

2004 Legislative Priority

Financing Public Education



Massachusetts created the concept of public schools and "gave them to the world." In so many other respects, the state boasts a tradition of supporting a strong social safety net that includes significant innovation in human services, public health, and public schools; in short, public policy makers have always invested in the full spectrum of public services.

At the local level, this investment in services also meant relying heavily on property taxes. When Proposition 2 1/2 went into effect in 1981, not only were property tax revenues in aggregate and annual growth strictly controlled, but also a significant measure of responsibility for underwriting public education shifted to the Commonwealth.

During the economic boom of the mid-late 1990s, the legislature responded actively by increasing appropriations for public education at unprecedented levels. However, by 2001, the current recession cut hard into state revenues, and neither general state aid for education under Chapter 70 nor several critical programs in separate budget line items (transportation reimbursement, early education, and charter school remediation funds, for example) grew. In fact, each was reduced significantly.

Advocates for public schools—MASC among them—have had to battle annually for sufficient state funds to meet a growing list of mandates. Foremost among them is responsibility for unreimbursed costs for special education. Students are legally entitled to services under state and federal laws, including the Individuals with Disabilities Education Act, none of which has ever been fully funded in the letter and spirit of their original intent. As a result, school districts must fill the gaps to cover costs of special education services for students who have a right to them. The all-too-often result is that cities, towns, and regional districts must compensate by reducing allocations to other programs.

The implementation of the reauthorized Elementary and Secondary Education Act, also known as "No Child Left Behind" haunts and will continue to haunt every School Committee, administrator and teacher as a regulatory nightmare unparalleled in our lifetime. The federal legislation has been dramatically underfunded since it was passed two years ago. Under this law, there are more than four dozen ways that a school can be determined "underperforming" even though Massachusetts public schools outperform most American schools. Our colleagues in other states have estimated that it costs states \$4-\$5 to implement the law for every dollar received from federal funds.

Not only is the funding structure problematic—so is the timing for critical budget decisions. Most school districts have to finalize their FY05 budgets in time for spring Town Meetings or for timely submission to mayors and city governing boards. Most School Committees will finalize their operating budgets within two or three weeks from this date. Because the only figures available to them have

been local aid estimates based upon those proposed by the governor or informal signals from legislative leaders, it remains critical that legislators not to undermine the work already done by providing less local aid than that already recommended.

This is where school leader advocacy efforts become so important.

CHAPTER 70 AID AND THE FOUNDATION BUDGET

The Chapter 70 funding system has numerous critics and proposals for change range from wholesale recrafting of the formula to strategic "fine tuning." The central themes are for adequacy and equity: funding that is adequate to meet the needs of every district, respectful of the ability to pay, and equitable to ensure that the full Chapter 70 appropriation is distributed fairly throughout the state. These themes are virtually timeless within the scope of public finance policy. While the "adequacy" question can be resolved with an increased appropriation – something easy to conceive but difficult to fulfill given the realities of the economy, the problem of finding a truly equitable distribution system demands solomonic wisdom and patience. Today, the intensity of the debate is exacerbated by the ongoing economic crisis.

REGIONAL SCHOOL TRANSPORTATION

Three years ago, regional school transportation was funded at 100%. In FY04, those funds were not only slashed below one-third of actual costs to districts, but the reduction was enacted after many districts had finalized their FY04 budgets. Funding for other school transportation costs was eliminated as well. Among the results of these funding cuts was the imposition of fees for transportation in more than one-third of Massachusetts school districts. It is essential that these funds be restored.

SCHOOL BUILDING ASSISTANCE

More than 370 new construction and projects are in progress, slated for construction, or awaiting funding on the waiting list for the state School Building Assistance program. This program is costly, but it represents a commitment to maintain and renew aging infrastructure of schools in many communities. Last year a freeze in new building and renovation projects was implemented, effective July 1, 2003.

MASC applauds Governor Romney and the collaboration of State Treasurer Cahill and the House Ways and Means Committee for proposing a system of financing and construction reforms. While full details are still to come, we believe that any effective solution must involve a master plan that includes:

- Establishment of a non-partisan entity to oversee the School Building Assistance Program.
- Extending the period during which projects will be bonded to spread costs over a more reasonable period.
- Committing a dedicated funding stream to support the program to ensure predictability of revenues.
- Execution of all current and planned projects currently on the waiting list to completion at the rates of reimbursement in effect at the time of approval.
- Reconceptualization of a new approval system that is clear and well defined so that new projects may be submitted for approval.
- Construction reforms to allow more reasonable cost control.

REVENUE GENERATION

Revenue Enhancement. MASC members voted overwhelmingly to support restoration of the state income tax to its pre-2002 level in order to provide necessary resources for public schools.

Proposition 2 1/2. We recommend that the legislature consider removing several of the roadblocks to local revenue enhancement by making overrides of the Proposition 2 1/2 levy limit easier to achieve. Several methods have been proposed and we urge the legislature to consider them seriously, including allowing the amount of any real reductions in state aid to be added automatically to the community levy limit.

MASC recommends, for example, an increased ability for municipalities to raise revenue beyond the property tax, including local options for the proposed meals tax.

COST SAVING STRATEGIES

Charter School Expansion Moratorium. Perhaps no issue has so polarized Massachusetts communities than the grossly unfair system for financing charter schools. MASC has prepared separate and detailed position/informational papers with recommendations for implementing a temporary moratorium on new charter school approvals and expansions until a more equitable financing system is put in place and careful research is completed to study the effectiveness, social equity, and operational integrity of the state's Commonwealth Charter School Program.

Charter schools take millions of dollars away from local districts that must implement program cuts, assess fees upon its students or burden unreasonably the local taxpayers.

As the legislature entertains recommendations on further alternatives to public education funding, we caution strongly against the use of vouchers and their ideological relatives, tuition tax credits as similarly destructive to the financial stability of public schools. For more information on these issues, we encourage you to access the resources of the National School Boards Association at www.nsba.org.

Measures to Maximize Economies of Scale. We recommend that the legislature take steps to allow districts to collaborate more easily on projects to take advantage of economies of scale built on the successful model of educational collaboratives. These include:

- Incentives to authorize regionalization where communities find it to their advantage.
- Purchasing collaboratives to secure fuel, materials, and supplies.
- Shared professional services including professional development, resource development, and even administrative supervision.
- Health Insurance Purchasing. We recommend that the legislature explore a process by which individual districts may, if they wish, pool their purchasing power for group health insurance for employees. Most school districts participate with their municipal authorities in group health insurance purchasing. However, many districts are relatively small and may not enjoy the kind of purchasing power that a larger community can expect to negotiate. MASC has asked the legislature to consider authorizing the Group Insurance Commission to purchase health insurance for municipalities if this could generate a more powerful consumer enhancement.

Medicaid Revenues for Schools. MASC has filed legislation to return to school districts directly a greater share of the revenues generated by the provision of Medicaid services. Communities may be reimbursed by the Medicaid program for services that would be covered for students by the Medical Assistance program were they delivered by an external, approved Medicaid provider. Critical services subject to reimbursement include those for students who are clients of Special Education programs. Currently, reimbursements are returned to the city or town general funds in most cases and there is no requirement that these resources be allocated to the public schools. We also strongly recommend that measures to increase revenues should be matched with steps to ensure the protection of students by enhancing standards of confidentiality.

We also call to public attention efforts of federal policy makers to make it more difficult for public school providers to secure reimbursement for Medicaid clients, and we urge the legislature to speak out to members of the Massachusetts Congressional Delegation in opposition of this attempt.

Regulation, Paperwork, and Auditing. Last year, the "Municipal Relief Package" created several strategies for reducing the administrative burden and cost of complying with state laws and regulations. However, despite the consolidation of multiple reporting requirements into a single process, this reform has yet to go into effect. Moreover, we believe the administrative burden upon school administrators and districts will be ongoing. The federal No Child Left Behind Act, MCAS system, and requirements of the Education Management Audit Council have placed upon the public schools a multi-layered, inconsistent, and sometimes conflicting system of assessment systems.

We recommend that the legislature continue to monitor actively the effectiveness of municipal relief reforms to relieve the amount of time, energy, administrative talent, and educator diversion that goes into administrative obligations rather than direct educational services to students.

During the 2003 legislative year, MASC successfully fought off an attempt to allow municipal authorities to make cuts in school budgets during the academic year. We urge the legislature to avoid any measures that would force reductions in local school budgets once the fiscal year begins.

Impact of Early Retirement and Pension Reform. As we did last year, we urge the legislature to study carefully retirement and pension policy. On one hand, we face both the loss of significant numbers of educators to early retirement over the next 3-5 years. At the same time, we are confronting severe administrative and—in several disciplines—teacher shortages. As an organization that recruits highly qualified educators to our districts, MASC urges that the legislature enact pension reform that allows professionals returning from other states to reenter the public pension system under actuarially sound provisions and encourages individuals to remain in Massachusetts. Moreover, given the acute shortage of outstanding candidates for superintendentcies, we urge the legislature to consider further incentives to allow qualified individuals to return under reasonable and fair conditions to assume leadership positions, post-retirement, under appropriate, actuarially sound situations.

However, as we have also articulated for several years, we strongly recommend that the legislature commence a study to assess the overall impact of early retirement programs upon individual communities and school districts specifically as to how they relate to a) the cost of replacement of retiring staff; b) the status of retired staff who return to districts to fill gaps created by "emergencies" resulting

from unfilled vacancies; and c) the implications for communities and school districts in absorbing the cost of group health insurance costs for retired teachers and their families when the retiree leaves the job sooner and delays the period of Medicare eligibility for which the district must accept its share under municipal ordinance or collective bargaining agreements. MASC has also requested that the legislature study the impact of early retirements upon the state and local public pension funds to assess the actuarial soundness of such programs given the impact the current economic recession has had on returns on investment.

ADDITIONAL RECOMMENDATIONS

Linking High School Graduation to a High-Stakes Test. MASC has asked the legislature to identify the cost implications of linking high school graduation to the high-stakes component of MCAS testing and to suspend the graduation requirement until such time as more complete studies of appropriateness can be reviewed.

Be assured that MASC continues to support the concept of testing, assessments, and measurements of success as critical to the success of public schools. However, if state aid will not keep up with district costs, or if aid is actually reduced in real or constant dollars, we believe districts will lack the resources to provide students with the support they need to succeed at this time. Critical programs to improve teaching, including professional development for staff, supplemental programs, before and after school support, early childhood and full day kindergarten initiatives, for example, will be jeopardized.

MCAS Testing Program. Given the recent date of approval of the revised History Frameworks, the cost of purchasing new, aligned curriculum materials including texts, and the cost and administration of new MCAS tests for History and Science, we recommend deferring these examinations (History and Science) until the permanent Frameworks have been in place for at least four years to allow teachers to prepare and utilize the approved curriculum and obtain the aligned materials. Further, we strongly recommend that these tests be deferred until the current economic crisis passes.

MCAS and Special Education Costs. There is an additional cost implication for special education students who fail to pass the MCAS test. Students who meet all graduation requirements except the threshold grade on MCAS tests remain the responsibility of the public school district. In some cases, students with special needs or who have education plans in place as special education students but who do not pass the MCAS test because of their unique learning issues also remain the responsibility of the school district until they either achieve the required score or turn 22. The special education costs for these students who will now remain the fiscal responsibility of the school district for up to four additional years are substantial. Moreover, many students may be better served in other programs. Therefore, we propose that the legislature assess these costs immediately and rethink whether there is a legitimate reason to exempt certain special education students from the MCAS graduation requirement.

MCAS and Vocational Education. Regional vocational schools only have students in their schools for one full year prior to the administration of the tenth grade MCAS exam. Also vocational schools spend half of their curriculum time on academics and the remainder on vocational/technical education. For

these and other reasons, MASC strongly supports the legislation filed by the Massachusetts Association of Vocational Administrators to allow the attainment of a Certificate of Occupational Proficiency (COP) to serve as the graduation requirement for vocational students.

Special Education. The controversial methods for reimbursing school districts for the costs of students whose placements are extraordinarily costly once again pose a special challenge. We commend the legislature for implementing the "circuit breaker" program that replicates in some respects, the "stop-loss" concept utilized in the insurance industry. For FY 04 the legislature generously appropriated a significantly greater allocation that helped offset 20% cuts in Chapter 70 aid. However, because of several adjustments prior to the start of the year, the circuit breaker provided only about 40% of resources necessary to fund the program in full.

Coordination of Inter-agency Children Services. In addition to full funding of the circuit breaker program, we urge the legislature to take such steps as necessary to support and expedite the innovative concept of coordinating services among the several state agencies and public schools that serve students at risk. A special task force organized by the Executive Office of Health and Human Services and lead by EOHS Assistant Secretary and DSS Commissioner Harry Spence is currently working to streamline the coordination and delivery of services under a "single point of entry" umbrella. While still in the conceptual stage, this model could improve significantly the delivery of services to children and families and can result in significant savings. We strongly recommend that the legislature track developments for this initiative.