

**PUBLIC POLICY UPDATE FOR PUBLIC SCHOOLS**

**AN UPDATE ON THE STATE AND FEDERAL BUDGET PROCESS  
FOR THE FISCAL YEARS 2009-2011**

**INCLUDING:**

**HOUSE 1 AS FILED BY THE GOVERNOR**

**MASC LEGISLATIVE PRIORITIES**

**FEDERAL STIMULUS PACKAGE INFORMATION**

**MARCH 26, 2009**

**PREPARED BY THE MASSACHUSETTS ASSOCIATION OF SCHOOL COMMITTEES**

**ADVOCACY COMMITTEE**

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## **Education Proposals in Governor's House 1 and American Recovery and Reinvestment Act of 2009 (ARRA)**

The Governor's House 1 budget includes large cuts for higher education, reductions in funding for early education, and a restructuring of information technology for the Executive Office of Education. The Governor also keeps Chapter 70 education aid at the same level as FY 2009 for all school districts, which would mean that some districts might not meet their foundation budget in FY 2010. The federal stimulus package replenishes the funding to a great extent.

### **EDUCATION FUNDING**

<b>FY 2009 GENERAL APPROPRIATION</b>	<b>\$ 6,951,626,766</b>
<b>OCTOBER 9C CUTS</b>	<b>(101,499,032)</b>
<b>JANUARY 9C CUTS</b>	<b>(16,437,356)</b>
<b>CURRENT FY 2009 AFTER REDUCATIONS</b>	<b>\$ 6,842,702,738</b>
<b>FY 2010 FROM HOUSE 1</b>	<b>\$ 6,655,085,083</b>
<b>DECREASE FROM FY 2009 (-4.3%)</b>	<b>(296,541,683)</b>

### **OVERALL LOCAL AID**

<b>FY 2009 GENERAL AID APPROPRIATION</b>	<b>\$ 1,346,688,719</b>
<b>OCTOBER 9C CUTS</b>	<b>0</b>
<b>JANUARY 9C CUTS</b>	<b>(128,000,000)</b>
<b>CURRENT FY 2009 AID AFTER REDUCTIONS</b>	<b>\$ 1,218,688,719</b>
<b>FY 2010 (FROM HOUSE 1)</b>	<b>\$ 1,126,813,360</b>
<b>DECREASE FROM FY 2009 TOTAL (16.3%)</b>	<b>(219,875,359)</b>

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### **FEDERAL STUMILUS MONEY OVER NEXT 24 MONTHS**

<b>POTENTIAL TITLE I AND IDEA FUNDING</b>	<b>\$ 515,000,000</b>
<b>ADDITIONAL ALLOCATION FROM THE STIMULUS BILL'S STABILATION FUND FOR "EDUCATION":</b>	<b>\$800,000,000</b>
<b>MA FLEXIBLE BLOCK GRANT FUNDING THAT CAN BE AVAILABLE FOR RENOVATION AND REPAIR.</b>	<b>\$ 181,000,000</b>

## **WHAT IS THE IMPORTANCE FOR THE LONG TERM OF THE FEDERAL GOVERNMENT TO DRIVE INNOVATION AND COLLABORATION IN PUBLIC EDUCATION?**

Stimulus funds could transform federal role in education. The president wants to transform the federal government's role in education. Obama and Education Secretary Arne Duncan want schools to do better, seeing the sheer size of the stimulus bill makes it a once-in-a-lifetime chance to put lasting reforms in place by redefining the government's role from being about compliance with bureaucracy to one that drives the engine of innovation and change.

Stimulus funds can be used for rewarding states and school districts that are making big progress. To get the money, states will have to show they are making good progress in four areas: (1) **Boosting teacher effectiveness and getting more good teachers into high-poverty, high-minority schools;** (2) **Setting up data systems to track how much a student has learned from one year to the next;** (3) **Improving academic standards and tests;** and (4) **Supporting struggling schools.** Also, at the urging of Rep. George Miller, D-Calif., chairman of the House Education and Labor Committee, the fund sets aside \$650 million for school districts or districts in partnership with nonprofit groups. This could include charter schools or other programs with a track record of boosting achievement.

### **How can the federal funds be used and what is the impact for Massachusetts?**

The MA Budget and Policy Center reports the following:

General Stimulus Funds may be used to

- a) make up for cuts to K-12 education since FY 2008;
- b) fund increases in K-12 education dictated by existing school funding formulas; and
- c) make up for funding cut from higher education since FY 2008.

Massachusetts is not funding its elementary and secondary schools below the level that it did in FY 2008.

The existing Massachusetts education funding formula (Chapter 70) calls for increases of at least \$168 million in FY 2010 and probably that amount plus an additional increment of a comparable amount in FY 2011 (those are the amounts needed to allow every district to spend at the foundation budget level. ). In addition there were a series of reforms to the state education funding system adopted in FY 2007. The state has been phasing these reforms in, but has never put them into the general laws. It is unclear whether those reforms would appropriately be funded with this aid.

Public higher education spending in Massachusetts is approximately \$35 million below the FY 2008 level in FY 2009 and the Governor's FY 2010 budget is approximately \$142 million below the FY 2008 level. The same \$142 million gap would exist in FY 2011 with stable state funding. These numbers are estimates, as it is unclear exactly which forms of higher education funding should be counted under the language of the federal grant.

If Massachusetts were to use the Education Block Grant money to provide enough Chapter 70 aid to allow every district to fund at the foundation level in FY 2010 and FY 2011 and to maintain higher education funding at FY 2008 levels through FY 2011 the total cost would be approximately \$823 million (depending on the cost of funding the foundation budget in FY 2011). The federal grant also includes maintenance of effort provisions that could require modest additional state funds to ensure that the state not spend below FY 2006 levels for higher education.

**THE FEDERAL STIMULUS PACKAGE CRITICAL QUESTIONS– from MASC AND NSBA**

**THE FOLLOWING ARE IMPORTANT QUESTIONS THAT MUST BE ANSWERED BEFORE WE CAN MOVE FORWARD WITH A FULL UNDERSTANDING OF HOW THE STIMULUS PACKAGE AFFECTS SCHOOL DISTRICTS?**

- 1. WHAT ARE THE ACTUAL RULES FOR USING THE TITLE I AND SPED FUNDING? IN OTHER WORDS, HOW MUCH FLEXIBILITY OR RULEMAKING AUTHORITY DOES THE STATE HAVE IN SPENDING THIS MONEY. IF THERE IS FUTURE RULEMAKING OR REGULATION TO BE WRITTEN, WHO HAS THE AUTHORITY TO WRITE IT (FEDERAL OR STATE AGENCIES)?**
- 2. HOW WILL FUNDING BE USE THE FEDERAL FUNDING FOR RENOVATIONS TO SUPPLEMENT THE SCHOOL BUILDING AUTHORITY AND HOW WILL THE FUNDING BE APPROVED OR ALLOCATED?**
- 3. HOW WILL INCREASED MEDICAID FUNDING IN THE STIMULUS BILL AFFECT REIMBURSABLE SCHOOL SERVICES AND WHAT WILL BECOME OF THE EFFORT TO PROHIBIT ADMINISTRATIVE COST ALLOCATIONS IN MEDICAID BILLING?**
- 4. HOW MUCH OF THE APPROPRIATION WILL THE DEPARTMENTS OF ELEMENTARY AND SECONDARY EDUCATION, EARLY EDUCATION AND CARE OR HIGHER EDUCATION BE ALLOWED TO SKIM FOR ADMINISTRATIVE ALLOCATIONS AND DEPARTMENTAL OPERATIONS?**
- 5. WILL THE LEGISLATURE HAVE ANY ROLE IN OVERSEEING THIS ALLOCATION PROCESS OR SERVE AS A WATCHDOG TO ENSURE THAT FEDERAL FUNDING IS NOT USED FOR ADMINISTRATIVE EXPENSE RATHER THAN DIRECT SUPPORT TO SCHOOLS, STUDENTS, AND CLASSROOM INSTRUCTION?**
- 6. IF THE STATE EDUCATIONAL AUTHORITIES TAKE THE POSITION THAT THE LEGISLATURE HAS NO ROLE, WHAT INDIRECT STEPS OR POWERS DO LEGISLATORS HAVE TO MAKE INQUIRIES OR ADJUST STATE APPROPRIATIONS TO RECONCILE THE DIFFERENCES?**
- 7. WHAT ARE THE BEST WAYS TO RECONCILE THE NEEDS OF PUBLIC SCHOOLS WITH THE OTHER NEEDS OF OUR MUNICIPALITIES TO PROTECT IMPORTANT LOCAL SERVICES?**
- 8. IF THE FEDERAL REQUIREMENTS MANDATE THAT CERTAIN FUNDS BE USED FOR CAPACITY BUILDING OR INVESTMENT/INNOVATION PURPOSES, WHO WILL DEFINE THIS AND WHERE IS THAT REQUIREMENT ESTABLISHED?**

## WHAT'S ACTUALLY IN THE STIMULUS PACKAGE FOR PUBLIC EDUCATION:

The bill provides:

1. \$13 billion for Title I grants, of which \$3 billion is dedicated to Title I School Improvement grants;
2. \$12.2 billion for special education, of which \$11.3 billion is allocated for IDEA-Part B grants;
3. \$650 million is allotted for education technology;
4. \$70 million is proposed for homeless assistance to students;
5. \$100 million for Impact Aid;
6. **An extension of the moratorium to continue Medicaid reimbursement for school-based administration and transportation services through June 30, 2009; and,**
7. \$53.6 billion for state fiscal stabilization funding, of which at least 81 percent, or approximately \$40 billion, must be used to support K-12 and higher education with the additional requirement that, "Funding must first be used to restore State aid to school districts under the State's primary elementary and secondary education funding formulae to the greater of the fiscal year 2008 or 2009 level in each of fiscal years 2009, 2010, and 2011, and, where applicable, to allow existing formula increases for elementary and secondary education for fiscal years 2010 and 2011 to be implemented...."

The specific allocations for school infrastructure were removed in the Conference Committee report but the final version **allows use of general state stabilization funds for school infrastructure needs (e.g. modernization, renovation and repair).**

The conference report agreement "provides that school districts receiving Stabilization funds may only use the funds for activities authorized under:

- the Elementary and Secondary Education Act (ESEA),
- the Individuals With Disabilities Education Act (IDEA),
- **the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins), and**
- for school modernization, renovation, and repair of public school facilities (including charter schools), which may include modernization, renovation, and repairs consistent with a recognized green building rating system."
- The bill also includes the following tax-related provisions for school construction and modernization:

Qualified School Construction Bonds – H.R. 1 would create a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010).

Qualified Zone Academy Bonds (QZABs) – H.R. 1 would increase bond allocations for the existing QZAB program, from \$400 million annually to \$1.4 billion for FY 2009 and \$1.4

billion for FY2010. QZABs can be used to finance school renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in a federally designated empowerment zone or enterprise community, and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest.

### **Flexible Block Grant**

In addition to the \$39.5 billion in education grants, there will also be \$8.8 billion in flexible block grants, distributed in the same way as the education funds.

**This grant will likely provide Massachusetts with \$181 million that could be used for education, public safety, or other state services. The state may use some of these funds for modernization, renovation, and repair of primary and secondary school facilities as well as institutions of higher learning.**

**Massachusetts may apply for some of this money to use for central administrative functions, subject to the review and awarding of a grant by US DoE.**

## UPDATE ON HOUSE 1 – EDUCATION PROVISIONS

### ANAYLSIS FROM THE MA BUDGET AND POLICY CENTER

#### K-12 EDUCATION

The Governor's proposal to level fund all districts' Chapter 70 education aid at FY 2009 levels could put the state in violation of the Constitution if districts are unable to spend at their foundation budget levels. Since FY 2000, combined state and local education contributions have allowed every school district to reach its foundation budget (the amount the state defines as the minimum necessary to provide an adequate education). However, under the Governor's FY 2010 budget, increasing foundation budgets at the local level, combined with no increases in state aid, would mean that 153, or 47 percent, of the state's school districts will have spending requirements below their foundation budget.

**Governor Patrick has subsequently recommended to the legislature that \$168 million of the stimulus money be used to ensure that state Chapter 70 aid will be sufficient to bring every district to Foundation Budget requirements.** Further, the legislature may act relative to Chapter 70.

The state's Department of Elementary and Secondary Education (ESE) had estimated that the gap between required district spending and foundation budget is \$168 million statewide. This gap is based on a statutory inflation cap of 4.5 percent on costs; the gap would be larger if the 6.75 percent inflation rate calculated by ESE for FY 2010 were used. However, inflation has declined dramatically since the ESE's calculation, so the impact of the inflation cap should not be overstated. (Regarding the FY 2010 inflation index, ESE states: "All foundation budget factors have been increased by 4.5 percent. While the federal government's price deflator index for state and local government expenditures was 6.75 percent, Chapter 70 statutory language caps the amount at 4.5 percent." For more information, [check](#) the Department of Elementary and Secondary Education web site ).

While many school districts spend at a level above their foundation budget, a number of school districts, including Worcester, Lawrence, Chelsea and Winchendon, are in substantial danger of not spending at their foundation budget level in FY 2010. It is expected that federal education aid will be available in FY 2010. The administration has expressed hopes that such funds could be used to ensure that all districts meet their foundation budgets.

Other notable aspects of the House 1 budget in regard to K-12 include:

- \$10.1 million for MCAS remediation, a 25 percent cut from the FY 2009 GAA. MCAS remediation funds are used to provide tutoring and other services to students in danger of not meeting the state's MCAS graduation requirement;
- \$7.6 million in targeted intervention for struggling schools, a 17 percent cut from the FY 2009 GAA;
- \$215.9 million for the state's special education reimbursement system. This is a reduction of \$14 million from the FY09 GAA. The reduction was accomplished by eliminating earmarks and not funds used to directly reimburse districts for eligible costs;
- \$53.3 million for regional transportation, a 13 percent cut from the FY09 GAA. House 1 includes this funding in a new line item also intended to incentivize regionalism;
- House 1 proposes raising the cap on charter school enrollments to 12 percent for the lowest-performing school districts in the state; and, House 1 proposes changing charter school reimbursements so that the state will directly reimburse charter schools for capital costs as well increases in charter school tuition from the 2007-2008 school year.

## *EARLY EDUCATION AND CARE*

The Governor's House 1 budget recommendations include \$558.1 million for programs administered by the Department of Early Education and Care (EEC). This appropriation is \$32 million (5.7 percent) less than the \$590.1 million appropriation in the FY 2009 GAA.

The majority of the reduction in EEC spending is due to a \$22.6 million reduction in funding for child care access. These funds go to provide subsidized childcare for eligible families. Starting with the Governor's October 9C cuts, EEC has stopped extending these subsidies to eligible children on the waiting list when a slot opens up. Therefore, all children currently receiving subsidized child care will continue to do so as long as they remain eligible, but new funds are not expected to be made available for otherwise eligible children who are not receiving subsidies, aside from children in special need categories (such as children in referred to the Department of Children and Families). An additional \$5 million in supportive child care funding is included in the item to ensure that increased numbers of children in special needs categories can receive services.

In addition, the EEC is transitioning much of funding that had gone to Community Partnership Council (CPC) childcare programs to contracted subsidized child care slots. Due to line item consolidation, it is not possible to determine how much funding will continue to go to CPCs for subsidized childcare, but the state's Board of Early Education and Care has decided to move CPC funding to new contracted child care slots. House 1 funds the state's Universal Preschool program (UPK) at \$11.6 million, \$500,000 less than in the FY 2009 GAA. This funding level is expected to provide the same number of UPK grants as were provided in FY 2009. These quality grants are used to ensure that UPK classrooms meet school readiness and other standards developed by EEC.

House 1 funds grants to Head Start programs at \$9 million, a \$1 million cut from the FY 2009 GAA. State Head Start grants were cut by \$1 million through the 9C process. House 1 would continue these cuts into FY 2010. The Governor's budget funds family support and engagement services at \$8.5 million, a reduction of \$1.1 million from the FY 2009 appropriation. This reduction is consistent with the Governor's 9C cuts which eliminated \$1.1 million from FY 2009 spending by reducing the earmark for the Mass Family Networks.

## *HIGHER EDUCATION*

During the 9C process, the Governor implemented cuts of 5.5 percent from the FY09 GAA amount. The House 1 budget includes across the board cuts of 16.5 percent to each of the state's 26 state and community colleges as well as the University of Massachusetts, from their FY 2009 GAA appropriation. In total, the state's higher education system is funded at \$806.2 million, compared to \$965.9 million in the FY 2009 GAA. Such large funding reductions to state and community colleges, as well as the UMass system, will likely result in increased costs to students in the form of tuition and fees as well as reduced programmatic offerings. As the chart below indicates, historically cuts in aid to UMass have been associated with rising tuition and fees.

Aside from the cuts to campuses, the Governor's budget consolidates the state's higher education scholarship programs and funds them at \$100.4 million. This funding level is about \$1 million less than the FY 2009 GAA amount. By consolidating the items, the Governor asserts that scholarship funds that would otherwise go unclaimed could be transferred to other scholarships with higher demand. In current dollars, the Governor's Higher Education recommended spending falls \$440 million below the appropriation in FY 2001.

The current federal recovery bill that includes education aid requires that state's fund higher education, as well as K-12 education, at 2006 levels. The state would have to increase its higher education appropriation by approximately \$14 million to reach the FY 2006 level of support.

# **MASSACHUSETTS ASSOCIATION OF SCHOOL COMMITTEES**

## **CONFRONTING A PUBLIC FINANCE CRISIS - 2009**

### **INTRODUCTION – The Many Challenges of a Bad Economy**

As 2009 begins, school committees are confronting an array of challenges that jeopardize the future of public education. The events of recent months, including an economic recession and collapse of the financial markets have undermined the fiscal stability of the nation. Massachusetts joins most other states confronting mid-year budget deficits that increase with each quarterly accounting; the decline of capital gains and sales tax revenues; rising unemployment and the related loss of income tax receipts; and no clear indication that the end is in sight.

During what is shaping up as among the most pronounced declines of the past several decades, public schools and the professional associations that serve them are also threatened. The loss of revenue that will trigger inevitable budget cuts is only the first of many factors to consider. An uncertain economic future affects everything else: operations, politics, professional relationships, morale, and children and their families.

Some public policy makers and special interests will also find opportunity in a financial crisis. Of those concerned with public schools, many default to their own needs while others might seize the chance to force fundamental changes in the way public education operates. For some critics of public education, this is an opportunity to pounce.

All at once MASC and its members must address some of the following developments:

- We anticipate at best the freezing of state financial assistance, already insufficient, and, at worst, significant cuts in Chapter 70 education aid that is subject to the ability of the legislature to provide it.
- In this crisis, other important constituencies will compete for limited resources and demand public support to provide social services to children and families, badly needed help to senior citizens and others, public safety, environmental protection, and deteriorating public works.
- As students of public finance and “reform” all know, a recession is also an opportunity to take advantage of the fiscal emergency to push through major changes not always possible except in a crisis.
- In the name of economy, certain initiatives may be “pushed through” without the scrutiny required. As many suggestions and recommendations emerge, there is the temptation to reach for simple, general solutions to deal with crises. The discussions about district consolidations, regionalization, superintendency unions, and multi-departmental collaborations as well as inter and intra-community initiatives are among those that could change the delivery of public education for the long term.
- The public “complexity tolerance,” already strained to get a handle around the economic situation, will be further stressed to understand those important but complex principles impacting public schools.

- Similarly, adversaries of public employee unions – especially teachers’ unions – will grasp at the recession and its fiscal implications and pander to public opinion to make simplistic or even major changes in the name of efficiency as a camouflage for their distrust of labor.
- Other critics of public education are particularly well financed, using foundation money or their corporate resources to underwrite public relations campaigns. These resources are not available to public schools or MASC.
- At the heart of the regulatory problem is the two pronged nature of rule making delivered at both state and the more distant and unfathomable federal levels. The already grossly overregulated world of public education confronts the fiscal crisis as the volumes of rules, regulations, mandates, and tasks imposed by state and federal agencies continues to grow.
- During past crises, public administrators have often sought to silence advocates by striking at the vehicles established to promote public participation, involvement and engagement. The recent efforts to undermine community partnerships for children (CPCs) is just one example that is instructive at this time. Advocates for public schools should be wary of strategies that seek to restrict their voices or undermine or usurp their opportunities for participation. The recent effort among some national and state voices to divert the “campaign for the whole child” from an education focus to one of public safety is another example.

In considering how best to apportion relief and support, the governor and legislature must master and attend to dozens of different sets of public policy priorities. In such an emergency as we now experiencing, demands far outstrip not only the state’s ability to finance these areas, but also the ability of policy makers to master all the fine points of each field of public administration that special interests have already mastered. In other words, while we argue for school funding, advocates for everything and everyone else are also lined up at the State House door with their thoroughly legitimate pleas.

In these circumstances, administrative and legislative leaders rely on others to help navigate the unpredictable economic storm. Thus, “experts,” both true and self-proclaimed, join departmental leaders in acquiring greater influence. The pressing need to act quickly may diffuse the voices of passionate advocates who wish to protect or preserve what they have had and fear losing. In many instances, public education and other fields of public policy are subject to regulation and oversight by others who may lack actual, current, and meaningful, hands-on experience in the day-to-day challenges of the areas they oversee.

Public education advocacy is somewhat uniquely disadvantaged in this environment. Its constituents, namely children and their families, do not see or feel directly or quickly the effects of budget cuts – these happen more slowly and gradually. The connection of day-to-day classroom experiences with a funding crisis is a distanced one. When parents mobilize to address a school issue, it is more often with the school committee, school principal, or superintendent than with the legislature. Unlike a proposed increase in turnpike or bridge and tunnel tolls reported on page one and that would be paid by thousands of people every day, school finance issues do not capture public attention immediately nor do they hit home as clearly.

This report will include several sections to help school committee members understand the nature of the current crisis, lay out some critical principles and priorities, offer recommendations for relief, and propose strategies for action.

MASC hopes that its members will join in a statewide campaign to preserve and protect public schools. This effort will include very specific tactics and strategies bolstered by information to render them powerful tools for these challenging times. Several of these recommendations will depend on finance, but others will include steps districts and state government can take that do not require funding or which can generate badly needed savings that can be deployed in support of children and their families.

### **Principles of MASC Public Policy for 2009**

In setting out its public policy, MASC has established several guiding principles:

- There should be no compromise in setting forth for our students and teachers standards that are set high and that are reachable.
- In a crisis, schools, educators, and children are our highest priority. Public resources must be prioritized for those individuals who provide services directly to children.
- When we support the education of the whole child, we mean providing a well rounded education that includes a diverse curriculum including the arts, physical education, extra-curricular activities and other services.
- Innovation that improves the education of children should be embraced.
- Parents have an important role to play in public education and must be welcomed and fully engaged.
- The entire sphere of service agencies serving children must be mobilized to maximize their resources, effectiveness, impact.
- Families have the absolute right to reside where they choose and educate their children in schools that are safe, effective, and accessible.
- The rights of citizens to oversee the public policy-making and budget setting of their districts and to have access to school officials shall not be compromised.
- School districts should act aggressively and thoughtfully to control spending and lower costs, but do so with appropriate checks and balances in place.
- Public policy should be set by the governor and the legislature, and the units of government which implement them should remain faithful to the legislative language and intent. The regulatory process should not be used to set public policy.
- The regulatory process must be transparent and any issuance of regulations should be accompanied by a full explanation of their intent and implication as well as the administrative and financial burden of implementation.

## **MASC'S PUBLIC POLICY PRIORITIES FOR 2009**

Listed below are several public policy, cost containment, and revenue proposals. They are grouped into a) major funding initiatives – including the Chapter 70, Special Education Circuit Breaker, and School Transportation Programs; b) initiatives to generate cost savings and economies for school districts; and c) revenue generating proposals.

### **A. KEY FUNDING ISSUES – Major Funding Initiatives of the Commonwealth**

MASC establishes the following priorities for public policy. These positions are based on both determinations of recent MASC delegate assemblies and the Board of Directors. In most cases, a brief explanation of the initiative or programs is provided.

Chapter 70 Aid to Public Schools<sup>1</sup>. There are various avenues of state financial assistance to schools. The largest of these is financial aid under the Chapter 70 program. Chapter 70 funding is designed to provide sufficient funding to support the cost of an adequate public education. To make this determination, the state establishes a "Foundation Budget" for each district.

State funding under Chapter 70 is distributed on the basis of a formula that determines the ability of a district to generate revenue using a combination of family income and property values. At the heart of the concept is that the state will guarantee each district sufficient funding to bridge the gap between a district's ability to pay and the actual foundation budget.

This is a very simple explanation of an extraordinarily complex formula. The debate as to whether the Foundation Budget is adequate (the "adequacy" debate) and whether the Chapter 70 aid is calculated and distributed fairly (the "equity" debate) is probably never-ending.

What is for certain is that Chapter 70 funding is dependent upon the ability of the legislature to appropriate it. In good economies, the legislature has been sufficiently generous so that every district has been funded at "foundation level" since 2001. Moreover, the legislature has appropriated additional funding to ensure that districts generally receive some modest increases even when they voluntarily budget above the foundation level at their own expense.

What is also clear to virtually all school-based stakeholders is that the Foundation Budget is insufficient. There is, however, no researched determination of what constitutes an academically sound, "adequate" budget. There is legitimate concern that such a formal determination could trigger a constitutional mandate to fund it, and, therefore, the concerns of legislators about the real costs of true adequacy are understandable. Many knowledgeable people believe the Foundation Budget is 20-25% understated which could approach \$2 billion in currently unappropriated funding.

*MASC has, for many years, advocated for the legislature to complete a study to cost out the real level of adequacy. We continue to do so now.*

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<sup>1</sup> MASC has cosigned a comprehensive proposal for Chapter 70 funding with the MA Association of School Superintendents.

**Many public policy makers will argue, somewhat rhetorically, that "Chapter 70 is broken, and we have to fix it." In fact, it really isn't broken. It is a relatively ingenious system that weighs mandates and costs with a district's ability to pay. The problem is that the dollar levels in the system are insufficient in three significant ways:**

- **The foundation budget is significantly below the actual cost of providing a basic education.**
- **While the formula determines that a municipality has sufficient wealth to fund the local share, the municipalities lack the taxing authority to raise these revenues.**
- **The unrealistically low foundation budget significantly reduces the gap between the municipality's ability to pay and the minimum net school spending required to meet the foundation level, thereby depressing the perceived need for state aid to meet the gap**

**Fine tuning of formula components will please some, but the funding will only have to be taken from someone else. The real solution to Chapter 70 is building the revenue base to lift all districts. Neither school committees nor the public should accept an emotional or rhetorical argument designed to divert discussion. Legislators and others must understand that mandates and programs require funding. We can all help by controlling costs and promoting revenue growth.**

**We will continue to work aggressively for the sufficient Chapter 70 appropriations and to prioritize public schools among the state's budget priorities.**

Special Education. Massachusetts boasts some of the best and most comprehensive programs in the nation for students with special needs. A key budget priority is the "special education circuit breaker" program (G.L. c. 71B, Sec. 5A) that acts as a "stop-loss" system for students whose service plan exceeds a particular cost threshold of four times the average cost of a special education case. The legislature has fully funded this program.

*MASC urges the legislature to continue to fund the special education circuit breaker in full and to make partial payments to districts during the fiscal year.*

*We recommend that the threshold be lowered to three times the average per pupil cost.*

*We also urge that the successful special education pilot program for transportation be continued and expanded.*

METCO. The METCO program provides invaluable opportunities to the eligible students, but funding is inadequate and represents less money to receiving districts than the School Choice program provides.

*We continue to recommend a more fair reimbursement for districts that participate in METCO so they can continue to serve current and future students.*

## **B. KEY AREAS FOR COST SAVING AND RELIEF**

Charter School Financing Reform. Massachusetts establishes Commonwealth Charter Schools as independent public schools, separate and distinct from the school districts from which they draw their students. The programs were crafted as part of the 1993 Education Reform law to serve as models of innovation and to provide parents with choices for their children. Several operational areas of charter schools draw criticism from general school districts. Foremost among them is the way Commonwealth Charter Schools are funded. Specifically, when a student from a community school district enrolls in a charter school, the sending district forfeits from its Chapter 70 allocation the average per pupil spending in the "sending" district. The average per pupil expenditure almost always exceeds the per-pupil Chapter 70 allocation – usually by a significant amount. In some cases it is two to three times that amount.

Commonwealth charters are governed by trustees appointed by themselves. Except for their own trustees, Commonwealth Charter Schools are not accountable to any local officials or taxpayers in the communities they serve.

While the state provides an ameliorating restitution that phases out over three years (100% in year one, 70% in year two, and 30% in year three), over time, charter school enrollments have hurt sending districts significantly.

*MASC has joined with the MA Association of School Superintendents in support of a funding reform that would limit the loss of Chapter 70 funding to the same level as is diverted in the School Choice program and assign to the state the responsibility for the rest of the funding of charter school students.*

*At the same time, we continue to urge the legislature to require a non-partisan study to investigate several other problems with charter school funding that will address enrollment and recruiting practices; failure to serve students with limited English proficiency; under-enrollment of students with special education needs; compliance with public records and open meeting laws; stockpiling of reserve revenue; and levels of student achievement when measured on a fair basis with other students in public school districts.*

*Further, we support the call for a moratorium on any new or expanded charter schools that will adversely affect the flow of state financial aid to any public school district over the next five years.*

### Employee Benefits – Health Insurance Costs

We estimate that a substantial majority of school districts and municipal employers would benefit financially by joining the Group Insurance Commission (GIC). MASC is very concerned that only about 25 cities, towns, and regions have enrolled in the Group Insurance Commission since access to the GIC began. In many cases, communities have been placed in the position of forfeiting shifts in the percentage paid by employees during the past few rounds of collective bargaining negotiations. For example, historically,

many HMO health insurance plans offered by municipalities only required employees to pay 10% of the costs of such insurance. Originally, this served as an inducement to wean employees from more costly indemnity plans. As health insurance costs increased, many employees agreed to increase the percentage paid to HMO plans often in return for higher wages or other benefits provided by the districts. Municipal and school employers are generally willing to share the cost savings in negotiations, they are loath to forfeit all or most of the gains hard won and paid for through the collective bargaining process.

*In anticipation of the lean times ahead, we urge the legislature to remove the employee hurdle to securing much needed municipal relief and allow municipal employers to implement membership in the GIC if they choose.*

*We further recommend that steps be taken to develop means for districts that are partners in regional health trusts as well as districts confronting other barriers to overcome them in order to expedite joining the GIC where savings may accrue.*

*Expand, where possible, access to all municipalities to group purchasing discounts for pharmaceuticals for employees and retirees.*

*Continue to implement the provisions of Ch. 32, Section 18 relative to enrolling eligible employees and retirees into the Medicare program.*

#### Employee Benefits Cost Containment – Other Insurance

Some enlightened districts in other states have attempted to address the problem of excessive absences, short and long term disabilities, and costly sick-leave buy-back provision in bargaining agreements by instituting short and long-term disability benefit plans that would supplant salaries when employees were victims of accident, illness or disability as soon as within 15 consecutive days of absence. This strategy limits excessive accumulation of sick time under which some faculty members can easily accumulate a year or more of leave time. These insurance programs cut fraud and establish a more predictable cost for replacing workers who are absent.

*We urge the legislature to consider a mandatory short and long term disability option for public employees that will insure workers and replace income for legitimate illness, accident or disability.*

#### Regionalization, Consolidation and Collaboration

There has been considerable discussion recently about greater regionalization of schools to effect economies of scale. This is a very complex question only now subject to study. We have many successful models of regionalization and superintendency unions. We also recognize the possibilities inherent in our state network of education collaboratives which serve most, but not the entire Commonwealth.

MASC has been engaged in providing technical assistance to several districts considering restructuring of some kind and has provided consulting and research to the only districts yet to restructure in a decade.

We are also mindful of the concern that many in and around public sector social programming have of the risks that are inherent with major, systemic restructuring and

the lessons we apply to school districts relative to the temporary nature of possible incentives to districts that might seek to restructure.<sup>2</sup>

Further, we appreciate that there are possibilities for inter and intra-community collaborations that can, with careful planning, cooperation, and support work well in some instances. For example, districts have considered working together or with their municipal officials in agreements on payroll, major purchases, personnel/benefit management, benefits purchasing, financial reports, data processing, grants management, and collective bargaining coordination. We also recognize that the needs and priorities of public schools can be significantly different and more technically varied than those on the municipal side of a community. Therefore, we support careful planning, local discretion and periodic renewal and review.

*MASC urges continued study and identification of genuine incentives that could build on the current network of regional and unionized school districts and the support of our education collaboratives.*

*We recommend promoting inter-local agreements to achieve efficiencies as a better alternative in some instances.*

*We further insist that no districts be forced to restructure without the support and consent of the residents, citizens and taxpayers.*

*We urge support for expansion of the education collaboratives to include such unserved areas as Berkshire County.*

*MASC urges that any consolidation of financial, personnel, data processing, or maintenance functions of a school district with a municipality be allowed only after obtaining the approval of the school committee prior to such consolidation, and be subject to its review and renewal on an annual basis.*

Coordinated Services for Children (including Physical and Emotional Wellness). We applaud the creation and convening of the Readiness Cabinet which will oversee the mobilization of services, agencies, and programs to support distressed children and families. However, we recognize that a cumbersome state bureaucracy remains a major stumbling block to expediting a change in culture and speed of action.

We urge the Secretary of Health and Human Services and the Secretary of Education to work aggressively to mobilize these forces, refuse to accept excuses, avoid delay, and be persistent in developing and implementing a set of proposals and action steps to get people working together to support schools and social service networks in helping distressed children and families.

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<sup>2</sup> Charter school operators regularly cite the unavailability of long term financial incentives as reasons for fighting off changes to the charter school financing system. Similarly, many community social services providers who enabled the deinstitutionalization of institutionalized state hospital patients or who accepted clients of state mental health services programs recall the failure of the state to maintain the level of incentives provided to residential placement operators and community health centers.

## Regulatory Relief

Massachusetts has established, without question, the nation's most rancid regulatory climate for public schools. There are 15 separate elements to the state's set of regulatory, assessment, accountability and accreditation systems<sup>3</sup>. Moreover, superintendents in each district must submit to 106 reporting deadlines every year.

MASC members who are also employees of school districts cite the extraordinary burden of labor intensive, costly, and even user-unfriendly software mandated by the state for student and staff tracking systems. We are aware of the administrative irregularities and turbulent history of the Department of Education's technology services, but this field still remains a significant problem for local districts.

*In fiscally perilous times, we urge a moratorium on any new state regulations and ask that:*

- *DESE adoption of a more user friendly and cost-effective set of database systems.*
- *DESE move aggressively to reduce Consolidated Program Reviews by 50% and target districts in distressed or in legitimate remediative action.*
- *DESE be required to compile all public education regulations, assess the time required for compliance, the cost of fulfilling the requirements, and the cost-benefit of them.*

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<sup>3</sup> These systems include

1. No Child Left Behind where, right now, there are 54 ways (minimum) for every school and district to be declared "underperforming."
  2. MELA-O (MA English Language Assessment- Oral), and
  3. MEPA (Massachusetts English Proficiency Assessment).
  4. MCAS General Testing in Math and Language Arts at several grades and on several topics.
  5. Audits from the successor entity to the Education Management Audit Council whose functions have been moved to the Department of Elementary and Secondary Education.
  6. Department of Education Assessment/Accountability Implementation (described in regulations rushed to approval two weeks before the 2006 election).
- Coordinated Program Reviews which include seven audits:
7. Special Education Program Audits to measure compliance with the Massachusetts special education statutes ("Chapter 766") and the federal Individuals with Disabilities Education Act (IDEA) provisions.
  8. Civil Right Audit
  9. English Language Learners Audit;
  10. Safe and Drug Free Schools Communities Act;
  11. Nutrition and Food Services;
  12. Title I Program Review (General and NCLB).
  13. Chapter 74 Vocational Program Audits
14. Accreditation (an 18 month process) by the New England Association of Schools and Colleges
  15. National Assessment of Educational Progress (NAEP).

- *Further, there be no new regulations or directives issued by the Department of Elementary and Secondary Education until such new regulations have been subjected to some assessment similar to the "Paperwork Reduction Act" to determine the time and cost implications for districts.*
- *No additional responsibilities should be imposed on public schools and school districts unless they are fully funded.*
- *The State Auditor's Division of Local Mandates should be involved in the assessment of the regulatory burden.*

#### Medicaid and Health Insurance Reimbursement for Services

Districts whose students receive services covered by Medicaid may claim reimbursements from the program. However, except for regional school districts which are treated as separate governmental units, the captured funds may or may not be shared with the local school district by municipal authorities. MASC members in communities with a revenue sharing agreement inform us that the claim amounts rise when the district knows it will see a significant portion of the reimbursement.

*MASC has annually filed legislation to direct that Medicaid reimbursements be retained by the school district that provides the services, and we urge that this legislation be enacted in 2009.*

*We also support including private insurers among those who may be billed for students who receive services otherwise covered by private insurance providers.*

#### School Building Recommissioning

At this time, we do not have a utilities and infrastructure recommissioning program through which the state could support a thorough survey of individual school structural and support systems (HVAC, lighting, power, etc.) and support for upgrading and "greening" of critical infrastructure systems in facilities.

*We urge the MA School Building Authority to consider a program to authorize recommissioning of schools as a lower-cost means of effecting savings in operational expenses of current buildings.*

#### Changes Relative to Unfunded Mandates

We call attention to several major mandates where funding is either insufficient or absent<sup>4</sup> and urge legislative action to remediate these concerns:

Special Education. There are several areas where insufficient funding shifts the burden of cost. These include:

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<sup>4</sup> The MA Association of School Superintendents has, in collaboration with MASC and other agencies, compiled a detailed listing of unfunded and underfunded mandates. They have been provided to Special Legislative Relief Commission.

- Out of district placements for which mid-year tuition increases are approved without the districts having time to plan for payments.
- Special education placements assigned by other state agencies as a result of Department of Mental Health, Department of Family and Children or others with no option to appeal.
- The Board of Special Education appeals is able to make determinations about student assignment and impose them upon districts. As an alternative, the state might accept the cost of implementing an appealed decision.
- Transportation costs for students carried to their special education service providers.

#### Non-Regional Student Transportation

- Non-regional districts lost reimbursement for transporting students eligible for rides (two miles or more from school) in the last major recession-based budget cuts.

*We continue to advocate for restoration of local district transportation reimbursement.*

#### Homeless and Transient Students

- Federal law mandates that displaced and homeless students may identify their public school of choice and that students must be transported from their temporary home to the school district of choice. *We cite this provision to note the often extraordinary cost of this transportation which, except in regional districts, is not reimbursed to the school department.*

### **C. PUBLIC POLICY – REVENUE GENERATION**

#### Sales and Income Tax

*MASC has long supported restoring the state income tax to the 5.95% level. We continue to do so in order to generate badly needed revenue.*

*Many MASC members have advocated for increasing the state sales tax to 6% and the dedication of 1% of the sales tax for additional support to public education. The sales tax offers opportunities other than increasing the rate.*

*Currently 1% of the current sales tax is preserved to support the MA School Building Authority school building assistance program. Recently, it has been proposed that a major, national initiative be undertaken to put Americans to work under a 21<sup>st</sup> century version of the New Deal's WPA program. Governor Patrick has identified about \$1.7 billion for rebuilding the state's public schools, under this program. Should this funding become available, the state should consider using federal funding to support school building and divert for a one or two year period the current 1% of the sales tax to the Chapter 70 program and to an emergency reserve fund for public education.*

Municipal Relief Package. MASC supports many elements of the municipal relief package presented by the Governor that would include:

- *Elimination of telecommunications tax loopholes and include all property of telephone, cable and other telecommunications companies as taxable properties for municipalities.*
- *Local options to tax meals and accommodations.*

*In addition, we recommend that the legislature consider additional proposals to allow the local appropriating authorities more flexibility around current restrictions of "Proposition 2 \_."*

*Further, we support speeding action on home rule petitions to allow communities to respond more quickly to the financial crisis.*

#### **D. OTHER RECOMMENDATIONS**

Subject to further legislative study, we call attention to the possibilities inherent in:

- MASC commends the outstanding work done by state pension fund managers and by oversight commissions. As a result of foresight, our pension funds are more actuarially sound than in most states. We recommend study as to whether it would be prudent to defer the state's annual contribution to the public employee pension system and postponing the date of scheduled full funding by one, two, or three years.
- We recommend considering the savings from changes to the Prevailing Wage Law to allow districts to complete projects at lower costs.
- We wish to engage our fellow stakeholders in considering changes to the public collective bargaining law in order to strengthen the hand of management at the bargaining table during these trying times. Such changes could:
  - Limit items subject to bargaining.
  - Allow districts or municipalities to implement health insurance benefit decisions independently from the bargaining process.
  - Freeze salaries at the conclusion of a collective bargaining agreement until a new agreement is reached.
  - Allow for easier implementation of the employer proposals in cases of impasse.
  - Allow districts a stronger hand in protecting more successful or high performing employees in times of cutbacks.