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**STATEMENT OF LINDA M. NOONAN, EXECUTIVE DIRECTOR OF THE MASSACHUSETTS BUSINESS ALLIANCE FOR EDUCATION BEFORE THE JOINT COMMITTEE ON PUBLIC SERVICE REGARDING MUNICIPAL HEALTH INSURANCE REFORM**

In support of H.2457 An Act Relative to Municipal Health Insurance Reform – March 8, 2011

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Good morning. I am Linda Noonan, Executive Director of the Massachusetts Business Alliance for Education (MBAE). MBAE is committed to a high quality public education system that will prepare all students to engage successfully in a global economy and society. It is therefore somewhat unusual for us to be testifying on legislation before this Committee.

We are here today because the employers we represent believe that healthcare costs have become an education issue. With funding from The Boston Foundation, MBAE recently issued a study of the Chapter 70 foundation budget, *School Funding Reality: A Bargain Not Kept*, that quantifies the disproportionate impact that health care costs are having on education.

As you know, MBAE played a central role in the development and adoption of the Education Reform Act of 1993 that established a historic bargain - high education standards and accountability for performance in return for equitable distribution of resources to meet these benchmarks. Since 1993, the legislature and successive governors have faithfully met school funding commitments as defined by this law. Today, Massachusetts students, on average, outperform their peers across the nation.

Yet, although the letter of the funding law has been honored, school systems grapple with huge budget shortfalls and student achievement gaps persist. The results of our analysis show that health care costs are crowding out classroom expenditures directly affecting student learning.

Large increases in state aid from 1993 to 2000 brought districts up to targeted funding levels. However, since 2000, the cost of employee health care has wiped out those gains.

- From 2000 to 2010, health care costs consumed two-thirds of the entire increase in state spending. During the same period, from 2000 to 2007, annual health care costs in school budgets grew by \$1 billion, \$300 million more than the increase in Chapter 70 aid.
- School employee health care costs are crowding out funding for classroom expenses that directly impact student learning, such as instructional materials and teacher professional development. For example, spending on books fell by more than 50%

from 2000 to 2007 and spending for teacher training fell by almost 25%. Spending on instructional materials **fell by 11.3% per year** from 2000 to 2007.

Gains made as a result of the state's increased aid to poorest districts in the early years of reform have largely been nullified in the past decade, and per-pupil spending for students in those districts today stands significantly below spending levels for students in the state's wealthiest districts. Every school district in the Commonwealth, rich or poor, has been adversely affected, as resources intended to strengthen learning in the classroom—money for textbooks, professional training and additional teachers, in particular—has been absorbed in recent years by health care costs.

**Controlling the overall cost of health care in Massachusetts is now the ultimate education issue.** Absent a major change in the trend of health care costs, it is impossible to see how the state can keep all districts at foundation or cover the costs of the classroom resources promised in 1993. Even if a new source of revenue or significant change in employee health care costs or other expenses were to provide short term relief, these gains would be quickly lost if health care costs continue to rise at 10 percent or so each year.

**Reducing school costs outside of the classroom is an imperative for schools and districts.** We urge you to take the immediate step of enacting the bills before you today that would grant Massachusetts municipalities the ability to move employee health care benefits to lower-cost alternatives such as the state Group Insurance Commission and switch eligible retirees to federal Medicare

While spending alone does not guarantee high performance, it is clear that education services and outcomes will suffer if the gap between funds available and the actual foundation costs for high quality education continues to grow. Only by ensuring that our school finance system is able to meet the vision and commitment made in 1993 and renewed annually through your budget decisions, can we fund the educational programs and supports necessary to ensure that all students achieve at high levels and every student graduates prepared for success in college, career, and citizenship. Thank you.

For more information, please contact:

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A copy of our report can be accessed at: <http://www.mbae.org/wp-content/uploads/2010/02/School-Funding-Reality-A-Bargain-Not-Kept.pdf>.