foundation number. Trying to figure out each item of education costs and then factor upward based on various characteristics. Original formula had less money for English learners as HS students vs others, but it is actually easier to teach younger students English than older students. Did what they needed to do to pass, as it is expensive. A 7 year phase in, but started bringing in pieces of the implementation even before the main update since there was a recognition that it would pass. Still working to pass an FY21 budget, but revenues are falling due to COVID. The student opportunity act only reformed the foundation budget part of Ch 70, but did not change the distribution formula. That piece is a function of the capacity of the district to fund (last changed in 2007). A lot of districts felt that the formula did not treat similarly situated communities the same based on faulty assumptions in 1993. That formula says that the LEAST amount a district will get is around 17% of foundation budget, while in poorest communities get 90% of foundation budget. Found however that wealthy districts spent much more than foundation budget while poorer districts spend just at the foundation budget level.

Dave – which fiscal year was the first year of the 7 year implementation plan? Alice – this year, FY21. Dave – You talked about the components that go into student weights, are there others besides student income and ELL? Alice – I don't think so, those are the two really significant ones. Dave – special education? Alice – formula has always provided more for special education, but assumptions were that 1% of students require substantial additional services and for the most part those are via out of district places. While 1% varied from place to place, across the state is was accurate. Did increase slightly the percent of students that receive services in district. Not

significant enough overall to increase spending relative to total costs. Dave – so in both those cases, are those factored into formula or are they categorical? Alice – they are in the formula, however, in addition to Ch 70 we have a separate source of funding referred to as a circuit-breaker that reimburses districts for 75% of the amount spent on the student that is roughly 4X the foundation budget amount. That is not needs based, which is why it is not part of Ch 70. As part of the legislation, transportation had not previously been included but was added to that formula to include transportation (to be implemented over the course of next 4-5 years), although questions about whether that funding will be available this year. May have to do some kind of revenue increase to handle that. Dave – notwithstanding the fact that we are in a year no one predicted in terms of funding, the idea is that funding increased 1/7 each year until fully implemented? Alice noted that it was state share of funding.

Dick – Two questions: one is on the extra for FRPL/low income students. We have talked a lot about this as well. As I heard it, you are using a concentration measure so that a school district with a very high % of low income kids gets roughly twice what a district with a low concentration receives. We have been looking at doing it more based on the number of students – have a high weight but regardless of concentration. Could you comment why you chose to go down that road? Alice – the initial 1993 legislation had the same amount regardless of the number. Our Commission's research found that in districts with high concentrations of low income students the supports needed were greater and therefore more funding was needed for those students. But leave it to the districts as to how they want to spend the money, which was another contentious issue. Not sure we ended up with a great solution to that issue, but bottom line is districts all have to submit plans on how they are spending to commissioner of education, who can send it back if he believes it is not sufficient. Dick – sounds like it was a mixture of common sense and research that supported the concentration approach. Alice – the commission issued a report in 2014 that has more specific details. Dick – Two, a number of us are interested in the local required minimum contribution that you alluded to previously. Once you make a calculation of how much a town needs to raise, is that a bill that goes to the local taxing authorities to raise? Alice – sort of. The department every year runs the numbers and figures out what the foundation budget is for that district and then create a minimum contribution, which gets complicated. Have this other element where no community ever gets less than they did before, DOE looks to see what is appropriated by each community and if it is not equal to 95% of what they are required to provide the Commissioner can withhold state funding. Has rarely happened – the commissioner notifies the community and the community generally responds appropriately.

Mel – my question goes back to FRPL funding, sounds like an attempt to get accountability to how funds are spent. Is there any follow up from the department to those school districts on how those plans are being implemented/accountability in spending? Alice – this calendar year is the first year that those reports were required. Needed to be submitted by last March, but given COVID deadline has been extended several times. Deadline is now Dec or Jan, recognizing that it is difficult to come up with a plan now and that execution would be difficult.

Mary – I like the name, Student Opportunity Act, and like the authority DOE has. NH DOE has weaker authority in terms of district plans and authority it carries. How has that worked in MA? Also want to compliment MA on being the number one achieving state. Alice – We in response to the “Race to the Top” program passed legislation in 2010 which gives the Commissioner the authority to intervene or take over districts if performance is at a certain level, based on testing. Have to read the new legislation with that. With respect to these plans, we will have to see the degree to which the Commissioner determines there are any not as robust as they should be. No ability to withhold funding based on plan, but has some authorities he could use if a district needed to change its plan to meet statute or if they ignored it.

Dave – are there situations where the district might not be able to appropriate the amount? Alice – so far no, the distribution formula takes into account ability to pay. Having said that, we have a property tax cap bill that has two pieces to it: municipalities cannot raise taxes more than 2.5% plus new growth without a referendum, and that the total levy in a municipality cannot exceed 2.5% of total assessed value. Used to be considered a very high cap, but some communities in rural parts of the state are bumping up against that ceiling. Part of bill passed last year created a task force to look at a variety of things, including identifying communities that will not be able to meet their requirement because of that cap and looking at the distribution formula to see if it is working as intended.

Bill – Our national consultant, AIR, has held out MA as one of the model states because it shows that MA has total spending resources correlated with a measure of need/income. They call that progressive, vs in NH where over 80% of state aid goes out without any differential and suggested that is more a more regressive distribution. MA per pupil is spending well north of \$19k/pupil (like NH), but the foundation budget is around 12 or 13k per pupil. Could you talk about why \$12k instead of something setting a total spending average closer to the state and how you came to that number? Alice – has to do with the fact that we do not limit what a district can spend. Developed the foundation budget by looking at the elements that make it up and looking at the costs incurred by districts. Adjustments were made (biggest being health care) and changing the low-income increment. Over time as this is implemented, I think you will see the foundation budget getting closer to what is actually being spent. We have districts with high percentages of low-income students but are wealthy communities (Boston, Cambridge), but the performance of their low income students is not good. Trying to achieve two goals: to ensure that each district has enough funding to provide what is necessary to students and some mechanism to ensure that money is spent in a way that benefits students. Bill – another structural question. NH total spending for education constitutes about 31-32% of money spent on public education. Looking at FY19 an FY20 MA had around 38% state budget dollars to the cost of education. As you talk about the phase in, what is the target as to the right percentage of the total spending the state budget contribution should be? Alice – not targeting any particular percentage. Kept referring to the state constitution, which requires that students receive a free and adequate education. Looked at it much more as the state picking up what communities could not, but not a target share. In everyone’s interest for the state to have a good educational system.

Dave – what has Ch 70 done/do you anticipate its impact on local education property tax rates to be? Alice – The communities that were the most challenging in terms of support for the bill were those that spend just at the current foundation (most spend above), so raising the foundation budget doesn't mean that most communities will spend more. But there are exceptions. In an effort to mitigate that additional funding from those communities, adding special education transportation, the hold harmless provision, and established a minimum increase of \$30/student per year. At the end of the day that undermines the distribution formula but that was how to get support from those communities' legislators. Dave – is that increase tied to the regional inflation index? Alice – no, that has always been there. This is additional.

Chris – This is about the wage adjustment factor and its importance, does that make a big difference? Could it be gamed by districts? Alice – the reality is that there are a handful of people in state who understand the foundation budget formula. The bottom line is that legislators look to see the total amount their district is getting and it goes from there. Wage adjustment is important in keeping the formula accurate/reflecting reality. Because it is regional some places get a windfall (truer in rural areas) but the people who represent those areas are likely unaware of that. Vital to the integrity of the formula but it isn't gamed because people aren't that familiar. Chris – I did go into the federal database to look at individual schools, and while we haven't considered a wage adjustment factor it is important. Impacts the revolving door in some districts and teacher retention. Dave – are teacher's salaries by district? Alice – yes, same thing in MA.

Mel – On the politics of getting this passed—one of the concerns I have expressed is moving to “our kids” from “my kid”, and you mentioned earlier making sure you have an educated workforce to meet the economy of the state. How did you deal with the issue of moving the focal point of legislators beyond their district and look at how it impacts all students rather than just ones in their districts? Alice – credit goes back to the 1993 formula, when the state moved from total district control to state standards/assessments. That debate moving to helping everyone was driven by a lawsuit and the supreme court essentially ruled that you had to provide a baseline adequate education and with that backdrop as well as a very active business community promoting this. Mel – in this state we have strong academic standards, but funding does not recognize disparities in outcomes in some districts vs others and that one thing we might want to look at is ensuring that outcomes regardless of zip code have some equity especially as it relates to places that do not have the outcomes desired/resources. Alice – in 1993 has been termed a “grand bargain” raising standards in exchange for increased state funding. Impetus for review recently is the fact that there are still places with gross inequities. Floor in MA has risen, but the gap has been significant.

Rick – Two questions: one is the issue of accountability and measured outcomes. Also about the NH DOE not having the ability to hold districts accountable. We use achievement to measure outcomes, as well as attendance and graduation rates. Along with achievement also looking at growth of students. Are you using any other indicators in MA besides achievement? Alice – a separate conversation, something we have been discussing for years. Our districts are ranked 1-3, and growth in one part of measuring that rank. Within 3 there are 4 and 5 level districts, which is the lowest 20%. Rick – second question: hold harmless worries me. A number of districts here

that in a state of flux/going through changes. Through our formula we have held them up with this hold harmless/stabilization. Are you fearful that this may become rather than a temporary fix this could become permanent? Alice – yes and no. When you look at the Business/Education Alliance, the amount the hold harmless provides relative to the rest of the formula is small. We will continue to have it, but not so large that it will undermine the rest of it. Also important to point out that last year's legislation also created a commission to look at districts with declining enrollment as a permanent state of affairs, and they may come out with some recommendations that get at this.

Dave – A couple of questions with respect to foundation budget/dollars that go into that. Could you talk a bit about what state dollars MA uses and how you see that changes over an implementation window? Alice – don't have direct dollars going to this, comes out of general fund. That was done in 1990s while economy was growing. Current tack is the same in 2020, which is that state has the obligation and state will prioritize/commit to funding. Have not had to raise specific revenues to target dollars except that part of sales tax goes to reimbursement for school building construction. Looking forward I doubt we will raise revenue targeted to Ch 70 but would not surprise me if revenues were raised generally to meet the state's needs. If we had included a revenue increase in the bill it would not have passed. Dave – the mandatory local minimum – is that applied toward the foundation budget? Alice – yes, it is a function of the foundation budget. Districts have to pay a % of foundation budget, with the state providing balance. Dave – are mandatory minimum contribution considered a state tax? Alice – No, local dollars toward foundation budget. Dave – so depending on needs of community could range from 17 to 90%? Alice – correct.

Jay – understanding the local contribution as non-state money is important. What is the total spending in MA? Aiden – Ch 70 makes up vast majority, roughly \$5.5 billion. State contribution is about 40% of total foundation budget, but some districts spend above that. State share \$7billion. Total spend higher.

Chris – You must have uniform requirements related to valuation. Because personal wealth is part of that, do you treat residential property differently when determining value? Alice – not entirely sure, believe that the assessed value of all the property in the district is looked at to determine property values. Communities can choose whether they want to tax at the same rate. Many districts feel that is unfair, people on the Cape don't like that expensive summer homes make them look wealthier than they are. Income was added about 15 years ago, calculated by DRA.

Dave – Currently districts across the state (MA) are spending around \$19k/student, though some are much higher. Talked about Ch 70 going from 12-13k to over time more towards the actual spend. What is the timeline for that and how would that affect the state share of the foundation budget? Alice – Health care is a perfect example – not shifting dollars toward health care but just paying it. Now that foundation takes that into account, changes to the foundation budget over the next 7 years will bring spending and foundation closer together. Some districts will decide to spend more but in terms of dollars that have to be spent to deliver education you will see less of a gap.

Bill – How does the process you’ve been going through view the policy impact of local control, local tax decisions, local budgeting decisions? Have talked about “strings attached” in terms of what money should be spent on. Clearly the local control aspect of education has not produced horrible results statewide in MA or NH, but how does that come up in your discussions there?

Alice – Local control always comes up, and there is a fine line that we have trod. As the state puts more and more money in it is more difficult to say it will be a blank check to communities but those that are fighting for the local – it’s interesting, there are some who would like to see the state impose more requirements because then they aren’t the bad guys – the teachers unions are strongly opposed to the accountability aspects and sometimes local control is the argument made there. There isn’t an easy answer, it’s an ongoing tension and that is why the legislation was a compromise where a plan had to be submitted, but what happens if 10 bad plans are submitted?

Dave – really interesting question, and we have had a few tangential discussions about this. At the intersection of fiscal policy and adequacy, and it may be worth trying to get state scan data on this, perhaps AIR could help us look at if there is a correlation between state vs local share and outcomes. Bill – you mentioned adequacy, one of the great things about the 1993 McDuffy ruling was that the court expressly rejected adequacy. MA is a model – high quality, high spending per pupil, have addressed dollars towards poorer communities. You see in New England local control and funding is a tradition, and you see a correlation between quality measures and local control. Dave – Agreed, something we can check in with AIR about.

Rick – with monies that come from the state for education, are those targeted towards specific elements or can a district use it however they want within broad boundaries? Alice – Ch 70 has no specific requirements. Funding levels tied to many very specific items, but spending is flexible. While there is no requirement about spending, if outcomes are poor state could come in and take over. If there are poor results there are consequences. I myself am somewhat frustrated that we don’t have more targeted requirements on funding, pointing to districts that spend a lot of money but whose low income students do not perform well. Hoping that there is such a bright light on what happens here results in money going where it should. It is the local aspect of it, because when we have discussions about this the argument goes to local districts knowing the best way to spend money on their students. Some truth to that but also enormous resistance to change and supporting the status quo.

Dave – one of the things NH is considering and this Commission has taken the charge on is modeling funding on equitable outcomes rather than the cost of inputs. Is that something you considered during the Ch 70 discussions? Alice – Yes. One of the things we spent a lot of time on is data that shows 4 quadrants with high/low spending/performance, showing what districts are getting for their money. We didn’t have the data. Legislation requires more data collection. One district in particular has a very high concentration of low income students but outcomes are very good, and trying to see what they are doing. Appears that they are paying teachers better, and as a result have less turnover, and class size is viewed as the holy grail and in that district they have sacrificed class size to maintain high quality teachers. That is a controversial approach. But a view that paying for teachers and supports with somewhat larger class sizes works better than focusing solely on class size. Something to pay attention to as data is collected, as well as

other approaches proven to be effective. Bill – some current lawsuits in education focus on teacher turnover.

Jay – The \$18 billion in spending, \$7b from the state. Portion coming from local is funding a foundation amount. In our model presented to us, the constant/foundation amount is about \$6k/student, because it is all the other factors (weights) that cause the rate to go up. We're very much alike in the factors using, but MA has an input model whereas this Commission is looking at outcomes. Conversation about teacher salaries and retention is good because it associated a funding factor that would help in more impoverished districts where students need more assistance. I sense that we are in comparable frames, but NH is not funding equally an amount at the local level. For tax policy purposes, what we do to raise some comparable amount across the board is a major decision for our group. On transportation – what was the idea behind the distribution in a non-across the board/foundational way? Alice – Transportation was only relative to out of district placement for special education students. Have a program already that reimburses significant amount of out of district placements. In many cases transportation can cost as much as tuition, but have amended that program to include transportation costs. At end of the day will be a 75% reimbursement for transportation and tuition in excess of \$40,000.

Some further conversation was had on transportation and how it is outside of the foundation budget in MA.

Dave thanked Alice and Aiden for joining the Commission.

Dave then addressed the schedule moving forward, including an extended Commission meeting next Monday 10/19. Some further discussion was also had around Commission language and final product moving ahead.

**Questions placed in Q/A Box** (not addressed during the meeting)

Anonymous Attendee 10:22 AM

So, Was there an overall increase in the funding of education and, if so, how much, or a redistribution of existing funding or, both?

Anonymous Attendee 10:34 AM

What is the general profile of a community that might get a warning from the Commissioner? Poorer or wealthier? Might it be both?

Fred Bramante 11:31 AM

With extra funding to poorer districts, do they take the money and spend some on education, some to reduce property taxes, and some to purchase often delayed community needs?