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## Overview

Declining state aid to education has hurt the schools of Western Massachusetts. Relatively poor to begin with, and struggling with the expenses of providing quality education in areas that are sparsely populated, districts have been hit with the double-whammy of declining enrollment and declining state aid. Many have reached a critical 'tipping point': loss of revenue leads to loss of educational programs and services, students opt out of the district to receive their schooling in other districts, in charter schools, or to be home-schooled. Loss of students leads to additional loss of revenue and further cuts in services: inevitably, further loss of students ensues.

Although the Chapter 70 Formula – the chief funding mechanism for state aid to education – is intended to be equitable, and to provide sufficient aid to enable local districts to provide an adequate education to all students, the unintended consequence of recent cuts in aid has been to impoverish a sizeable group of schools, and to place them at a competitive disadvantage. These schools are overwhelmingly located in rural areas of Western Massachusetts.

Both the charter school movement and the school choice law are intended to promote healthy competition among schools, and to thus inspire public schools to provide better education more efficiently. It's a noble aim, and many of the charter schools in particular have shown great promise. But public schools cannot compete on an uneven playing field, and that is exactly what the Chapter 70 Formula has created.

Although this loss of funding is felt most acutely by the students deprived of essential educational services, it also quickly becomes a community economic development issue. Without good schools, towns typically find it difficult to attract new residents with the kinds of skills necessary in the new economy. Without these residents, towns find it difficult to attract new businesses. And without new businesses, towns cannot continue to make up the gap in funding caused by the decline in state aid to education. Finally, without the funds to provide basic educational services, schools cannot hope to provide schooling that meets the needs of all of their students – college preparation for those headed to college, and career training and preparation for those entering the workforce.

A modest investment of about 10 million dollars in FY08 will stop the bleeding for this group of school districts. It will provide sufficient dollars for these schools to begin to recover from the recent years of cuts, restoring crucial programs and services.

This is a short-term fix to enable this particular group of schools to survive. But the long-term solution must include all schools, and must address the growing shortfall between educational needs and state aid.

## Rationale

### **The problem**

Sparsely populated school districts with declining enrollment that are relatively poor have been adversely affected by declining state aid to education. Although declining enrollment is a contributing condition to the fiscal woes of these districts, the primary cause is the decline in state aid.

If declining enrollment alone were the cause of the problem, per-pupil state aid, adjusted for inflation, would remain relatively constant over the past several years. Instead, the numbers show a significant decline in state aid per pupil.

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As real dollars per-pupil decline in poorer communities, schools quickly reach limits on their towns' ability to shoulder an increasing percentage of the cost of education, and cuts to programs and services inevitably ensue.

Schools in sparsely populated areas, which must constantly seek a balance between maintaining community-based schools and supporting schools large enough to realize some economy of scale, are especially hard hit.

### **The remedy**

Extend the hold-harmless concept in the Chapter 70 Formula to those schools hit hardest by the combination of declining state aid, declining enrollment, limited community wealth, and sparse population. Tie the hold-harmless clause to a per-pupil measure, adjusted for inflation so that dollars in state aid are tied directly to both current enrollment and current costs. Make a one-time adjustment in state aid, based on pre-recession per-pupil aid and capped at \$1000 per student: then index that aid to the real costs of maintaining level-services budgets in the future.

### **The target group**

#### Schools

- with enrollment declines of 6.5% or more in the preceding five years,
- whose target aid share is 50% or more,
- in districts with 100 students or less per square mile.

### **Methodology**

#### **Source data**

All data used is drawn from either DOE or DOR spreadsheets. In each case, the most current publicly available data was used (this study as of 2.16.07).

#### **Eligibility criteria**

After experimenting with several measure, we focused on three key eligibility criteria: student population density, state aid target percentage, and enrollment decline over the past five years.

#### **Hold harmless calculation**

Calculations were all based on per-pupil state aid. The base year (FY02) was chosen to establish a five-year trend to current numbers, and to ensure that at least one year of pre-recession aid was used as the base.

The inflation factor used is based on the "implicit price deflator for state government services as published by the United States Department of Commerce." The figure used (24.4% over this five-year span) is taken directly from a paper issued by the Massachusetts Budget and Policy Center, entitled Public School Funding in Massachusetts and dated November 2006. Figure 7 on page 15 shows that FY02 nominal dollars in aid must be increased by 24% to reach constant FY07 dollars, using the IPD index.

By comparing inflation-adjusted per-pupil dollars to before and after the recessionary aid cuts of FY04, an index is created that brings most benefit to those districts that saw the largest cuts in aid, and still brings some additional aid to districts less severely impacted.

### **Data Development**

Spreadsheets containing most of this data, and preliminary eligibility calculations were developed by Ms. Christine Lynch of the DOE, using a combination of DOE and DOR databases. Subsequent calculations by Ken Roche, who is responsible for any and all mistakes that are in these tables and spreadsheets.

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**TOWNS ELIGIBLE FOR AID (directly or through their regional school district) UNDER THIS ADJUSTMENT**

ADAMS  
ASHFIELD  
BECKET  
BERNARDSTON  
BLANDFORD  
BROOKFIELD  
BUCKLAND  
CHARLEMONT  
CHESHIRE  
CHESTER  
CLARKSBURG  
COLRAIN  
CUMMINGTON  
DALTON  
FLORIDA  
GILL  
GREENFIELD  
HAWLEY  
HEATH  
HINSDALE  
HOLLAND  
HUNTINGTON  
LEYDEN  
MIDDLEFIELD  
MONTAGUE  
MONTGOMERY  
NEW SALEM  
NORTH ADAMS  
NORTHFIELD  
ORANGE  
PERU  
PLAINFIELD  
RUSSELL  
SHELBURNE  
SHUTESBURY  
WALES  
WARE  
WARWICK  
WASHINGTON  
WENDELL  
WINDSOR  
WORTHINGTON