

Education Funding in Massachusetts: Where Do We Stand?



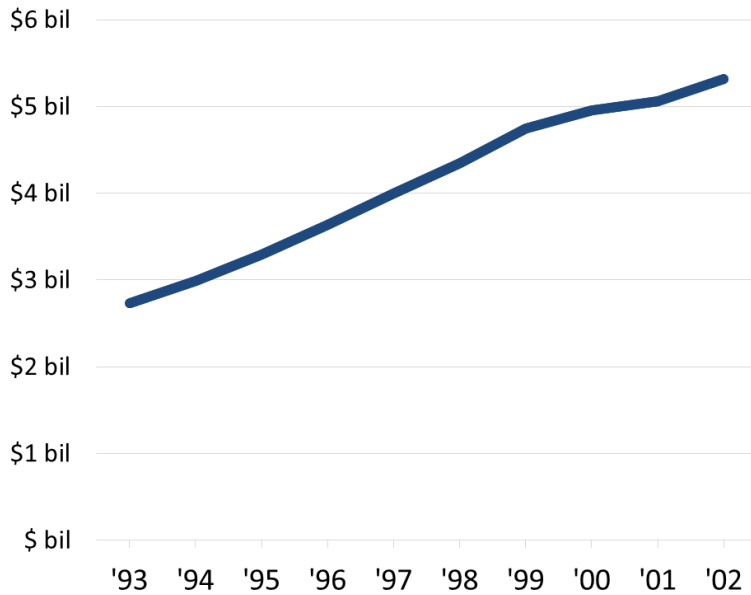
Colin Jones, Senior Policy Analyst



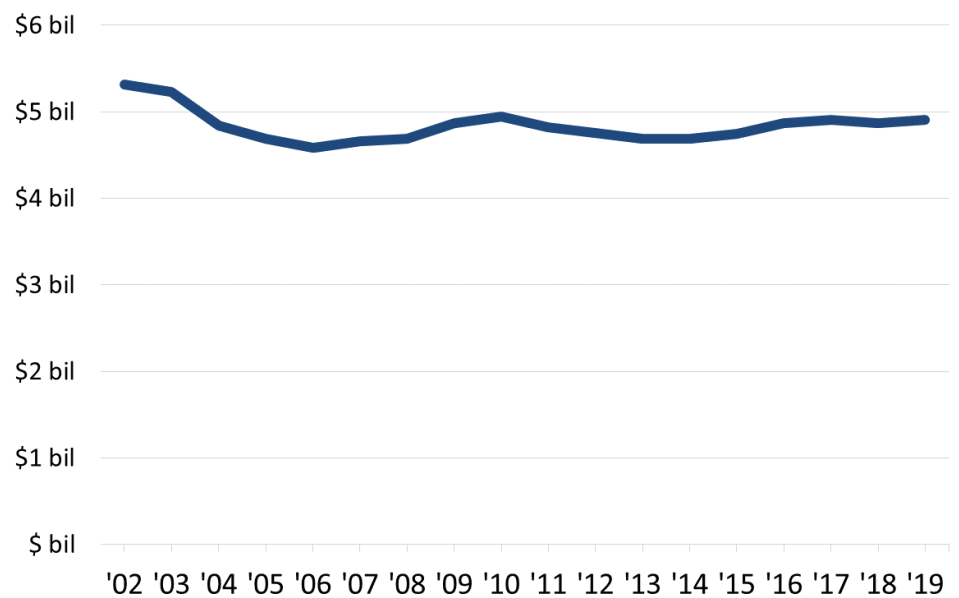
@MassBudget

Funding Progress in Massachusetts Has Eroded

Chapter 70 Aid doubled over first decade



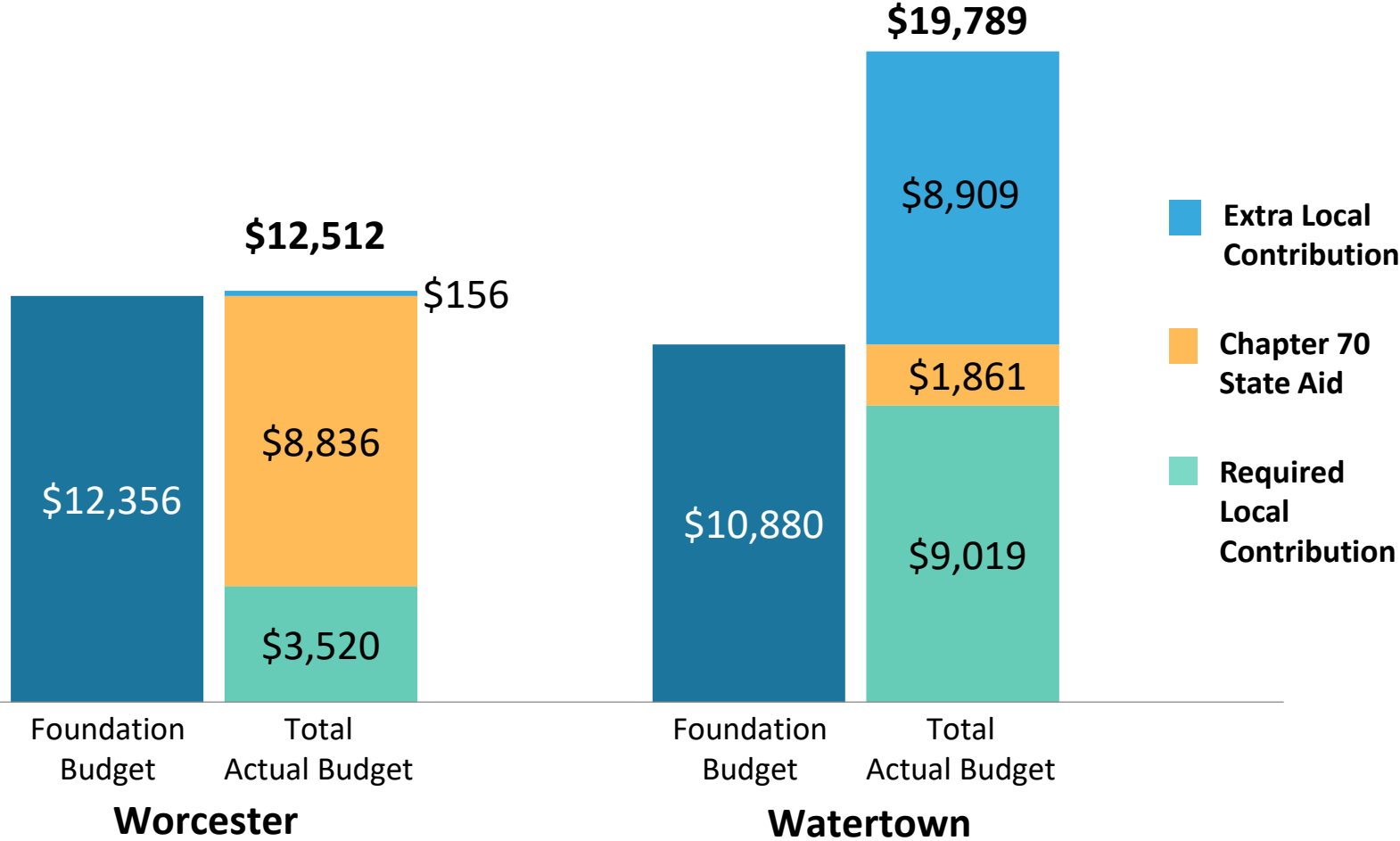
...and has been cut \$413 mil since FY 2002



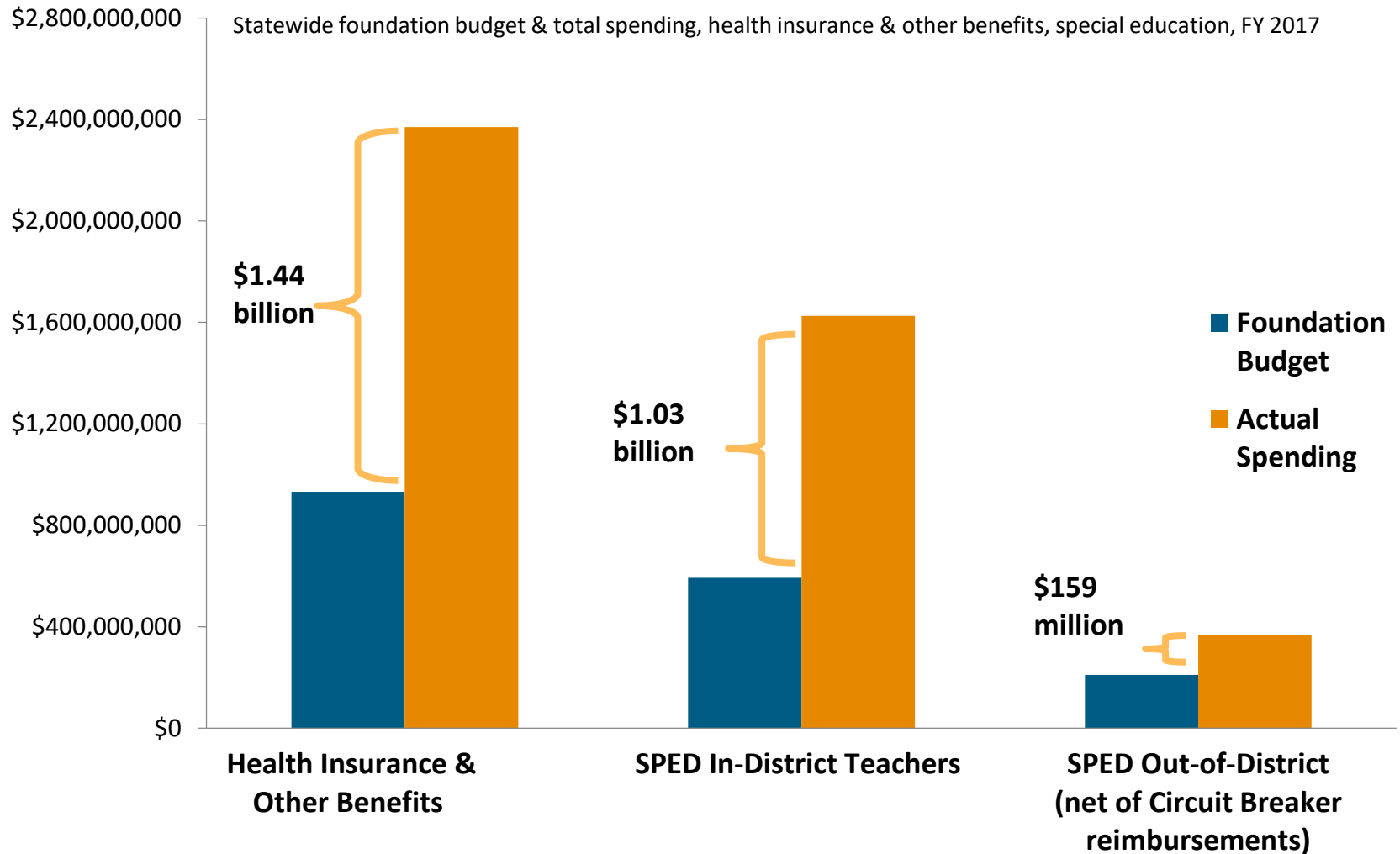
Inflation adjusted using factor identified in CH70 law (Implicit Price Deflator for State and Local Government), 2019 \$

Chapter 70 Funding for Two Sample Districts – 4 Steps

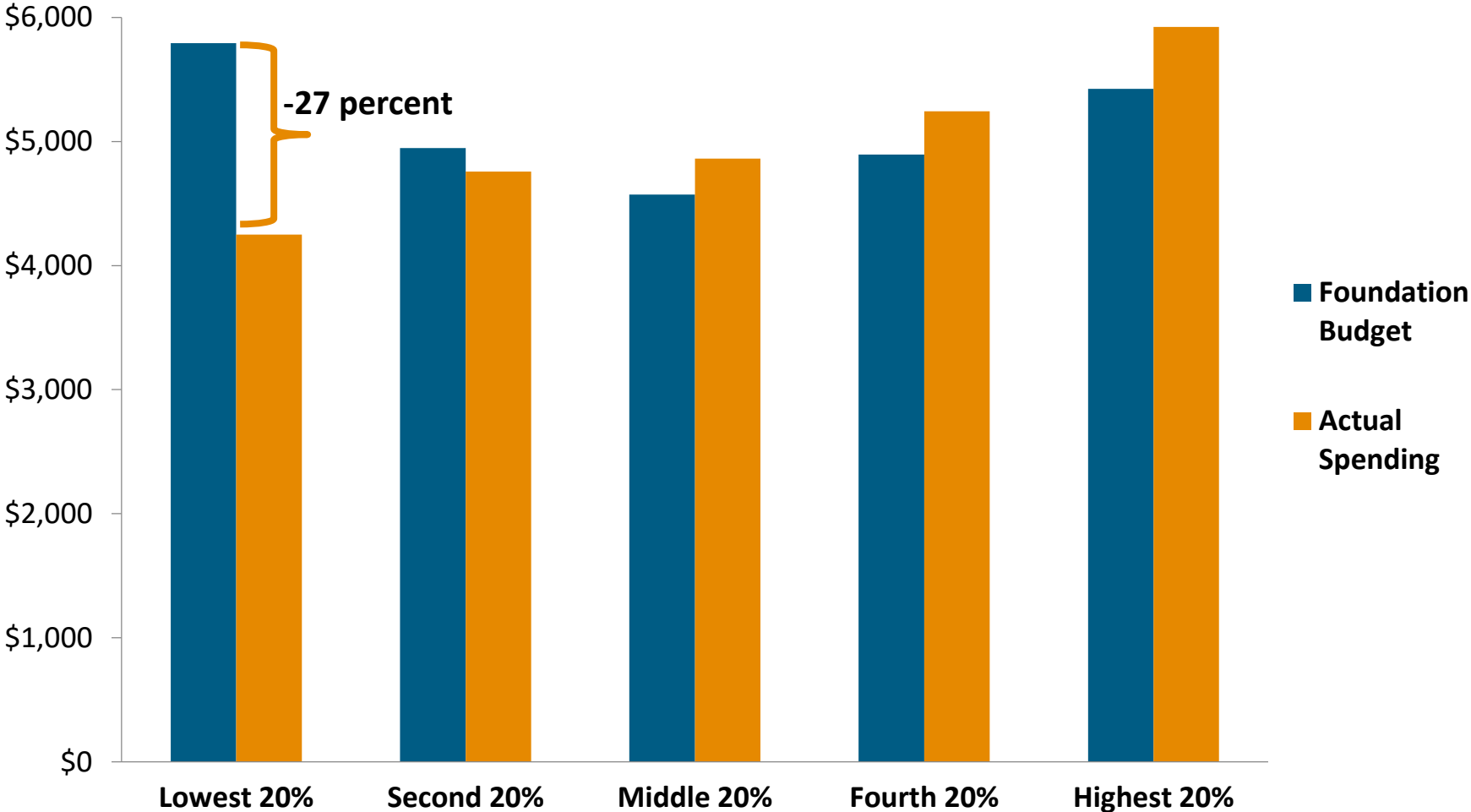
Budgeted per pupil spending by revenue source, FY2018



Foundation Budget Undercounts Critical Costs by \$2.63 Billion



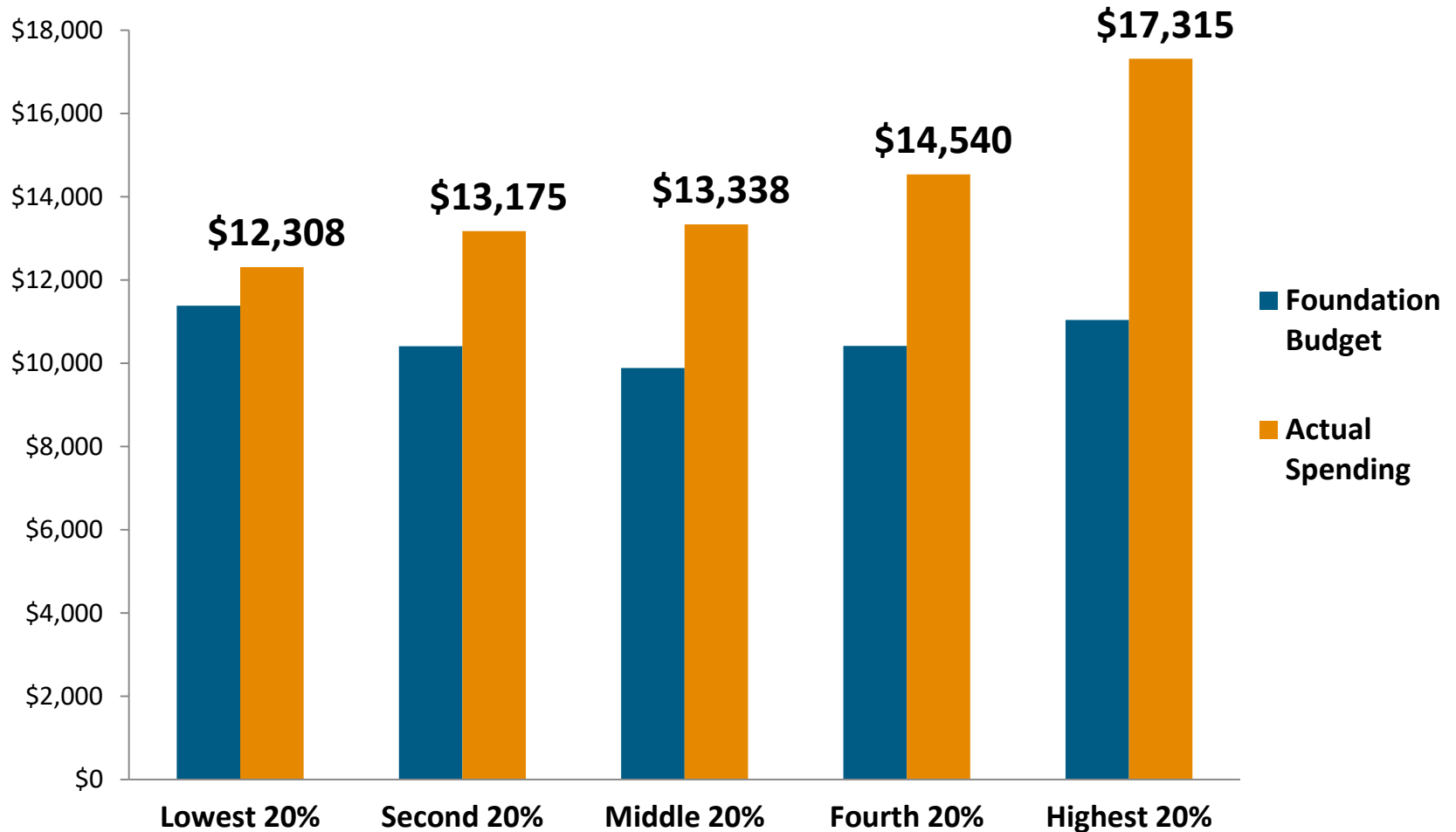
Lowest Wealth Districts Spend Nearly 30% Less Than Foundation on Regular Ed. Teachers



Districts clustered by community property wealth and income
Per pupil spending on Regular Education Teachers, FY 2017

Foundation Budget is Substantially Less Than What All Districts Need, Wealthier Communities Spend More to Compensate

Districts clustered by community property wealth and income. Total district spending per pupil, FY 2017



Foundation Budget Review Commission

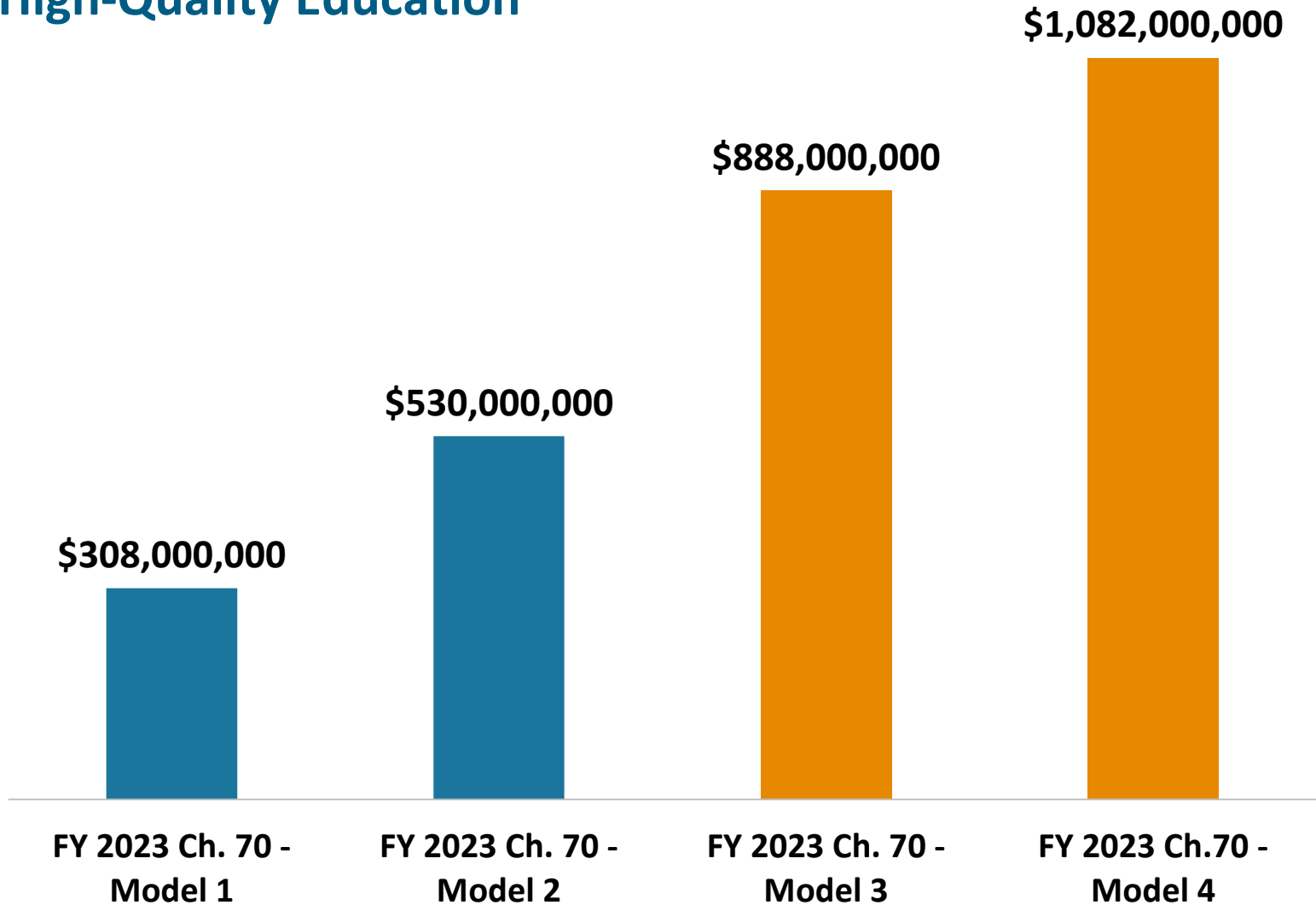
- In 2014-2015, MA legislature convened a commission to review school funding
 - Legislative leaders, teachers unions, school administrative organizations, and educational nonprofits
 - Reviewed Chapter 70 foundation budget and offered suggestions for improvements.
 - Key findings (October 2015)
 - Update health care, special education
 - More funds for low-income and English-learners, support multiple effective programs
 - Cost for solutions around \$1 billion, path forward in 2015 was unclear

What Would Fixing Chapter 70 Look Like?

MassBudget examined the impact of implementing the FBRC for each city/town

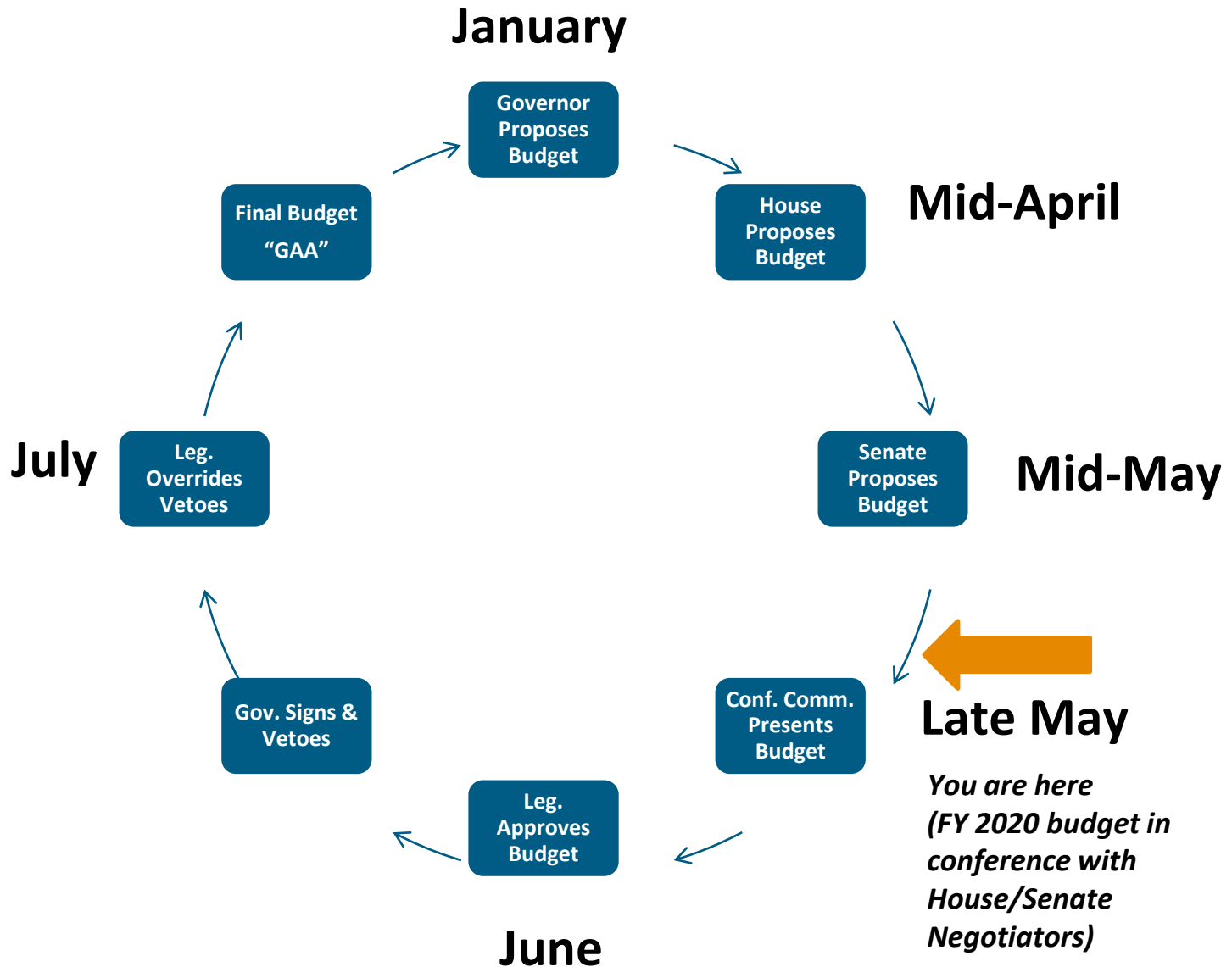
- Complete scenario includes all 4 major FBRC pillars – updating health care, special education, support for ELL and low-income
- The most robust scenario also includes minimum aid and charter reimbursements with FBRC
- Reforms this large would likely be phased in over several years

Fully Implementing FBRC Recommendations Would Provide Significantly More Aid to Help All Schools Provide a High-Quality Education



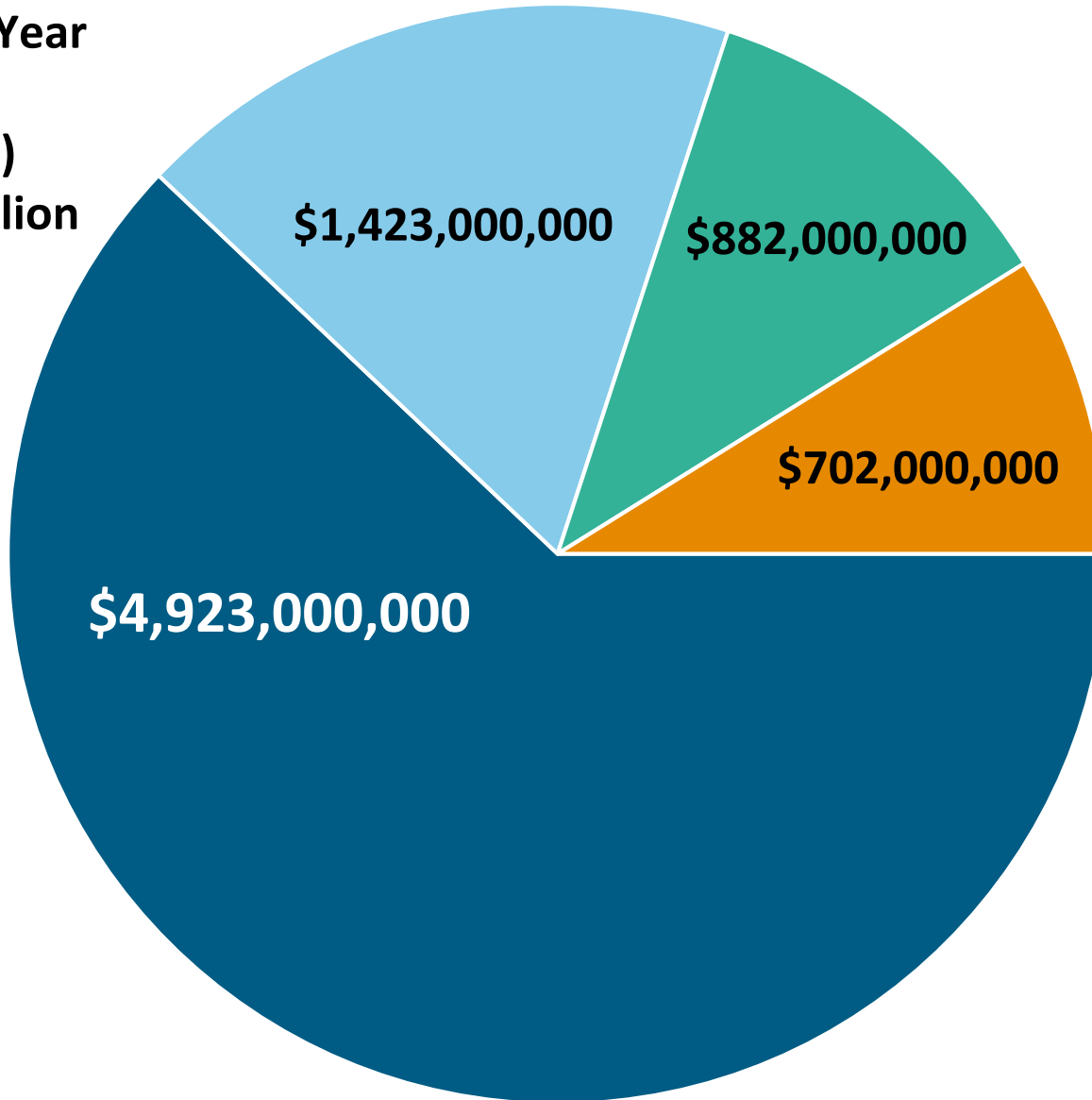
Additional statewide Chapter 70 Aid over baseline in FY 2023, by implementing each reform model

State Budget Process & Timeline



Breaking Down the K-12 Education Budget

Current Year
Funding
(FY 2019)
\$7.93 billion



- Chapter 70 Aid & Reserves
- MTRS - Teacher Pensions
- School Building
- Other - K-12 Admin-Grants-Local Aid

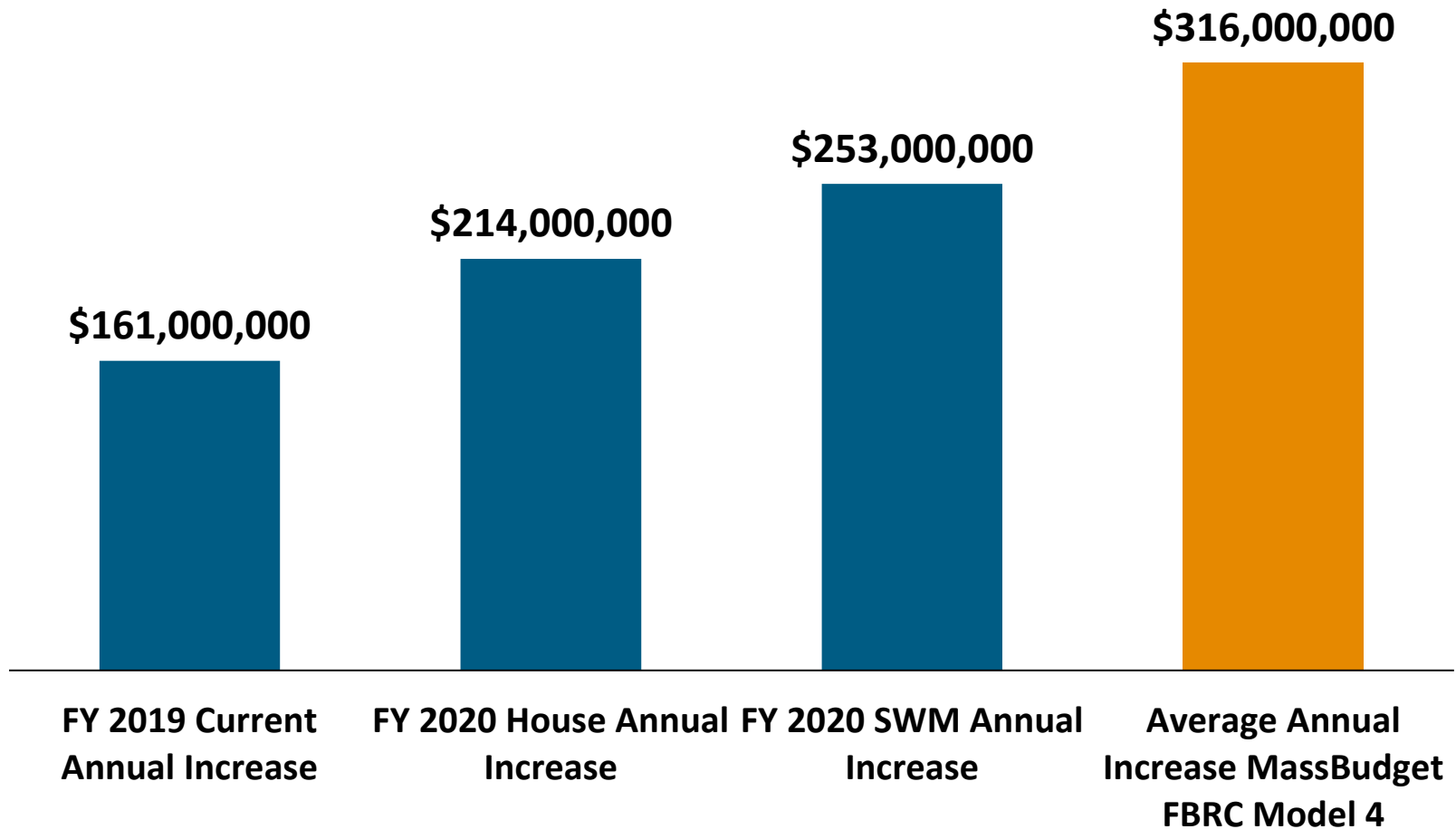
Education Budget: Trends for House FY 2020

- Modest Chapter 70 increase (4.3%, inflation at 3.75%) incremental FBRC approach, similar to Gov. Baker
- K-12 grants increased by 5%. Charter formula revised with increased funding to \$113M. Several new pilot grants. Transit, circuit breaker get solid increases.
- Decent 4% overall increase to early education. EEC rates increased \$20M

Education Budget: Trends for Senate FY 2020

- Chapter 70 - largest proposed increase for FY 2020 (5.1%) more aggressive FBRC phase-in
- K-12 grants increased 3.5%, lower than House. Less funding & reforms in charter formula. Heavier circuit breaker increase to \$345M, transit even with House
- With focus on Chapter 70, several K-12 pilots cut, grants reduced compared to House. Early childhood and higher education somewhat lower

Annual Chapter 70 Increases in FY 2020 House and SWM Budgets Less than More Comprehensive Plan



The Way Forward to Chapter 70 Reform?

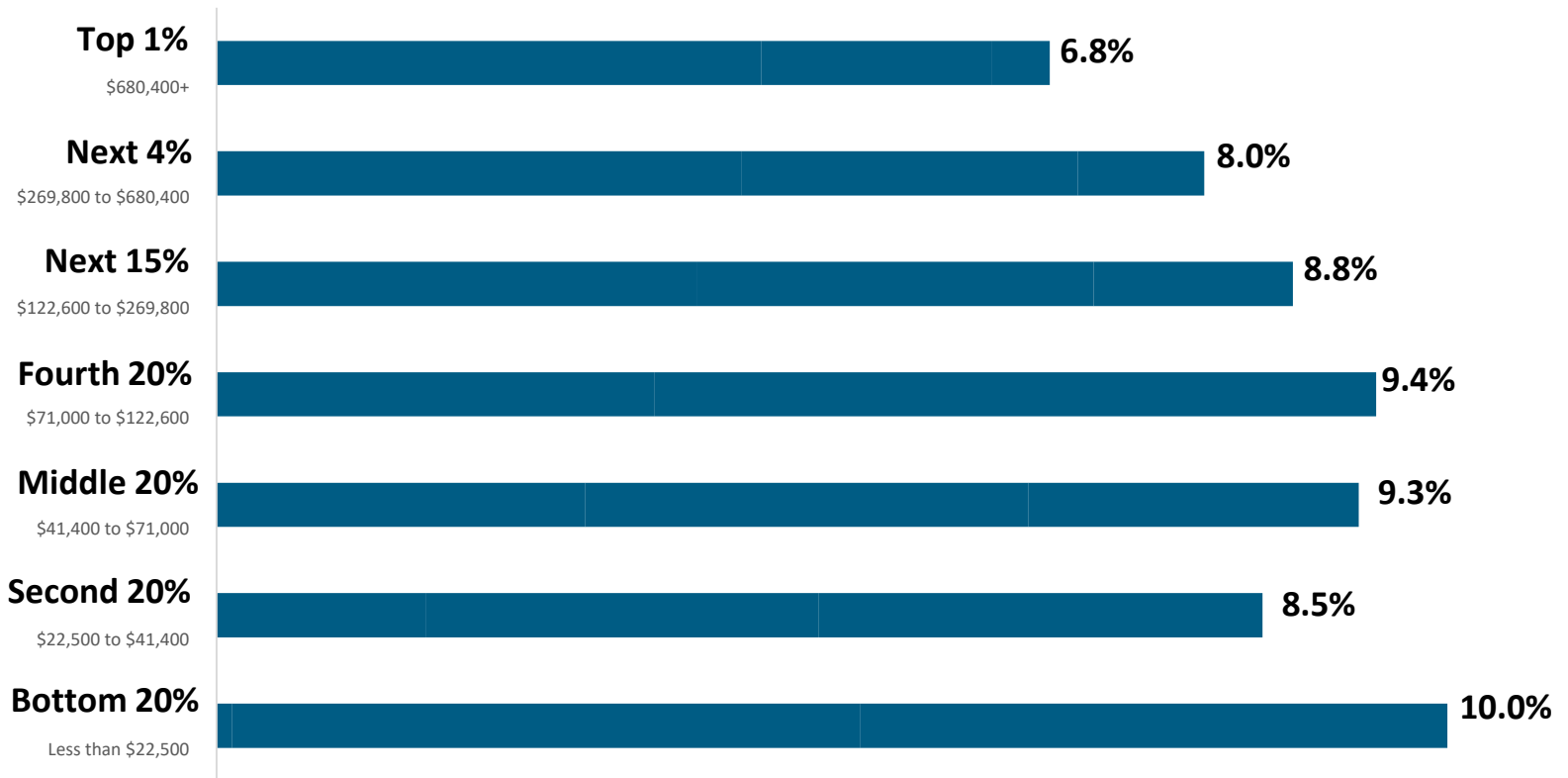
- Legislative compromise and multi-year plan for Chapter 70 still unclear. Education Committee bill for FY 2021 in the next 6 weeks? MassBudget will weigh in with new research this week.
- Key issues to watch: low-income rate & count, charter reimbursements & other affected grants, accountability
- Need for ongoing revenue to support reforms. FY 2019 surplus would be convenient short-term...

What Does This Mean for Special Education?

- FBRC special education reforms have not taken place, but have general consensus across bills:
 - Increase in-district special education **enrollment** (assume 4% standard enrollment, 5% of vocational (not in Baker/H70) ~4,000-5000 more kids
 - Increase out-of-district special education **rate** to 3X the statewide foundation budget (~\$34,300 in FY19 – all bills)
- Districts likely will be able to use special education increases to improve **all programs**
- Grants, including circuit breaker may need adjustment due to the overall reforms impact on the foundation budget

Highest-Income Taxpayers Pay Smaller Share of Income in State and Local Taxes

% of personal income paid in state and local taxes, 2018 projection



Source: Institute for Taxation and Economic Policy

Some Progressive Revenue Options...



Income taxes

- Fair Share Legislative amendment
- Fair Share citizens amendment w/no dedication of \$
- Personal income tax rate
- Raise income tax rate while increasing exemptions to make more progressive

Corporate taxes/fees

- Corporate tax rate on net profits
- Corporate minimum tax (raise by size)
- Cut special tax breaks
- Health care assessment (EMAC)
- Tax large university endowments
- Corporate tax on excessive CEO pay

Wealth taxes

- Mansion transfer tax
- Estate tax
- Inheritance tax
- Capital gains tax
- End exemption on capital gains tax for transfers at death

[MassBudget.org](https://www.massbudget.org)
["14 Options for Raising Progressive Revenue"](#)