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# School Groups Warn Lawmakers Of "Funding Cliff"

Rising Costs Flagged As Statewide Concern, Rural Schools Say Formula Puts Them At Disadvantage

Sam Drysdale  
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STATE HOUSE, BOSTON, MARCH 8, 2024....School districts across Massachusetts are facing a fiscal cliff that could result in staff and service cuts, according to education advocacy groups that are calling on lawmakers to rethink school funding approaches.

In her fiscal 2025 budget, Gov. Maura Healey calls for a 4 percent increase to public education aid, called Chapter 70 funding, from \$6.5 billion to \$6.85 billion. This proposed \$263 million increase for K-12 schools would follow a \$594 million, or 9.9 percent increase in Chapter 70 funding in the fiscal 2024 budget. In fiscal 2021, the account stood at \$5.3 billion.

Despite these injections of aid, school budgets haven't been able to keep up with inflation, the Massachusetts Association of School Superintendents and Massachusetts Association of School Committees told lawmakers at a recent budget hearing.

In addition, they say rural schools have take a hit as declining enrollments have left their coffers dry under the current school funding formulas, and the \$1.5 billion Student Opportunity Act, meant to close education funding gaps, is mostly focused on plugging holes in urban districts.

The school groups are making their case to House Democrats, who plan in April to unveil their rewrite of Healey's spending bill.

## Not Keeping Up With Inflation

"We are hearing widespread reports that our districts are describing a cliff effect in the decline of budget revenue, largely due to inflation rates calculated over the past three years, which will result in significant reductions in programs and services for our students this year," said Mary Bourque, co-executive director of the Massachusetts Association of School Superintendents.

Bourque said school costs have "increased dramatically" over the last few years due to high inflation rates, affecting everything from special education and transportation to building maintenance, curriculum costs and cost of living increases for staff.

While inflation was at 7 percent in fiscal 2023 and 8 percent in fiscal 2024, the foundation budget for schools was increased by only 4.5 percent, she said.

This year, Healey's Chapter 70 allocation applied a 1.35 percent inflation rate to foundation budget rates, based on the U.S. Department of Commerce's state and local government price deflator, according to the administration.

With the national inflation rate closer to 3 percent, the application of the lower inflation rate "leaves many districts desperately short of real cost increases, including negotiated personnel costs," said Mildred Lefebvre, president of the Massachusetts Association of School Committees and Holyoke School Committee member.

The superintendent and school committee groups and the two largest teachers unions in the state -- the Massachusetts Teachers Association and the state branch of the American Federation of Teachers -- all backed a request for lawmakers to "fix a flaw in how the Chapter 70 formula treatment of inflation" that "is causing a steep funding cliff in our school districts."

"The way that Chapter 70 originally worked, the value lost to inflation in those years would have been made up in future years. But because of a glitch that was an unintended consequence of a change in the formula, value lost to the cap in one year is no longer made up in future years. And this is having serious consequences in our schools. We need to fix this," Bourque said.

The school-based groups suggest adding an additional 2.58 percent inflation in fiscal 2025 to make up for value lost in fiscal 2023, and to change the law so value lost in fiscal 2024 will be made up for in future years.

Asked by Rep. Andy Vargas how much increasing the inflation rate to their suggested amount would cost, Bourque replied, "We do admit it's somewhere around \$400 million."

## **Low-Income Formula**

At the March 1 public hearing in Greenfield, advocates also raised concerns about how Chapter 70 counts low-income students, and directs more funding to districts that serve greater low-income populations, as the end of the pandemic emergency has shifted who qualifies for certain income-eligible programs.

Healey's budget reinstates a stricter definition of low-income -- restricting the label to families below 185 percent of the federal poverty level -- and replacing the "economically disadvantaged" designation based on 133 percent of the federal poverty level used from fiscal 2017 through fiscal 2022. The Chapter 70 funding formula directs money towards districts with higher percentages of low-income students, who may need more resources and support.

Additionally, the formula determines a district's low-income enrollment based on how many students participate in state public assistance programs, including Supplemental Nutrition Assistance Program (SNAP), Transitional Aid to Families with Dependent Children (TAFDC), MassHealth, and foster care.

These programs, however, have seen significant declines in enrollment over the past year as pandemic-era freezes on program eligibility have expired.

Massachusetts is now almost finished with its campaign to determine how many of the 2.4 million people on MassHealth rolls last April still qualify for the publicly funded health insurance. The federal government prohibited people from losing Medicaid coverage during the pandemic. That policy has ended, requiring all 50 states to embark on similarly gargantuan reviews.

Since the number of students on MassHealth is one of the Chapter 70 determinants, education advocates argued that some districts where students are getting "redetermined" off of the public health insurance are also losing school funding.

"Over 6,000 students have fallen off the low-income count in one year. That argues to me that it is not that we actually have that many fewer students who are low income, but that something has gone wrong with the count," said Tracy Novick, a field director for the

Massachusetts Association of School Committees and former Worcester School Committee member.

In Pittsfield, two students changed income classification this year, and there was a \$1 million impact to the district's foundation budget, Novick said.

"Are you suggesting that -- if they lost it because the family income is above the threshold, are you saying they should still be counted as a low-income student? Even if their family's income is actually above the threshold defined for low-income students?," Sen. Jason Lewis, who chairs the Joint Committee on Education, responded.

Lewis added that districts can manually certify low-income students.

Families are hesitant to share their financial information and self-identify as low income, Novick responded.

"Something that districts have long found, and I suspect that we perhaps probably are seeing even more of an effect now is ... whether or not families are willing to actually put forward any kind of information in order to get themselves certified," Novick said.

Lewis said he would sit down with the education advocates to discuss the changes they proposed, but needed more information.

## **Rural School Aid and Minimum Aid**

With questions raised about the Chapter 70 formula as a whole, individuals from western Massachusetts also argued at the March 1 budget hearing that the current funding system has led rural districts into "a financial crisis."

"The situation that rural schools are facing is dire, and it was detailed in the 2022 rural schools report as such, that I'm quoting: 'Rural school districts in Massachusetts struggle with a set of challenges that have left many students with less than they need and deserve. Some rural high schools have cut most of their AP courses, business programs, arts offerings, social studies, electives and oral languages,'" said Rep. Natalie Blais of Deerfield.

In these rural areas with flat population growth, small town governments must fund higher percentages of their school budgets from a stagnant tax base, according to the Special Commission on Rural School Districts' 2022 report that Blais referenced.

Meanwhile, their enrollment is declining as young families move out of rural areas -- which has an effect on districts' Chapter 70 funding. Between 2012 and 2020 rural district enrollment went down by 13.9 percent, according to the commission's report.

The state's biggest education funding injection of the last decade, the \$1.5 million Student Opportunity Act being phased into Bay State schools over six years, was designed to direct the most funds to districts with high percentages of low-income students and English language learners. Districts in so-called gateway cities have received a significant boost.

"We know that probably 96 districts get about 80 percent of the dollars," K-12 Commissioner Jeffrey Riley said last year. "We also know there's probably more districts, probably 115 or thereabouts, that are just getting minimum aid. So in a time of inflationary pressures, this is something we need to really keep our eye on going forward."

This year, 212 districts are projected to receive minimum aid from the state due to declining enrollment, according to Northampton Superintendent Portia Bonner. Bonner, along with MASC and MASS, requested that minimum aid be funded at \$100 per student. Last year these districts got \$60 per head.

"This is incredibly important for districts in the western part of the state. The ratio between low enrollment and staffing is still a considerable cost to districts. Overall, school costs are increasing faster than cities and towns can keep up with while state funding stagnates," she said. "Northampton strongly rallied to support the Student Opportunity Act, recognizing the important goal to increase the amount of aid to districts serving the highest needs students. However, Northampton nor our neighbor Amherst have realized any funding from SOA. I ask that you consider the financial needs of all districts."

Sen. Jo Comerford of Northampton added that she was disappointed that the administration's new early education and care proposal -- to expand a universal preschool program into all 26 "gateway cities" by 2026 -- again focused on urban centers.

"I would say with deep respect that the new initiative on early child care that begins solely in gateway cities was a deep disappointment for western Mass. providers," Comerford said. "It's not that we don't love our gateway city colleagues. It is really that we here voted for the Student Opportunity Act that is really beginning to revolutionize, especially gateway cities... it's really hard to get to rural communities if we don't start with them as well at the table."

Education Secretary Patrick Tutwiler, representing Healey's administration, responded that the governor's proposal would prioritize these lower income cities, but "that does not exclude other communities from applying."

Comerford asked Tutwiler if he would be willing to look at redesigning the Chapter 70 formula and minimum aid for districts.

"We are, I think, looking at a declining spiral in districts that I represent," she said.

The secretary replied that he was "willing to follow the Legislature on this."

"If this is something that it decides or determines is an appropriate next step, then we're willing to sit down at the table and have the conversation and be a partner in that effort," Tutwiler said.

He added, when pressed by Comerford, that he would be willing to join a working group to examine school funding.

"I think that's a beautiful offer," Comerford replied.

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