



Fall River Area Chamber of Commerce and Industry, Inc.  
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## Article Series April 2016

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The following is the first in a series of three articles aimed at defining terms that relate to school budgets and discussing the implications of less-than-optimum funding for our schools.

### STRIVING FOR ADEQUATE

As communities across the Commonwealth debate their school department budgets, terms such as "Foundation Budget," "Minimum Local Contribution" and "Chapter 70 Funding" are often discussed as metrics in determining the cost of education. In order for local officials and taxpayers to make intelligent and informed funding decisions, it's important to understand what these terms actually mean.

Let's start with an explanation of how the state funds local school districts. **Chapter 70 Funding** refers to the aid that each of Commonwealth's 328 local and regional school districts receives from the state to help fund education. The goal of the Chapter 70 formula is to ensure that each community receives enough funding to provide an adequate education for all students. The formula takes into account each community's economic make-up, with poorer or disadvantaged districts receiving more state aid than those with more resources. Essentially, the formula aims to level the playing field so every child in Massachusetts will have access to a basic education no matter what city or town they live in.

According to the Mass Budget and Policy Center's website [www.massbudget.org](http://www.massbudget.org), Chapter 70 aid for each district is determined by four basic steps. Step 1: the state establishes a **Foundation Budget** which is *supposed to* fulfill the Massachusetts State Constitution requirement that total K-12 spending in each district never falls below the amount needed to provide an adequate education to its students. Foundation Budget is "calculated by multiplying the number of students at each grade level and demographic group (e.g., low income, special needs, or limited English proficiency students) by a set a education spending categories (e.g., teacher salaries, health insurance, building maintenance), then adding together those dollar amounts."



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The statewide education-funding problem starts with the fact that the Foundation Budget Formula significantly underestimates Special Education Costs and grossly underfunds spending categories such as Employee Health Insurance. According to the MA Foundation Budget Review Commission's Final Report in October 2015, "some of the assumptions contained in the formula for calculating the foundation budget have become outdated. In particular, the actual costs of health insurance and special education have far surpassed the assumptions built into the formula."

Let's take for example the Foundation Budget as calculated for the Somerset Berkley Regional School District. Because the costs for special education services far exceed that of regular education, the Foundation Budget allots each school district incremental costs for a set percentage of special education students educated within the district and a slightly higher allotment for those who require services outside the district. According to the Department of Elementary and Secondary Education (DESE) Office of School Finance, Somerset-Berkley is given credit for incremental costs for only 36 Special Education Students when it actually has over 100 students receiving special education services within its district. Moreover, the incremental cost for the district's Special Education Out of District Placements is estimated at \$26,403/person, again far less than the actual average Out of District Placement cost of nearly \$100,000. The Foundation Budget calculation also falls short in its assumption that the District's Employee Benefits/Fixed Charges total \$826,035 when actual costs are closer to \$2,240,000. The Foundation Budget also fails to include transportation costs, which in the case of Somerset-Berkley equal \$833,000.

Bottom line – Foundation Budget doesn't come close to funding the actual cost of education. If this is the situation for Somerset-Berkley, imagine what other districts must be experiencing.

Step 2 in the Chapter 70 Formula is to calculate the **Minimum Required Local Contribution**. Once the total Foundation Budget is established, the state calculates each city and town's ability to pay for education based upon a number of factors, including household income and property values. The **Minimum Required Local Contribution** is flawed not only because the Foundation Budget is already shown to be underestimated, but also because its annual calculation is based on two-year old tax data that is only updated every two years.

In Step 3, **Chapter 70-education aid** is essentially determined by the difference between the District's required minimum local contribution and its foundation budget. For municipal school districts, such as Fall River, New Bedford, Swansea and Westport, Chapter 70 aid goes to the general fund of the city or town. For these school districts, Chapter 70 aid, grants, Medicaid and other reimbursements are all revenue sources that offset the cost of education to the taxpayers.



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Finally Step 4, after Chapter 70 Aid is determined and all other revenue sources are applied, districts may choose to fund education **over their minimum local contribution**. Given that this so called “minimum” is not nearly enough to adequately fund education, very few municipalities in the Commonwealth fund their school districts at this level. Most school districts receive local funding that exceeds minimum by an average of 16%, the highest being the city of Cambridge which funded its FY14 school district budget at over 109% above the minimum. Out of 328 communities in MA, 312 (all but 16) provided funding above the minimum.

Now that we know what these terms stand for, let’s keep in mind that the state’s “Foundation Budget” falls far short of adequately covering today’s fixed costs, transportation expenses and special education services. And if the Foundation Budget is off, how can “Minimum Local Contribution” come close to properly funding education for our children? Should we be striving for adequate? Especially when “adequate” doesn’t even cover the cost of maintaining what currently exists?

We need to look at the progress our local schools have made and do our part to ensure their success continues. It’s important for all of us to understand the terms, know the facts and realize the implications. Now is not the time to move backwards by providing anything less than Level Services Funding. The success of our schools and ultimately our region depends on our local support.