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Analysis shows education aid going to wealthier school districts at the expense of low-income communities

\$498 million allocated to the wealthiest districts in proposed FY 2021 budget is the result of political compromises made over the years

COVID-19 economic crisis requires reevaluation of how state education dollars are distributed

September 14, 2020 – An analysis of state education aid distribution by the Massachusetts Business Alliance for Education (MBAE) and the Greater Boston Chamber of Commerce (GBCC) shows Massachusetts distributes more aid to wealthier school districts than the state formula determines they need at the expense of increasing resources to low-income communities. In the FY 2021 budget proposal, \$778 million, or 14 percent of total Chapter 70 state aid, is not distributed to school districts based on need as determined by a state formula. Sixty-four percent of these dollars, approximately \$498 million, goes to the wealthiest 20 percent of school districts in the Commonwealth.

The MBAE and GBCC report, **Missing the Mark: How Chapter 70 Education Aid Distribution Benefits Wealthier School Districts and Widens Equity Gaps**, examines elements of the Chapter 70 state aid formula that determines how state spending on education is distributed among school districts and finds that some factors in the formula increase aid to wealthier districts that, based on their wealth and income, could afford to fully fund their schools with less or no state aid. The report includes four recommendations to make the Chapter 70 state aid formula more equitable.

The factors of the formula reviewed in this report were largely unchanged by the Student Opportunity Act (SOA), an education reform bill of historic scope passed in November 2019 that promised to dramatically increase state spending to address the unique needs of low-income students, English language learners, and students with a disability. Increased funding in higher-need, lower-wealth school districts remains critical to closing racial and socio-economic opportunity and achievement gaps. The COVID-19 economic crisis further threatens the state's

ability to deliver increased funding for schools and districts serving greater numbers of higher-need students.

“Equitable access to resources is an essential component of closing equity and opportunity gaps,” said Ed Lambert, executive director of MBAE. “It is critical, particularly in this economic climate, that we redirect state dollars to communities serving students that need them the most.”

“An equitable economic recovery from the COVID-19 pandemic requires greater attention to how the state leverages and targets its limited resources,” said James E. Rooney, President & CEO of the Greater Boston Chamber of Commerce. “Our priority rests with ensuring every student can access a quality education and that we continue to make headway toward closing achievement gaps. The economic future of these students and the state depend on it.”

Governor Baker’s FY 2021 budget proposal provides \$5.48 billion in Chapter 70 education aid. Municipalities are required to contribute at least \$6.79 billion to meet spending requirements.

This analysis shows that \$778 million, or 14 percent of total Chapter 70 aid, is allocated to school districts on the basis of factors included in the formula that do not take into account underlying community need, which the report calls ‘needs-blind formula factors.’ The report identifies five needs-blind formula factors and their effect on the amount and distribution of state Chapter 70 aid, including:

- **Hold Harmless:** The state guarantees that each district will receive at least as much state aid as it did the year before, regardless of the number of students they serve and the level of student need. This guarantee is called the hold harmless provision. Chapter 70 aid attributable to the hold harmless provision is equal to \$319 million in the FY 2021 proposed budget, with the wealthiest school districts receiving approximately five times more state aid attributable to the hold harmless provision per student than the least wealthy.
- **Minimum aid:** Minimum aid provides a flat per-student increase in state aid when districts would not otherwise get an increase. Generally, districts that benefit from the hold harmless provision also get minimum aid. The proposed FY 2021 minimum aid rate is \$30 per student, accounting for \$11.9 million in Chapter 70 state aid, with the wealthiest communities receiving over six times more minimum aid per student compared to the lowest-resourced school districts.
- **Maximum local contribution share:** For FY 2021, the state calculates that 104 of Massachusetts’ 351 municipalities can fully afford to fund their schools from local resources available to them. However, a municipality’s local contribution to its schools is capped at 82.5 percent of total required spending on schools, assuring that school districts serving wealthy communities still receive state Chapter 70 aid. We calculate that this formula factor lowered the amount of state aid to the lowest-resourced districts by as much as \$82 million in FY 2021.

The findings described in this analysis are not unique to the FY 2021 budget proposal. The FY 2020 budget allocated \$702 million in Chapter 70 aid beyond community need, of which two-thirds (\$467 million) went to the wealthiest 20% of school districts. Implementation of the Student Opportunity Act has increased needs-blind aid, both overall and specifically to the wealthiest communities.

The MBAE/GBCC report includes ways the state formula could be adjusted over time to ensure funds are flowing to the districts most in need. Options include gradually phasing out the hold-harmless provision and increasing the maximum required local contribution that wealthy communities are expected to their school districts' budgets, among others. The report also makes specific recommendations for incremental changes to the FY 2021 budget to illustrate how combinations of changes to needs-blind formula factors might be coordinated to increase the progressivity of state education aid and reduce Chapter 70 aid attributable to needs blind factors. Reductions in needs-blind spending could be redirected to school districts based on need.

The Massachusetts K-12 education funding system was dramatically reformed in 1993 to address wide disparities in spending and outcomes among districts by providing state funding where local resources are insufficient. The system created by the 1993 reforms still operates today, despite some subsequent changes. The SOA further reforms this system and is intended to achieve greater equity in spending by providing more state funding to school districts that serve large numbers of higher-needs students.

The combination of COVID-19 induced state revenue reductions and the Commonwealth's recent commitment to implement the SOA mean that Massachusetts is at a critical juncture in education funding reform. During this unprecedented budget cycle, faced with difficult financial choices, the state must consider how needs-blind state aid currently sent to our wealthiest school districts could be better directed toward low-income students and schools to help close the decades-long achievement and opportunity gaps more effectively and more urgently. It is prudent to address these inequities now, both to ensure the maximum possible funding for high-needs communities in light of the current fiscal crisis and to better align the state's total investment in K-12 education with actual student need.

About the Massachusetts Business Alliance for Education

The Massachusetts Business Alliance for Education (MBAE) was founded in 1988 by employers concerned about the educational attainment and skills of graduates entering the workforce. Driven by the business community's commitment that all students graduate high school prepared for success in college, career and citizenship, our core work is influencing state education policy to improve the quality of all public schools in Massachusetts.

About the Greater Boston Chamber of Commerce

We are the convener, voice, and advocate of our region's business community, committed to making Greater Boston the best place for all businesses and all people to thrive. We help our

members and Greater Boston succeed by convening and connecting the business community; researching, developing and advocating for public policies that contribute to our region's economic success; and providing comprehensive leadership development programs designed to grow strong business and civic leaders. Learn more at BostonChamber.com.

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