

EDUCATION411 TOWN FORUM

February 26, 2007

The State Funding of Public Education

Presented by Jeff Wulfson, Associate Commissioner of the Massachusetts
Department of Education

The following is a summary of the meeting by Kathy Wallace. The presentation slides are available on www.education411.org.

INTRODUCTION

Superintendent John Antonucci introduced the speaker and had the following comments. Westwood has been facing budget challenges for several years, both in the school department and in municipal departments. We have limited growth in the tax base and the town gets little relief from the State. Westwood receives only 9.5% of the total school operating budget from the State and funds the remaining 90.5% of the school budget from property taxes. On a per pupil basis, Westwood receives \$885 per student, while Medfield, Winchester and Wayland receive \$1,731, \$979 and \$950 respectively.

STATE FUNDING OF PUBLIC EDUCATION

Mr. Wulfson presented information on the Education Reform Act of 1993, the Chapter 70 formula and recent changes to the formula.

State Funding of K-12 Public Education in 2006-7 (in millions)

Chapter 70	\$3,700
Teacher Pensions	750
School Building Assistance	500
SPED Circuit Breaker	210
Charter Schools	80
Categorical Grants	80
Transportation (Mostly Regional SD)	60
Total	\$5,380

EDUCATION REFORM ACT 1993

Until 1993, education was a local government function. Education aid that was received by a municipality did not even have to be spent on education. Many students in the Commonwealth were not getting a good education. This situation became more dire with the recession of the early 1990s. Cities and towns were virtually warehousing kids.

McDuffy vs. Robertson was a case that challenged the education norms of the Commonwealth, whereby wealthier communities were doing a good job of educating kids, while poorer communities were not.

The Education Reform Act of 1993 was in response to the court's decision. The State implemented the following:

Curriculum Frameworks: State tells districts what to teach

MCAS: State tests kids

Competency Determination: No diploma unless competent

School and District Governance: Gave more power to the Superintendent

Teacher Certification and Professional Status: Changes to process, status replaces tenure

Charter Schools and Expanded School Choice

New School Finance Formula: Chapter 70

Mr. Wulfson reiterated that the Education Reform Act was not passed to benefit Westwood, but to benefit the 70-80 districts that were underperforming. Looking back on the past 14 years, the Department of Education (DOE) believes this has been immensely successful. State funding has tripled and they are looking to raise the bar on the MCAS to give students tools that they need to be competitive later in life. Massachusetts is a leader and one of the first to adopt education reform. Our system is considered to be a model nationally. That said, we are still behind internationally.

CHAPTER 70 FORMULA

The **foundation budget** is the state's estimate of what a town has to spend to provide an adequate education. This is based on enrollment, student demographics and is adjusted annually for inflation.

The **required local contribution** is the state's determination of the municipality's fiscal capacity.

The foundation budget minus the required local contribution equals state aid.

Foundation= Need

Local Contribution = Afford

Aid= Difference

Mr. Wulfson's next commentary was based on a document on the DOE website:

FY08 Chapter 70 Foundation Budget Preliminary

http://finance1.doe.mass.edu/chapter70/chapter_08p.html

According to the state's calculation, \$24,469,851 is Westwood's 2007-8 foundation budget. Mr. Wulfson made two caveats. First, these numbers have not been updated to reflect increases in fuel, benefits and MCAS demands. The consensus is that these numbers are understated across the board. Most districts spend 10-15% more than their foundation budgets. Second, it is only the minimum amount for an adequate education.

The required local contribution is what determines the state aid number. This calculation has “never worked well”. Despite the best of intentions, it has inequities in it, but fixing it was not easy. There were a multitude of hearings with the Mass Municipal Association, the School Committee Association and the Superintendent’s Association. No one agreed on a single way to measure fiscal capacity. Everyone wanted to measure it in a way that gave them the most.

In 2006, a consensus was reached and major changes were initiated that focused on taxpayer equity.

REQUIRED LOCAL CONTRIBUTION

TARGET

2006 Equalized Value	\$3,834,008,010 (Value of property in Westwood)
Property %	.2939% (same factor for every town)
Local Effort	\$11.3 million

2004 income	\$975,159,000 (Total income of Westwood residents)
Income %	1.5758% (same factor for every town)
Local Effort	\$15.4 million

TOTAL \$26.6 million in capacity to support a foundation budget of \$24.5 million

This would mean that Westwood does not need any state aid. This did not go over real well so they capped the target, so that no community has to pay more than 82.5% of the foundation budget, to give relief to wealthier communities.

TARGET capped at 82.5% of the foundation budget leaves a required local contribution of \$20.3 million.

Westwood’s FY 08 local requirement (what we can afford for “adequate” education) is \$22.04 million. Westwood is a “high effort” community, meaning that we should be getting more state aid, but it was not a fix that could happen in one year. This is planned to be a 4-5 year transition, but it is also subject to the Massachusetts House and Senate appropriating money each year. It is hoped that we will get 30% closer to the aid we should be getting in 2007-8. Last year, we got 20% more to bring us closer to the target.

If the formula is fully implemented in five years, it is expected that Westwood should be getting \$2 million more in state aid.

State Aid

Foundation Budget	\$24.47
Required Local Contribution	\$22.04
Foundation Aid	\$ 2.43 guaranteed

In addition to foundation aid last year FY07, Chapter 70 aid included a minimum increase of \$50 per student equaling \$150,000 to give Westwood \$2.59 million in state aid.

Comparison of Westwood to Medfield

	Westwood	Medfield
Enrollment	3030	2967
Foundation Budget	\$24.5 million	\$23.4 million
Equalized Valuation	\$3.8B	\$2.4B
Personal Income	\$975 million	\$700 million
Target Contribution	\$20.2 million	\$18.0 million
FY 08 Contribution	\$22.0 million	\$17.7 million
FY 08 Foundation Aid	\$2.4 million	\$5.7 million
Target Foundation Aid	\$4.3 million	\$ 5.4 million

PUBLIC PARTICIPATION

Because Westwood has additional capacity (Equalized Valuation and Personal Income) to fund ourselves, we get less aid based on the formula than Medfield. Westwood received \$2.4 million, while Medfield received \$5.7 million.

Who does the property valuations? It comes from the local assessors and the Department of Education equalizes them to account for different timing of assessments. This is updated every two years.

Does the 82.5% cap apply to everyone? Yes.

Within the next 5 years, they hope to close the \$1.9 million gap in Westwood's state aid.

How does the EQV formula treat affordable or elderly housing? Every municipality follows the same rules.

How will Westwood Station impact Westwood's EQV? Mr. Wulfson replied that this was a good question, but that he is not the subject matter expert and the question should be directed to the Department of Revenue.

The DOE estimated to Governor Patrick that they will need \$250 million to stay on the 5 year schedule to get municipalities to their target foundation aid. This sum does not include revisiting the foundation budget for possible revisions. It does not include allowances for full day Kindergarten or the Science competency requirement.

At the time of the forum, it was expected that the state budget would go up \$600-700 million and that education would get \$200 million. The State does not have resources to do everything that needs to be done.

Because of the limited resources, Mr. Wulfson challenged the audience to get involved. We all have a say in how the resources are allocated in total and we should be giving feedback to our legislators and Governor.

What is the schedule of increases for Westwood? It is negotiated each year with the legislature. Westwood got 20% in the first year implying a 5 year schedule, but it is a fight every year to get the money.

The local contribution piece of the formula never worked, especially for communities such as the Cape that has high property values but low incomes.

Since Proposition 2 ½ is too restrictive to facilitate the funding of education, are there any initiatives to legislate change? Proposition 2 ½ was never intended to be a cap on spending, but was to provide a floor and then taxpayer vote was needed to spend more than that amount.

Are there changes underway to address local contributions? We have divided the state budget into 351 tiny pieces (351 cities and towns) so the differences are magnified.

Is anyone looking to do regional districts? Yes for efficiency.

What about charter schools? The sending district pays the tuition with the State subsidizing 1/3. If a district loses a student to a charter school, they may pay a \$10,000 tuition and they only are reimbursed for one third.

What is the process for categorical grants and would Westwood be a viable candidate for these grants? Yes. Mr. Wulfson asked John Antonucci to comment. Westwood applies for grants and just received \$90,000 for a kindergarten grant to fund full day (5 hours a day).