



Massachusetts Association of School Business Officials, Inc.

Affiliated with the Association of School Business Officials International

David A. Verdolino
Executive Director
Foundation Budget Review Commission Member

Brian E. Allen
Chair, MASBO Foundation Budget Review Committee
Chief Financial and Operations Officer,
Worcester Public Schools

Recommendations to Foundation Budget Review Commission

April 2015

School Business Administrators serve a very important role in understanding and explaining how the state's foundation budget funding formula impacts their school districts and communities. On a daily basis, School Business Administrators generally work the closest within their school districts analyzing, projecting, and interpreting the intricacies of the foundation budget formula to district administrators, school committee and town finance officials, and parent and community members. Given this level of expertise, the following report provides support around recent proposals, as well as identifies several technical recommended changes to the foundation budget formula as part of the current Foundation Budget Review Commission analysis of the current formula assumptions.

The Foundation Budget Review Commission was established pursuant to Section 124 of Chapter 165 of the Acts of 2014, and the commission's purpose is to review the way foundation budgets are calculated and to make recommendations for potential changes in those calculations as the commission deems appropriate. Specifically, the charge of the Commission is to examine:

- The educational programs and services necessary to achieve the Commonwealth's educational goals and to prepare students to achieve passing scores on the state assessment system;
- The components and assumptions used in the calculation of foundation budgets;
- Measures to ensure that resources are effectively utilized; and
- Models of efficient and effective resource allocation.

Given this charge, MASBO Supports:

- Immediate funding of the findings in the MASBO funded 2011 Massachusetts Budget and Policy Center (MBPC) Report, *Cutting Class: Underfunding the Foundation Budget's Core Education Program* and correct foundation budget assumptions on Employee Benefits and Special Education rates; reflecting a more than \$2 billion adjustment in foundation budget as of 2011.
- The April 15, 2015 position paper as prepared by MASS - Massachusetts Association of School Superintendents; MASBO - Massachusetts Association of School Business Officials; MARS -Massachusetts Association of Regional School Districts; and MAVA-Massachusetts Association of Vocational Administrators. Key elements of this position paper are: support around the conceptual framework of the foundation budget; the

foundation budget has become grossly inadequate over time; an over-time target to 50-50% funding of the foundation between state and local resources; immediate adjustment to employee benefits and special education assumptions in the foundation formula; and use of a Blue Ribbon Educational Foundation Commission to study the adequacy for the foundation budget.

MASBO Encourages Efficient and Effective Resource Allocation:

MASBO and Voya Financial developed the Donald D. Johnson Operational and Cost Efficiency Award beginning in 2011 as a way to recognize school districts for efforts in developing cost efficient approaches to addressing particular operational areas that commonly burden the budgets of school systems and that are also capable of being replicated by other districts throughout the Commonwealth. The recent recipients and their initiatives included:

2011 – Lexington Public Schools

Established a special education stabilization account through collaboration with town officials (the fund is used to protect the district budget with extraordinary special education tuition spikes in a given year); developed cost effective, in-district model for delivering behavioral and home services; developed several in-district autism programs replacing costly out-of-district placements

2012 – Belmont Public Schools

Reduced health insurance rates and energy costs collaboratively with Town of Belmont; and reduced special education out-of-district transportation costs through collaboration with neighboring districts.

2013 – Hampden Wilbraham Regional School District

Added two in-district behavioral programs, one at the middle school and one at the high school, to address short term suspensions, behavioral issues, intensive needs, life skills and autism saving the district funds from out-of-district tuitions; consolidated a grade 2-6 school for cost savings measures and equalizing class sizes; increased revenue by leasing the closed school; increased district automation for reduced labor and increased efficiency; removed costly desktop printers and went with networked printers and copiers; utilized joint purchasing arrangements for classroom supplies to save money; and reduced buses due to declining enrollment and one less school.

2014 – Taunton Public Schools

Added contract language that reduced student transportation costs; increased funding by expanding Chapter 74 Vocational-Technical programs; reduced special education costs through effective use of special education collaborative placements; developed in-district special education therapeutic program reducing out-of-district tuition and transportation costs; restructured educational delivery through converting teaching assistant positions into teacher positions; consolidated schools resulting in cost savings and equal class size distribution; and hired a virtual learning staff member to save on contracted costs for tutoring, alternative education and special education programming.

MASBO's Recommended Changes to the Components and Assumptions of the Foundation Budget:

- **Full-Day Pre-School:** A study by the National Institute for Early Education Research (NIEER) (Is More Better? The Effects of Full-Day vs. Half-Day Preschool on Early School Achievement, 2006), finds that the benefits of full-day preschool over half-day programs are significant and concludes that "policy makers should strongly consider implementation of full-day preschool."

The NIEER report discusses a randomized trial that compared children from low-income families in half-day and full-day public preschool programs. Results show that children attending full-day programs did better on mathematics and literacy tests than children in a 2.5 to 3-hour public preschool program and the achievement gains continued at least until the end of first grade.

Moreover, the results indicated that quality early childhood education can help make up for "disadvantaged circumstances." The researchers said quality preschool, therefore, may be "an effective tool for enhancing equality of opportunity as well as increasing achievement generally."

MASBO recommends that a foundation budget category be added to capture full-day preschool in districts that offer a full-day program. Currently, the foundation budget only provides half-day funding in the foundation budget regardless of the length of the program. Over the past two decades, with the assistance of the foundation funding, most school districts have expanded to full-day kindergarten. Many districts, particularly in urban districts, are considering moving to or expansion of full-day pre-school programs. The impact on the foundation budget will only be based on those districts that expand to full-day programs.

- **Consolidate Per Pupil Rates:** MASBO recommends a change to the foundation budget rates so that Full-Day Kindergarten (and Full-Day Preschool, if added), Elementary, and Middle Schools are all the same per pupil rate.

Adjust the full day kindergarten allowance for pupil services to be the same amount as for elementary students. The current full-day kindergarten rate for pupil services is the same amount as the half-day kindergarten allowance. This change would make the full-day kindergarten and elementary per pupil rates the same.

Further, adjust the middle school rate (\$6,942.38) to the elementary per pupil rate (\$7,322.68) by changing the grades 6-8 assumed class size from 25 to 22 (changing both the classroom & specialist teacher and employee benefits and fixed charges amount to match the elementary rate. A \$19 per pupil reduction in administration can be made to make these categories equal.

These two adjustments would make a consolidated, uniform K-8 per pupil rate for simplicity in the foundation budget and represent a better match of the allocation of resources in districts.

Category	FY16 Per Pupil Rate	Per Pupil Difference from Elementary Rate	Total Foundation Budget Change
Kindergarten	\$7,278.92	\$43.76	\$1,921,370
Elementary (Grades 1-5)	\$7,322.68		
Middle Schools (Grades 6-8)	\$6,942.38	\$380.30	<u>\$77,580,439</u>
		Total	\$79,501,810

- Adjust foundation budget from a straight per pupil calculation to group calculation by grade level:** The foundation budget is a per pupil formula with a differentiated amount for students in kindergarten, elementary (grades 1-5), middle school (grades 6-8), high school (grades 9-12), and Chapter 74 vocational-technical programs. Higher amounts are provided to students in any of these categories that are English Language Learners and incremental funding is provided for students that are low income. Special education enrollment is assumed to be 3.75% of in-district enrollment (4.75% for vocational-technical enrollment) and 1% for out-of-district special education students. The sum of all students within their appropriate category establishes a district’s annual foundation budget.

The basic tenet of the foundation budget is that it provides funds based on the students served by each school district. The average foundation rate in FY16 is \$10,710 per student. Lawrence has an average foundation rate of \$12,257 while Natick’s average foundation rate is \$9,516 per pupil.

However, districts do not add or subtract costs on a per student basis; more typically costs are added or removed on a classroom basis. MASBO recommends that the foundation budget be constructed (at the elementary level as an example) in increments of 22 students per grade level. For enrollment amounts over 22 students (or multiples thereof), a district may need to add another classroom to accommodate students. Once another classroom is added, the whole cost of a classroom is needed – most notably an additional teacher.

Similarly, as student enrollment declines in a grade level, a district can only save money by reducing entire classrooms from the budget, not a fraction of a classroom, through incremental enrollment changes.

A grade level with an enrollment of 250 students would currently provide funding for 11 classrooms (average class size 22.7), when 12 classrooms would be preferable (average class size 20.8).

MASBO recommends that the foundation budget be funded in increments rather than a straight per pupil basis as follows:

Enrollment	Funded at		Enrollment	Funded at
1-22	22		155-176	176
23-44	44		177-198	198
45-66	66		199-220	220
67-88	88		221-242	242
89-110	110		243-264	264
111-132	132		265-286	286
133-154	154		287-308	308

This incremental funding method will allow for a more appropriate use of foundation funds to support necessary classrooms without reallocating funds from other areas within the foundation budget.

While it would likely require an initial addition to the total foundation budget (an amount we have not attempted to calculate), there would be added stability in the future as only enrollment changes that result in the need for more (or fewer) classrooms would change a district's foundation budget.

- **Inflation Rate:** Continue use of the Price Deflator Index for State and Local Governments as the annual inflation factor used to adjust the per pupil foundation budget rates, except for the Employee Benefits calculation. It is recommended that this line item be adjusted by an average premium rate increase (or, if applicable, decrease) of the state's GIC plan increase.

Adjust Foundation Budget to reflect the inflation factor not applied in FY94 and FY10. As described in MBPC Report "Cutting Class", the state failed to properly capture growth in the foundation budget on two separate occasions which has led to the understatement of all foundation budget categories. The following explanation is extracted from "Cutting Class":

"The foundation budget was written into law in FY 1993, with a commitment to distribute school aid through the new Chapter 70 formula starting in FY 1994. Deliberation over the foundation budget's specific cost allocations occurred over a couple of years preceding the law's final passage in FY 1993, and the dollar amounts settled on in FY 1993 should have been inflated to capture the 2.2% cost growth that occurred between FY 1993 and implementation in FY 1994. Since this one-year adjustment was not made, and since there has been no retroactive correction for this initial skipped year of cost growth, the foundation budget has lagged in real terms ever since its inception.

In addition, in determining the FY 2010 foundation budget, the Legislature shifted forward the ratio of quarters used to calculate that year's inflation factor, effectively skipping inflation that occurred between September 30 and December 30, 2007, a

high-inflation quarter. This shift resulted in an inflation rate of 3.04%, rather than a rate of 6.75%, as instructed by state law. This policy was adopted as part of an overall strategy for addressing the \$5 billion deficit faced by the state that year, and resulted in a reduction of roughly \$327 million to foundation levels statewide.

Until a correction is made to reflect the actual inflation felt by Massachusetts's cities and towns during this time period, the state's foundation budget will continue to lag as a realistic measure of the cost of providing an adequate education.”

- **Technology Allowance:** Create an amount for technology spending within the foundation budget and require a decennial review by DESE of the formula assumptions to ensure level matches required technological needs of school districts in future years. Any recommended changes would then be provided to the state legislature. To start, MASBO recommends that a study commission of appropriate stakeholders be developed to recommend the per pupil allocation and overall impact of a cost component within the formula that captures the appropriate, desired use of technologies – current and emerging – in the foundation budget.

If the foundation budget is fully adjusted, MASBO believes that school district will have foundation budget funds to provide greater support for low-income and ESL students; expand teacher professional learning; hire staff at levels that support improved student performance; purchase and implement technology and instructional materials at current levels of need; expand learning time (day / year / venue); add focused instructional coaches to improve teacher content and pedagogy; provide wrap-around services that engage the entire community and families in strengthening the social emotional support system for students; and provide common planning time for instructional teams. These are some of the best practices that have emerged from successful school turnaround plans under the state’s school and district accountability system.

MASBO Recommends Measures to Ensure that Resources are Effectively Utilized:

MASBO strongly believes that the allocation of resources should remain under the control of local school committees and district administrations. Overall, 59% of education spending at the foundation level comes from local sources and 41% is funded through Chapter 70 state aid. Districts have demonstrated through innovative and creative strategies their ability to provide savings that have been reallocated for direct instructional services.

However, total state aid for education represents approximately 10% of the state budget. Currently there are no spending requirements within the foundation budget other than an overall minimum amount, so-called required net school spending amount. If the foundation budget categories are adjusted, MASBO would support the following:

- **Minimum spending per category:** School districts would have to spend a minimum of 85% (or an amount to be determined) on each of the eleven existing (and any new) components of the foundation budget (administration; instructional leadership; classroom & specialists; teachers; other teaching services; professional development; instructional material, equipment, and technology; guidance and psychological services; pupil services; operations and maintenance; and employee benefits and fixed charges). Districts failing to

spend at these levels would be subject to a review from MA DESE to determine if spending differences create a negative impact on student learning opportunities. MA DESE could make specific recommendations to the local School Committee and district administration on spending changes in order to meet spending levels.

- **Required Foundation Budget Review:** In the event that total state spending on a particular category is either below the spending threshold (85% in the lowest 20% of districts spending nearest to the required net school spending levels) or above foundation budget category (115% of statewide spending) this would trigger a required review of the formula assumptions by DESE to determine if the foundation budget is accurately capturing market conditions. Based upon findings of this analysis, DESE would be required to make a recommendation to state legislature for the subsequent fiscal year.

These two items would hold both districts and the state fully accountable to the allocation of resources within the foundation budget framework.

Summary:

MASBO believes that these recommended immediate adjustments with a more frequent review will provide resources necessary to meet educational goals and prepare students for success in college and career and fulfill the state's constitutional edict to "provide an education for all its children, rich or poor, in every city and town of the Commonwealth."

As content experts of the components of the foundation budget, MASBO stands ready to provide support in any manner to advance these initiatives or other recommendations of the Foundation Budget Review Committee. We appreciate the opportunity to share our recommendations on this very important issue.