Massachusetts Chapter 70:
Findings and Recommendations

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About This Paper

This working paper was originally prepared as a Policy Analysis Exercise, Harvard Kennedy School's equivalent of a master's thesis, and was the winner of the Frederick Fisher Memorial Prize, which honors the memory of Fred Fisher, a 1977 graduate of the Kennedy School's MPP Program, who was a committed public servant with particular concerns about the poor and vulnerable. The PAE's authors – Megan Britt and Anna Hall -- both received their Master in Public Policy from the Kennedy School in June 2009.

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The Policy Analysis Exercise

The Policy Analysis Exercise (PAE), which is the capstone of the Kennedy School's Master in Public Policy (MPP) curriculum, is a professional product, meant to clarify and address a practical policy or management problem for a real-world client. The client for this PAE was Massachusetts State Representative Mark Falzone (D-Saugus). The faculty advisor was Suzanne Cooper, a Senior Lecturer in Public Policy and Associate Academic Dean at the Harvard Kennedy School. More information about PAEs is available at http://www.hks.harvard.edu/degrees/oca/student-alumni/pae.

MASSACHUSETTS CHAPTER 70

March 2009

Findings and Recommendations

Prepared for Massachusetts State Representative Mark Falzone

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Harvard Kennedy School of Government

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Massachusetts Chapter 70

FINDINGS AND RECOMMENDATIONS

Table of Contents

EXECUTIVE SUMMARY

In Massachusetts, the Chapter 70 education funding statute includes formula calculations that determine both an "adequate" level of spending for each school district, as well as an "equitable" division of state monies to assist districts in meeting their mandated spending levels. Despite recent reforms to Chapter 70, significant questions persist about the accuracy of the formula for calculating adequate spending, and for determining an equitable distribution of state aid.

Concerns about the adequacy and equity of Chapter 70 are inextricably linked to the way districts spend education dollars. Currently, Chapter 70 aid is distributed to municipalities and districts without any encumbrances. Districts across the Commonwealth receive a "blank check" from the state with the mandate only to spend what the state formula determines as "adequate" for education. Otherwise the state provides little oversight as to how districts spend Chapter 70 funds.

An analysis of district spending trends across the state reveals significant spending gaps between state projections and actual district spending. Moreover, larger school districts have lower per-pupil costs than smaller school districts across all spending categories, with the exceptions of Special Education students who are tuitioned out[1] and employee benefits. Thus, the highest spending districts, on a per-pupil basis, are typically the smallest.[2]

The political implications of this spending discrepancy are significant, posing a serious challenge to Chapter 70's mandate to provide an adequate level of funding. However necessary it may be to revisit the adequate nature of Chapter 70, the ability of the state to continue to expand its support for local education is limited. Questions about the future of Chapter 70 should center on how to incentivize districts to spend existing education dollars more efficiently.

An analysis of actual district spending reveals opportunities to integrate "efficiency" as a guiding principle of school finance alongside the existing principles of adequacy and equity. Adequacy should not be exclusively linked to a certain level of funding, but rather to an efficient allocation of the funds available at the state and local level for education. Because school districts rely on additional revenue sources in addition to Chapter 70 funds, savings in school spending may be realized by local towns in addition to the state. This realization can be a powerful incentive for districts to evaluate how efficiently they are spending their own dollars.

In order for districts to achieve efficiencies in their spending, the state should address the three most significant areas of inconsistency between Chapter 70's budget calculations and actual district spending: the incidence and cost of tuition for Special Education students, health insurance costs, and inflation. There exists a continuum of strategies for the state and districts to achieve economies of scale for the majority of educational expenses. By recognizing these economies of scale, the state and local districts can partner to improve the efficiency of education spending, implicitly improving Chapter 70's ability to meet its mandate of providing adequate and equitable funding for public schools in the Commonwealth.

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[1] Special Education students who are "tuitioned out" are students for whom the local district pays tuition to a specialized school or program.

[2] Smaller districts are those with 2000 students or less. This policy paper breaks districts into seven sizes: 0-1000; 1000-2000; 2000-3000; 3000-4000; 4000-5000; 5000-7000; 7000+.

INTRODUCTION

Context of Chapter 70

In Massachusetts, state aid for education is determined by a calculation outlined in Chapter 70 of the Massachusetts General Law. Collectively referred to as "Chapter 70," the statute includes a formula for determining an "adequate" amount of money each district must spend on education, called the foundation budget, and the "equitable" division of state funds to assist each district in meeting their mandated spending level.[i]

Chapter 70 is designed to provide "adequate and equitable funding for public schools in the Commonwealth."

Chapter 70 funding has become the most significant and only growing source of local aid to Massachusetts cities and towns.[3] As a result, the calculation and distribution of Chapter 70 funds is heavily scrutinized by a variety of stakeholders. While Chapter 70 was created to guarantee that all children in the Commonwealth had access to a quality education, the complex formula needed to ensure this mandate has itself become a target of criticism because of a perceived lack of transparency.

Discussion of challenges and opportunities for improving Chapter 70 needs to be grounded in an understanding of its origins, its governing principles of adequacy and equity, and the formula itself. Once understood, recommendations about how to improve the formula to better reflect its original mandate can take on greater meaning.

Methodology

In an effort to better understand the origins and workings of Chapter 70, we conducted a series of interviews with its primary stakeholders, specifically those involved in its creation, oversight, and execution. Due to the political sensitivity of conversations about Chapter 70, most of our sources preferred to remain anonymous. In addition to interviews, information about Chapter 70 and other similar state education finance programs was collected through a literature review. We also constructed a model of the Chapter 70 formula in order to better understand and demonstrate its application to districts across the state.

Our findings and recommendations are also the result of an analysis of actual spending data compared to Chapter 70 foundation budget calculations for the 351[4] operating school districts in the Commonwealth for FY05, FY06, and FY07.[5] By disaggregating the spending data across district size and cost categories, we were able to identify significant discrepancies between foundation budgets and actual spending in districts across the state.

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[3] Chapter 70 aid has been growing since FY04, but FY10 predictions by the Massachusetts Department of Education report level funding for the upcoming fiscal year.

[4] There are 391 districts in Massachusetts, 40 of which are not "operating" districts because students in those districts attend schools in neighboring communities.

[5] Actual spending data for FY08 was released too late for the inclusion of this report.

BACKGROUND

Origins of Chapter 70

Prior to 1993, Massachusetts had historically relied on local property taxes to finance education, which created significant inequities in school funding between wealthy and poorer communities. Growing concerns about the disparities in public education across the Commonwealth coincided with the State Supreme Court case *McDuffy v. Secretary of the Executive Office of Education,* prompting legislators to enact the Education Reform Act in 1993.[ii]

Central to the Act were provisions intended to reform public education in Massachusetts to meet the state's Constitutional mandate to provide a quality public education to all of its citizens. Crucial to these reforms was a dramatic revision of the way public schools were financed.

In order to provide equal access to quality public education across the Commonwealth, the state first needed to determine what constituted a quality education by identifying the minimum level of spending required to meet that standard. Additionally, in recognition that not all districts could meet an expanded financial obligation on their own, the state needed to provide additional funding to those communities. These premises form the basis of what is known today as Chapter 70.

The Constitutional nature of the guarantee of public education in Massachusetts, combined with a history of litigation in the state Supreme Court, continues to have a significant impact on the nature of education funding and reform in the Commonwealth. Any future reform efforts must consider the potential for litigation by plaintiffs alleging unconstitutional disparities in public education.

The education clause of the State Constitution states in part that, "[it] shall be the duty of legislatures and magistrates, in all future periods of this Commonwealth, to cherish…the public schools and grammar schools in the towns."

Massachusetts Constitution pt. II, ch. V, & II.

SCHOOL FINANCE LITIGATION IN MASSACHUSETTS

McDuffy v. Secretary of the Executive Office of Education

First initiated in 1978, students from property-poor communities alleged that the existing school finance system violated the education clause of the State Constitution. In 1993, the court held that the state had failed to meet its Constitutional obligation, but did not order equal spending on education, leaving it to the state to legislate a remedy. Decided shortly before the Education Reform Act was passed, many saw *McDuffy* as being the major impetus for education reform in Massachusetts by setting a constitutional standard against which all future reforms are subsequently judged.

Hancock v. Commissioner of Education

Initiated in 1999, plaintiffs representing students in nineteen school districts alleged that the state was failing to provide public school students the constitutionally required education outlined in the *McDuffy* decision. The court found for the state in 2005, rejecting a recommendation that Chapter 70 be examined and reformed. Though acknowledging that education reform in Massachusetts was incomplete, the court ruled that the state was making reasonable progress.

"Adequate"

In keeping with the impetus for the 1993 Education Reform Act, the first priority when Chapter 70 was introduced was to establish a minimum level of school funding and spending in school districts across the state. This minimum spending level is, for the purposes of Chapter 70, considered adequate. Adequate spending, per the Chapter 70 statute, is defined by each district's foundation budget which is determined by multiplying the number of students in a district by the costs of eleven categories of school spending.

All districts were projected to reach foundation-level spending as of FY00. In order to reach this goal, the state significantly increased its spending on local education, and Chapter 70 funding became one of the largest vehicles for local aid. Increased aid was distributed progressively, such that communities with lower wealth received proportionally more Chapter 70 funding to assist them in reaching their foundation budget level of spending.

Between 1993 and 2000, education spending by the state more than doubled, with the majority of additional funding going to the poorest districts.

Significant questions have emerged as to whether or not the foundation budget calculations truly reflect an adequate level of school spending necessary to provide a quality education to the state's public school students. Although the state defines adequacy in terms of the foundation budget, there are growing criticisms that the assumptions behind both the cost and enrollment categories are no longer accurate. Assumptions about the nature of education spending and student demographics that were true in the early 1990's are no longer widely supported. The costs for many education-related expenses have changed dramatically; most notably, the formula was created before the advent of the MCAS and accountability requirements of No Child Left Behind.

Another major source of tension over the adequate nature of Chapter 70 is the fact that the term, according to the Chapter 70 statute, represents a minimum level of spending. In contrast, many stakeholders in the state's public education system see "adequacy" as representing a spending level that exceeds the foundation budget, contending that a quality education cannot be reached with a minimum level of funding.

Redefining the amount of spending that is considered adequate is challenging both politically and practically. Politically, there is little or no consensus around the definition of adequate educational spending and achievement. Practically, any redefinition of adequate spending is likely to dramatically increase the state's financial obligation to local districts.

A major tension in discussions about Chapter 70 is that "adequate" is defined by Chapter 70 as a minimum spending level, while many education stakeholders think that an "adequate" level of education means more than a minimum level of spending.

"Equitable"

The second priority of Chapter 70 was to address the historic disparities in public education spending across the state. Chapter 70 was designed to distribute state aid relative to a district's ability to meet its foundation budget obligations. In general, poorer districts receive larger amounts of funding as a percentage of their foundation budgets as compared to wealthier districts. In some instances, the poorest districts were receiving as much as 100% of their foundation budget in state aid, while the wealthiest districts received no Chapter 70 aid from the state.

As a result of the large differential in state aid across the Commonwealth, many districts question whether or not Chapter 70 is meeting its obligation to provide "equitable" funding for public education. The discrepancies in absolute and relative funding levels have posed a threat to Chapter 70's claim to an equitable distribution of state aid, because some districts received little or no Chapter 70 funding. The complexity of the formula calculations also undermines perceptions of equity because districts of seemingly similar characteristics sometimes receive dramatically different levels of funding.

One feature of the Chapter 70 formula that causes differences in funding levels for seemingly similar districts is the "hold harmless" clause included in the original statute. The "hold harmless" aspect of Chapter 70 is intended to ensure that every district receives funding equal to or greater than what it received in the previous fiscal year. This helps districts in their budgeting process and maintains or expands the purchasing power of a district's foundation budget each year. However, it has intensified concerns about equity because districts which are shrinking in terms of student enrollment continue to receive funding equal to levels appropriate for their once-larger student population.

Major reforms enacted in FY07 have attempted to address the concerns of wealthier districts by guaranteeing that all districts, regardless of their wealth, will receive a minimum of 17.5% of their foundation budget as Chapter 70 aid from the state.

HOW CHAPTER 70 WORKS

The Chapter 70 formula addresses two components of education funding: the cost of education in a district, and the district's ability to fund that education. The first calculation, the cost of education, is reflected by a district's foundation budget. The second calculation, the district's ability to fund its local education, is more complex and is reflected by a series of calculations to determine a district's local contribution and Chapter 70 aid.

Phase-in Reforms

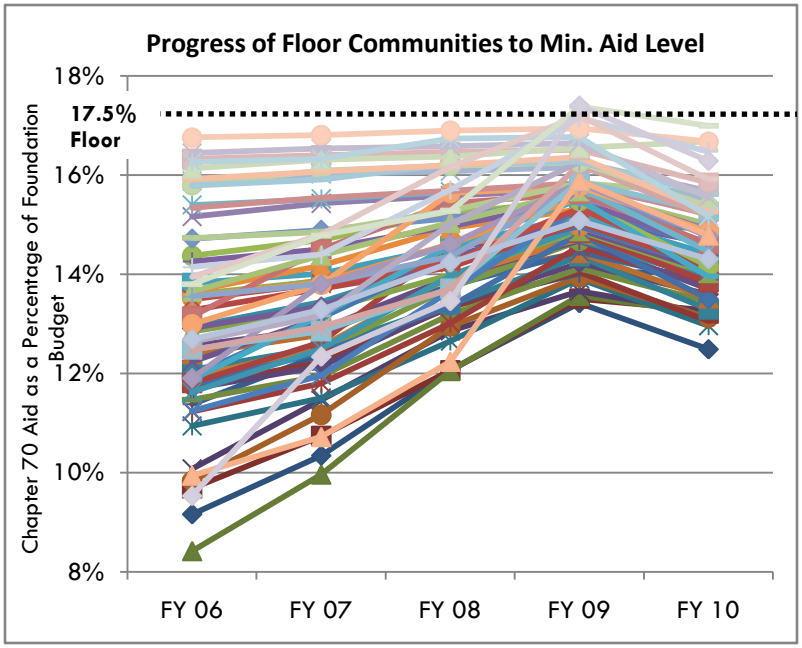
In FY07, the most significant reforms to Chapter 70 were made since its creation 13 years earlier. The FY07 reforms affected the cost categories used to determine foundation budgets, as well as to significantly change the mechanism by which districts' local contributions are calculated.

First, cost categories were changed to better reflect spending practices by districts in an effort to begin to track spending across the state. The number of categories was reduced from 18 to 11, with the rate for each category to be determined by the state Department of Education every fiscal year.

In addition, the aggregate wealth model, used to determine a district's ability to contribute to its local education funding, was updated to reflect more current income and property values in districts across the state. Current property values and personal income became subject to multipliers set by the state DOE to achieve a target local share of the state foundation budget of 59%.

Most significantly, the legislature enacted a cap of 82.5% for a district's local contribution. Beginning in FY07, districts previously funding more than 82.5% of their foundation budget would receive incremental increases in state aid to reduce their contribution to the maximum 82.5% after five years.

Districts which had previously received little or no Chapter 70 funding have received additional funding each year since FY07, and are approaching the 17.5% guaranteed aid "floor". For a list of "floor communities" and districts still receiving additional funding through the phase-in reforms, see Appendix 3.



In addition, districts contributing relatively less towards their local education, based on the district's wealth, would pay incrementally more each year.

Commonly referred to as "the phase-in", this reform has largely answered concerns about the equitable nature of the Chapter 70 formula. Although some districts remain concerned about the length of the phase-in, many view it as more equitable than the original formula, which allowed some districts to be fully funded by state aid, while others received no state funding at all.

Calculating the Foundation Budget

A district's foundation budget is calculated by multiplying a district's previous-year enrollment in ten enrollment categories, by the costs associated with eleven categories of educational costs. The resulting foundation budget is then subject to the Wage Adjustment Factor, if applicable.

Enrollment Categories

Enrollment Categories
Pre-kindergarten (½ FTE)
Half-day kindergarten
Full-day kindergarten
Elementary grades 1-5
Middle school grades 6-8
Senior high grades 9-13
Limited English Pre-K
Limited English half-day kindergarten
Limited English grades 1-12
Vocational education grades 9-12

In-school special education is assumed to be 3.75% of total district enrollment, excluding pre-kindergarten and vocational students. Special education students who are tuitioned out are assumed to be 1% of total district enrollment, excluding pre-kindergarten and vocational students.

Low-income students, as determined by qualification for free and reduced price lunch, receive additional per-pupil funding in four cost categories: classroom and specialist teachers, professional development, operations and maintenance, and employee benefits.

Although limited English, vocational and low-income students are given separate and additional categories for the purposes of calculating the foundation budget, they are not added as separate enrollments into the total foundation enrollment calculation, as that would double-count their enrollment.

Cost Categories

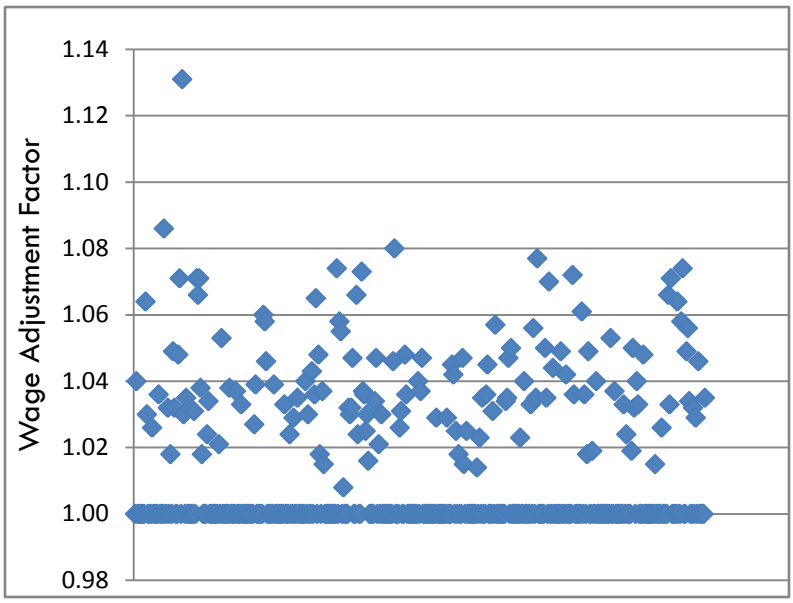
The rates for each of the cost categories are changed every fiscal year, subject to an inflation rate set in the state budget. Before FY07, the inflation rate was statutorily capped at 4.5%. In FY07, this was amended so that the cost categories, and therefore the foundation budget, may be fully inflated every year. However, the inflation rate selected to be applied to the foundation budget cost categories is a part of the state budget process. Subjecting the foundation budget to a low inflation rate makes it possible to contain the size of the state foundation budget.

For a more detailed description of the calculations underlying the cost categories, see Appendix 1.

Cost Category	FY09 Rate
Administration	$330.08
Instructional Leadership	$596.16
Classroom and specialist teachers	$2,733 for Elementary $2,405 for Middle $3,538 for High school
Other teaching Services	$701 for Elementary $505 for Middle $420 for High school
Professional Development	$108 for Elementary $117 for Middle $114 for High school
Instructional Equipment and Technology	$396 for Elementary and Middle $633 for High school
Guidance and Psychological	$199 for Elementary $265 for Middle $332 for High school
Pupil Services	$119 for Elementary $194 for Middle $447 for High school
Operations and Maintenance	$759 for Elementary $823 for Middle $798 for High school
Employee Benefits and Fixed Charges	$684 for Elementary $651 for Middle $625 for High school
Special Education Tuition	$21,630

Wage Adjustment Factor

In districts where there are above-average salary costs, salary-related expenses are subject to the Wage Adjustment Factor. A Wage Adjustment Factor (WAF) is applied to the eight salary-related foundation budget categories to reflect the fact that average salaries are higher in some areas of the state than in others. Only those areas with above-average wages are given additional funding to accommodate for the WAF. Areas with below-average salary costs do not lose money. The majority of districts have a WAF of 1, and so are not impacted by the WAF in the process of calculating their foundation budget. For a description of how the WAF is calculated, see Appendix 2.



The WAF is one potential tool to impact local Chapter 70 funding. A district could dispute its WAF and potentially be subjected to a higher WAF. Being assigned a higher WAF will increase the size of a district's foundation budget, which will increase its Chapter 70 aid, but may also increase its local contribution.

Calculating Local Contribution

1. Calculate the target local contribution

The **target local contribution** represents the amount each city and town *should* contribute toward its foundation budget, based on a municipality's wealth. **Target local share** is the percentage of a district's foundation budget represented by its target local contribution. The maximum local share of the foundation budget is 82.5%.

Town	Target Local Contribution	Target Local Share
LYNN	$44,762,631	28.71%
LYNNFIELD	$15,413,636	82.50%
SAUGUS	$23,121,823	82.50%
WAKEFIELD	$25,237,648	80.63%

Two measures of wealth are used: property values (EQV) and personal income, each weighted differently such that they contribute equally to the target local contribution. The weights to be applied to property values and income are set at the state level, and are based upon the total target local contribution, as a portion of the state foundation budget. For example, the calculations below represent Wakefield's target local contribution for FY09. Detailed calculations for Lynn, Lynnfield and Saugus are provided in Appendix 10.

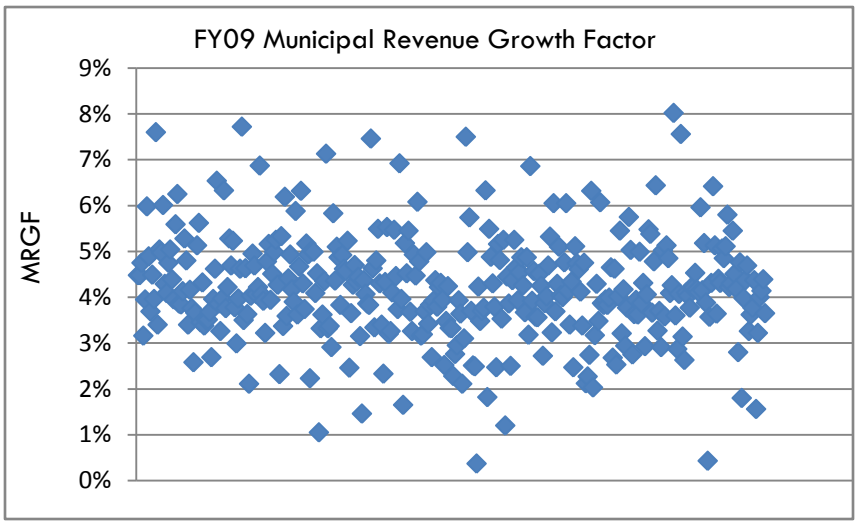
Wakefield

Property	Actual EQV	Local contribution from	FY09 Target Local Contribution
0.31%		$12,927,090.00	$25,596,918.45
Income Percentage	Actual Income	Local contribution from	
1.56%		$12,669,828.44	

2. Calculate the preliminary local contribution

Multiply the previous year's required local contribution by the Municipal Revenue Growth Factor (MRGF).

The MRGF is a rate calculated by the state to reflect annual growth in a community's local revenues, which can be the result of growth or overrides. In Massachusetts, Proposition 2 ½ limits a town's ability to raise its local property taxes, and can only by a voter-approved override.

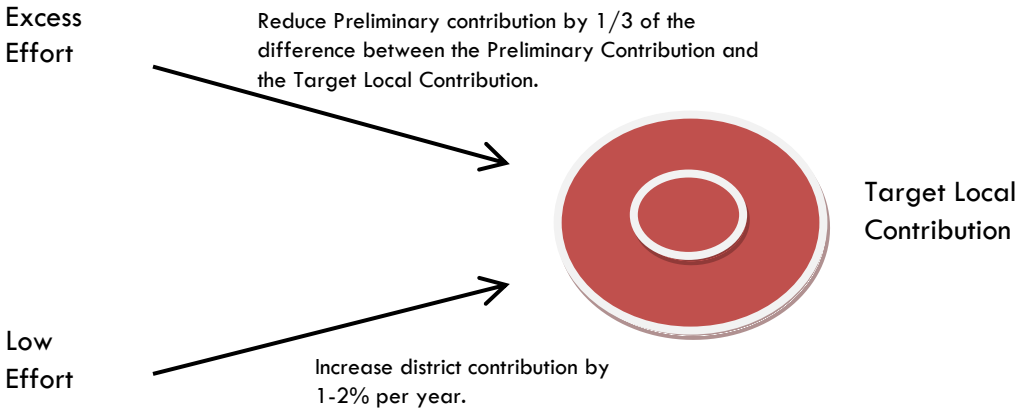


A district may appeal it assigned MRGF. Being assigned a lower MRGF has the potential to reduce a district's local contribution and increase its Chapter 70 aid.

3. Compare the target local contribution to the preliminary local contribution

If the preliminary local contribution is *larger* than the target local contribution, the district has been making **excess-effort**. That is, it has been paying too large a share of its education costs, relative to its wealth.

If the preliminary local contribution is *smaller* than the target local contribution, the district is considered a **low-effort** district. That is, it has been paying too small a share of its education costs, relative to its wealth. For a complete list of low-effort districts, see Appendix 5.



Districts not currently at their target local contribution are subject to incremental increases or decreases in their contribution to gradually reach their target local contribution.

Subsequent to these calculations, districts whose Chapter 70 funding does not increase over the previous year are guaranteed a $50 per student minimum aid increase. Minimum aid is most often applied to districts whose enrollment is shrinking or constant, which results in the state to contribute more to meeting the district's foundation budget.

Looking Ahead to FY10

As a result of the ongoing economic down-turn, some aspects of the Chapter 70 aid calculation may be amended for FY10. These projected changes not only impact FY10 funding, but also will continue to affect Chapter 70 in future years' calculations.

Inflation

In FY10, foundation budget cost categories are being inflated by 4.5%, instead of the 6.75% inflation rate indicated by the price deflator index for state and local government expenditures. In FY10, this limits the growth of local districts' foundation budgets as well as the state's contribution to local districts. More problematically, this lower inflation rate will continue to underfund Chapter 70 for years to come. Because future foundation budgets are calculated by inflating the previous year's cost categories by a fiscal year's inflation rate, setting the inflation rate for FY10 artificially low will impact future foundation budget calculations, and will understate the true cost of providing the education that the foundation budget assumes.

The changes planned for Chapter 70 funding in FY10 will continue to impact the amount of state aid that districts receive for years to come.

Phase-in

"Floor" communities still subject to the phase-in will receive a smaller increase in their state aid than previously projected. This may increase the length of the phase-in beyond the five years originally planned. However, in light of the budget difficulties facing the state, it is important to note that Chapter 70 is allocating increased funding to some of the wealthiest communities in order to continue to address the concerns about the equitable nature of the funding formula.

Low-effort Districts

Low-effort districts are required to contribute either their target local contribution or 95% of their actual local spending from FY08, whichever is lower. For the majority of low-effort districts, this will mean that they contribute more than they would have under the previous incremental system of increasing their local contribution slowly to meet their target local contribution.

Level Funded with FY09

Level funding Chapter 70 aid has the implicit impact of raising the local contributions for districts to their foundation budgets. This also shifts the burden from the state to fund the difference between local districts' ability to pay and the state foundation budget to the districts. As a result, 153 districts have FY10 spending requirements that fall short of their foundation budgets, by a total of $168 million. Governor Patrick plans to use Federal stimulus funding to assist these towns at risk of not meeting their foundation budgets.[iii] For a list of the towns projected to receive Federal stimulus funds, see Appendix 6.

For the first time since FY00, 153 communities are at risk of not meeting their foundation budgets.

MAJOR FINDINGS AND RECOMMENDATIONS

Actual school spending across the state exceeded the foundation budget by 58% in FY07. For some districts, spending exceeded their foundation budget by over 400%.

Overall, statewide spending exceeded the foundation budget by 58% in FY07. Despite variation across districts and cost categories, in all of the years for which spending data is available, no district spent only its foundation budget, and many spent more than 100% over their foundation budget levels.[iv]

Our analysis of actual district spending since FY05[6] has revealed a significant spending gap when compared to foundation budgets. The significant discrepancy between the state foundation budget and actual school spending cannot be attributed to enrollment, which is not only shrinking, but also within 1% of the foundation enrollment, which serves as a basis for foundation budget calculations.

	Foundation Enrollment	Actual Enrollment	Difference	State Foundation Budget	Actual Spending	Difference
FY05	949,668	951,341	0.17%	$7,270,817,397	$10,604,772,899	31%
FY06	945,929	947,796	0.20%	$7,546,662,019	$11,198,494,372	33%
FY07	941,828	940,678	-0.12%	$7,483,444,289	$11,787,819,832	58%

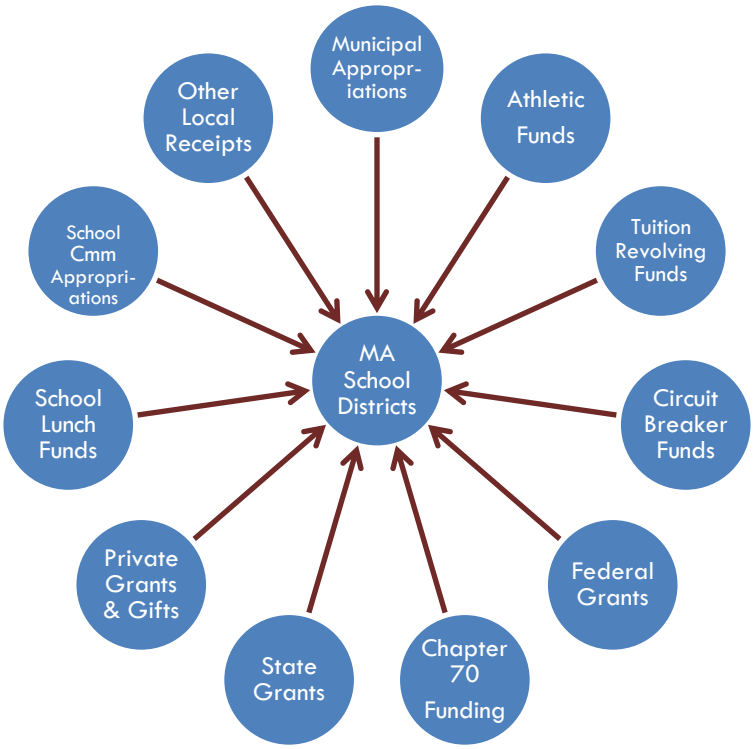
The FY07 reforms to Chapter 70 make it possible to track district spending according to the eleven cost-categories used in the foundation budget calculations. Comparing actual spending to the foundation budget categories shows significant variation between districts and across categories. FY07 actual district spending is higher in nine of the eleven cost categories.

FY07	Foundation	Actual Spending	Difference
Administration	$385,795,750	$377,505,616	-2%
Instructional Leadership	$525,944,919	$724,394,775	38%
Classroom & Specialist Teachers	$3,533,451,445	$4,245,928,811	20%
Other Teaching Services	$729,372,488	$770,285,315	6%
Professional Development	$129,139,679	$209,260,110	62%
Instructional Materials Equipment & Tech.	$434,059,241	$334,739,415	-23%
Guidance, Counseling & Testing	$227,933,409	$308,585,472	35%
Pupil Services	$207,151,168	$1,016,354,527	391%
Operations and Maintenance	$913,288,846	$954,062,499	4%
Insurance, Retirement & Other	$746,923,484	$1,813,954,318	143%
Expenditures Outside of the District	$176,328,780	$1,032,748,974	486%
Total Spending	$7,483,444,289	$11,787,819,832	58%

[6] State-wide district spending data prior to FY05 is not publicly available.

	FY07 Total Spending	Foundation Budget	Difference
Lynn	$171,915,026	$127,692,288	35%
Lynnfield	$22,390,029	$14,596,236	53%
Saugus	$34,315,003	$22,430,673	53%
Wakefield	$38,249,704	$24,668,488	55%

The significant discrepancy between actual spending and foundation budget calculations is largely driven by the fact that actual district spending takes into account all revenue sources, while the foundation budget reflects only Chapter 70 state and local contributions. Districts receive money from several additional sources.



The political implication of this spending discrepancy is significant, and poses a serious challenge the adequacy of the foundation budget. This information could be used by supporters of an "adequacy study." An adequacy study is a popular proposition in Massachusetts and nationally, and is an attempt to determine the actual costs associated with raising student achievement in the context of the standards-based reform era.[v]

39 state governments have conducted or are in the process of conducting an education adequacy study, the results of which have largely resulted in recommendations for significant increases in funding.

However necessary it may be to revisit the adequate nature of Chapter 70, the ability of the state to continue to expand its support for local education is limited. Questions about the future of Chapter 70 should center on how to incentivize districts to spend existing education dollars more efficiently. An analysis of actual district spending reveals opportunities to integrate this principle of efficiency into Chapter 70.

Adequacy should not be defined exclusively by a certain level of funding, but rather linked to an efficient allocation of the funds available at the state and local level for education. Given that school districts are using additional revenue sources to fund their increased spending on education, any savings in school spending will largely be realized by local towns, not the state. This realization can be a powerful incentive for districts to evaluate how efficiently they are spending their own dollars.

Currently, Chapter 70 aid is distributed to districts without any encumbrances. Districts across the Commonwealth receive Chapter 70 aid from the state with the only requirement that they spend at least the foundation budget amount on education. Otherwise there is little oversight as to how Chapter 70 funds are spent.

One result of the nature of Chapter 70 funding is that schools and districts currently lack both sufficient incentives and ample means to achieve efficiencies in their spending. Districts that lack the capacity to track spending and improve budgeting gain little by investing in improvements in these areas under the existing Chapter 70 system.

Such spending discrepancies will undoubtedly fuel the ongoing debate about the whether or not the foundation budget reflects an adequate spending level for public education. However, lacking significant additional resources, the state is unable to continue to expand Chapter 70 funding. Without the capacity for the state to continue to expand Chapter 70 aid, the answer to questions about adequacy is to pursue greater efficiency.

Our analysis of Chapter 70 and actual district spending reveals significant opportunities to integrate efficiency as a guiding principle of school finance alongside the existing principles of adequacy and equity.

While our analysis showed a divergence between actual spending and foundation budget calculations in ten of the eleven cost categories, the spending in excess of the foundation budget was largely driven by special education tuition, health insurance spending, and inflation.

Special Education

Findings

Special Education is calculated as a fraction of the district's total enrollment rather than the true number of students enrolled in Special Education programs. Using a standardized percentage of total district enrollment avoids the incentive for schools or districts to inappropriately classify significant numbers of their students as Special Education students in order to receive increased state aid. Students fall into two broad categories of special education, those who receive in-school support and those who tuitioned out. Students who are tuitioned out are assumed to be 1% of the total district enrollment; our findings show that they in fact account for almost 3% of enrollment.

The incidence of Special Education students who are tuitioned out is three times higher than assumed in the foundation budget calculations.

	Foundation : Special Education Students Tuitioned Out	Actual Enrollment: Special Education Tuitioned Out[7]	Difference	Actual Special Education Incidence
FY05	9,070	31,538	71%	2.9%
FY06	9,022	32,175	72%	2.8%
FY07	8,974	32,933	73%	2.7%

In addition to the fact that significantly higher numbers of students across the state are being tuitioned out, our analysis found that the average per-pupil costs are 20-30% higher than assumed in the foundation budget. These factors combined have resulted in total costs for special education tuition that are consistently 78% higher than foundation budget calculations since FY05.

	Foundation Assumption: Per-pupil Tuition Cost	Actual Per-pupil Spending	Difference	Foundation Budget: Total Spending	Actual Total Spending	Difference
FY05	$17,674	$23,291	24%	$160,298,826	$734,553,768	78%
FY06	$18,334	$23,453	22%	$165,412,867	$754,617,904	78%
FY07	$19,649	$25,910	32%	$176,328,780	$826,720,759	79%

Some districts spend the equivalent of their entire foundation budget on Special Education tuition alone.

[7] According to the Massachusetts State Department of Education, actual spending data for out of district tuition includes tuition for charter school students, and "other placements". We calculate Special Education out of district tuition by netting out charter school enrollments from total out of district enrollment. We do not account for "other placements", which we assume to be negligible, as they are not accounted for in any spending or enrollment tracking by the Massachusetts Department of Education.

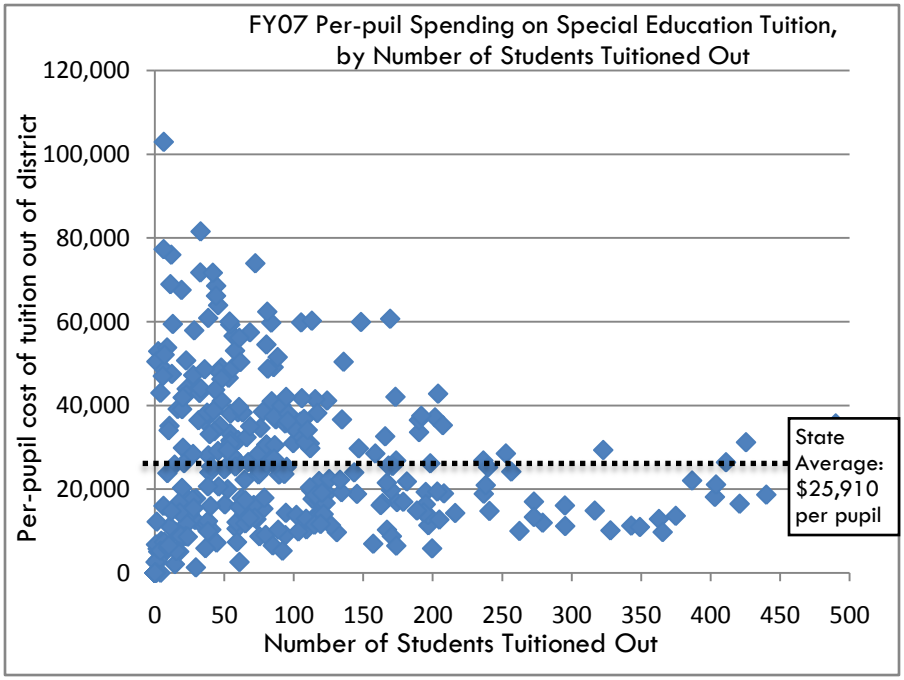
Massachusetts does provide a mechanism for districts to recover the "extraordinary" costs of Special Education tuition. The so-called Circuit Breaker provision allows districts to be reimbursed for 75% of Special Education tuition expenses that exceed four times the foundation budget per-pupil cost for the previous year. In part, because the foundation budget assumption about the per-pupil cost for Special Education tuition is inappropriately low, and in part because the incidence of Special Education tuition is higher than assumed in the foundation budget, even accounting for Circuit Breaker reimbursements, many districts are significantly underfunded in this category.

Town	Actual Special Education Tuitioned Out	Foundation Assumption Tuitioned Out	% Diff	Actual Tuitioned Out Incidence	Actual Spending: Special Education Tuition	Foundation Assumption: Special Education Tuition	% Diff	Circuit Breaker Reimbursement	Actual Spending, Less Foundation & Circuit Breaker Reimbursement
Lynn	265	126	52%	1.88%	$6,415,330	$2,475,755	61%	$2,467,872	$1,471,703
Lynnfield	31	21	32%	1.34%	$1,398,862	$412,626	71%	$325,984	$660,252
Saugus	59	31	47%	1.85%	$2,969,696	$609,114	79%	$741,295	$1,619,287
Wakefield	46	34	27%	1.3%	$2,268,770	$668,061	71%	$522,485	$1,078,224
								Total Underfunded	**$4,829,465**

Recommendations

Currently, school districts across the Commonwealth are at the mercy of the tuition rates set by private Special Education school providers. Given the significant number of Special Education students who need to be tuitioned out of their respective districts, there is an opportunity for the state as a whole to achieve an economy of scale in tuition by having the state negotiate with providers to set a more standard tuition rate.

Comparing per-pupil spending on Special Education tuition shows a clear economy of scale around the number of students that a district is tuitioning out. If, at a district level, there are opportunities for a district with a significant number of Special Education students to receive lower per-pupil rates, then the state as a whole could benefit similarly if it participated in setting tuition rates.



In order to implement a system by which the state could effectively set or influence tuition rates, Special Education tuition should be administered exclusively though either the Circuit Breaker provision or Chapter 70. Because such a significant education expense is administered through two different funding mechanisms, the state and districts lack clear information about enrollment costs, incidence and the effect both have on state and local budgets. Consolidating Special Education funding under one mechanism can help the state to make better decisions about Special Education program capacities, transportation, and tuition rates.

Special Education tuition funding should be consolidated so that the State can exercise its bargaining power to set tuition rates.

Should Special Education tuition remain a cost category in Chapter 70, the foundation formula should be updated to more accurately reflect the actual incidence and cost of tuitioning out Special Education students. However, this will increase the foundation budgets of districts not significantly impacted by Special Education, which will increase the state's financial obligations through Chapter 70.

Health Insurance

Findings

Healthcare spending in Massachusetts and across the country has increased dramatically over the past decade. Currently, Massachusetts has the second highest per-pupil spending on healthcare in the country, and the state average is two times the national average.[vi] Unlike spending in other cost categories, district spending on healthcare shows no relationship to district size. This is a problem facing both large and small districts.

Per-pupil health care costs in Massachusetts are twice as high as the national average.

Many of the foundation budget cost categories are driven by the labor costs associated with teachers, administrators, and other staff. The cost rates for each of those categories were set according to state average salary and benefits rates when the formula was created in the early 1990's. Increases in the actual cost of health insurance have outpaced the increases in the foundation budget calculations for costs associated with providing healthcare benefits. While the cost categories used in foundation budget calculations have been growing at a rate of 4% on average, health insurance premiums have been growing at double-digit rates.[vii]

Recommendations

One of the major opportunities for districts and the state to realize economies of scale in terms of health insurance benefits is for more districts to participate in the state's health care plan, the Group Insurance Commission (GIC).[viii]

The 2007 Municipal Group Insurance Law allows districts to join the GIC after a 70% vote of approval from a public employee committee of union employees and retirees. However, there is currently little incentive for local unions to vote to join the GIC, as employee contributions to health insurance premiums are negotiated at the local level, and are typically much lower than state contributions. Teachers' contracts typically require as little as a 15% contribution rate, compared to 20-30% contribution rate for state employees. As a result, few towns have been successful in securing the votes needed by public employees to join the GIC.[ix] See Appendix 7 for a list of participating districts and more information about the GIC.

After joining the GIC, Saugus saved $1.9 million in FY2007, with a projected $700,000 in savings in FY08

Perceptions that savings from participating in the GIC come from lowered insurance benefits or increased employee contributions have created significant resistance to the GIC from employee unions. However, much of the savings available come from increasing the collective bargaining power at the state level and decreasing the transaction costs associated with hundreds of local districts negotiating their own insurance plans.

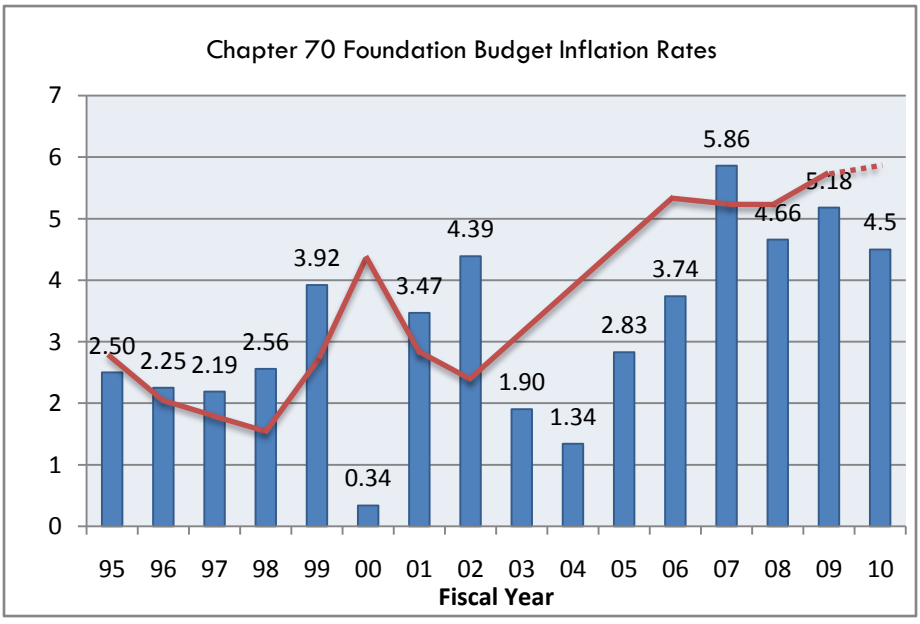
Lynn and Wakefield are projected to save over $1 million by joining the GIC and Lynnfield could save as much as $3.5 million.

Districts that have joined the GIC have realized significant savings. Between 2001 and 2006, health care costs increased 84% for local public employees, while health care costs have only increased 47% for state employees. According to the Massachusetts Taxpayers Foundation and the Boston Municipal Research Bureau, if all cities and towns joined the GIC, it would produce a combined savings for the state and local districts of over $1.65 billion by 2016. See Appendix 9 for a comparison of growth in health care costs for Lynn, Lynnfield, and Wakefield versus the GIC.[x]

Inflation

Findings

One of the most significant factors in determining the size of the state foundation budget is the inflation rate applied to the cost categories used in calculating the foundation budget. Selecting an inflation rate that is below the known inflation rate appears to have been a strategy in previous budget cycles, as it is again in FY10, to contain the size of the state foundation budget.



Failing to fully inflate the foundation budget has had a significant impact on the purchasing power, and therefore the adequacy of Chapter 70 funding. Because foundation budgets are based upon previous years' calculations, failure to fully inflate the cost categories, most notably in FY00, has significantly diminished the purchasing power of the foundation budget. The cumulative effect of under-inflating the foundation budget significantly contributes to the spending gap between the state foundation budget and actual district spending.

Recommendations

In order to maintain the credibility of the adequacy of the foundation budget, it must be fully inflated each fiscal year. Failure to so may relieve fiscal pressures on the state in the short-term, but has long-term implications on the purchasing power of the foundation budget because the effect of limiting its growth in one year is compounded across future years.

The foundation budget must be fully inflated every fiscal year to remain adequate.

Early Education

Findings

The current foundation budget assumes lower costs and larger class sizes for elementary education than middle and high school education. Widely accepted contemporary best practice suggests the opposite, which believes that costs are higher and class sizes should be smaller in the early education years.

Currently, district spending is tracked according to cost categories, not enrollment categories, making it impossible to know if schools are in fact spending more money on elementary enrollment than is assumed in the foundation budget formula. Regardless, the fact that the foundation budget presumes an inverse relationship between elementary grades and upper grades is a further indication that the formula does not reflect contemporary thinking.

Recommendations

In general, elementary education should receive greater funding than secondary education and class sizes should be smaller. Such a move would not necessarily impact the overall size of the state foundation budget, as it could potentially reverse the relative cost relationship between elementary and secondary education costs in the foundation budget formula. However, increasing the cost associated with elementary education could impact districts with a higher proportion of elementary than secondary students, as well as those districts in which the reverse is the case. Most significantly, revising the cost categories to reflect a higher cost of elementary education would better align Chapter 70 with the state's current emphasis on early education.

Update formula assumptions about the cost of elementary education relative to middle and high school.

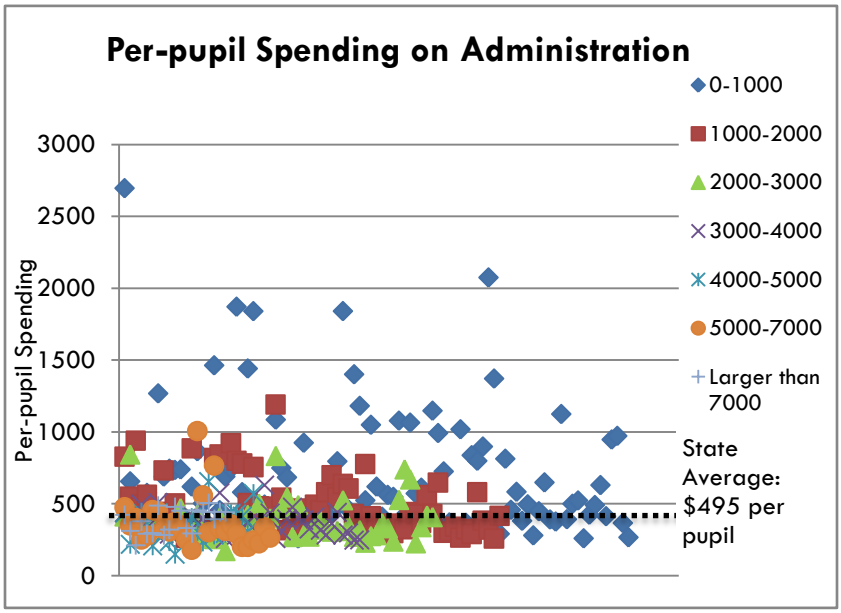
Economies of Scale in Spending

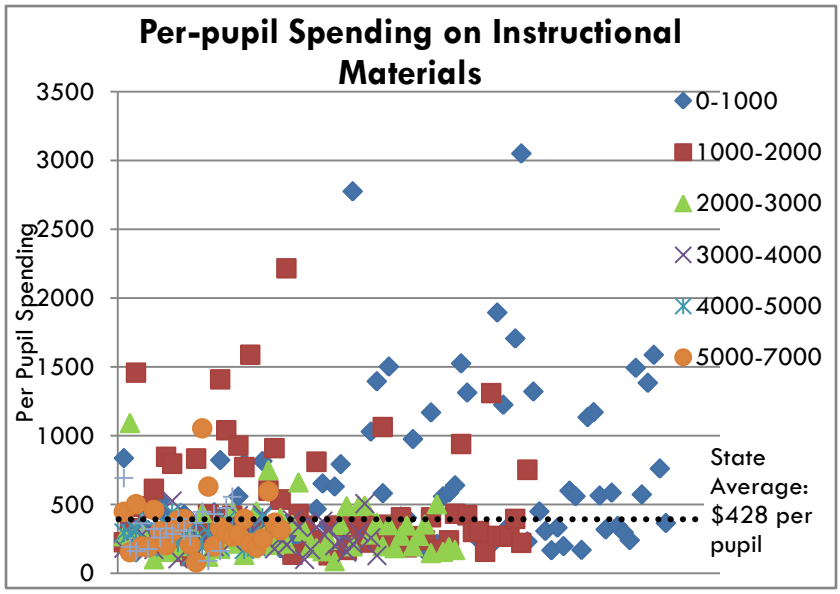
Findings

Analysis of actual district spending shows that across all spending categories, with exception of Special Education tuition and employee benefits, larger school districts have lower per-pupil costs than smaller school districts. Further, the highest spending districts in terms of per-pupil costs are consistently among the smallest districts.

The nature of Chapter 70's funding calculation is such that smaller, and even shrinking districts, continue to receive funding at or above the amount they have received in previous years. Small districts have no incentive, under this system, to attempt to lower per-pupil costs generally.

Although no district should be accused of wasteful spending, there are opportunities for cost savings by realizing economies of scale not available to small districts. However, many of the savings associated with these economies of scale may require that smaller districts lose some autonomy, further discouraging them from pursuing these efficiencies. For example, districts with the highest per-pupil administrative costs are those with less than 1,000 students. By partnering with a neighboring district, small districts could reduce their administrative costs, but this may be politically unpopular and districts lack financial incentives to take this step independently. See Appendix 11 for additional graphs of district spending by cost category and district size.





Recommendations

It is important to recognize the spending patterns across districts by size, as well as to acknowledge the incentives that Chapter 70 creates for small districts to spend more, in per-pupil terms, than larger districts. Having identified the opportunities for smaller districts to achieve economies of scale, there are a variety of strategies that could be implemented to reduce costs, both at a state and local level.

At a minimum, smaller districts should be made aware that they are spending well in excess of the state average, in per-pupil terms, in almost every cost category. Offering smaller districts the opportunity to identify areas where economies of scale may be possible for their district specifically is a necessary first step in introducing the principle of efficiency into conversations about Chapter 70 funding.

In addition, introducing the principle of efficiency into Chapter 70 spending, and encouraging or requiring smaller districts to begin to achieve these economies of scale will ease the potential transition to district reorganization, which is a part of the Governor's long-term plan for education reform.

In the long-term, the Governor's Education Agenda plans to "increase the size while reducing the number of the Commonwealth's current school districts to streamline administration and management structures."

Our findings in terms of actual school spending are consistent with the recommendations that the Governor's Education Agenda outlines in terms of improving efficiency in school spending.[xi] Ample opportunity exists to improve spending efficiencies at the district level without negatively impacting students such as the regionalization of administrative services, purchasing and transportation. However, the current funding mechanisms do not encourage districts to identify these opportunities on their own or to implement cost-saving measures.

Because strategies about achieving greater efficiency in terms of economies of scale depend heavily on individual district characteristics like size, location, and student demographics, there is no universal recommendation that can be made to realize cost savings across the state. Nevertheless, this is a major area of opportunity to better align district incentives with state-wide education priorities.

There is no one-size-fits-all solution to help individual districts achieve economies of scale, but incentives should be created to encourage districts to increase efficiency in their spending.

CONCLUSION

Examination of actual district spending shows significant discrepancies between foundation budget and actual spending patterns. For critics of Chapter 70, the large difference between the state foundation budget and actual school spending may call into question Chapter 70's ability to meet its commitment to adequacy. Because Chapter 70 defines adequacy as a minimum standard, the fact that districts are spending in excess of their foundation budgets may not be, in itself, a problem. However, the fact that the spending gap is driven primarily by Special Education tuition, health insurance and inflation is more problematic, as it indicates that the fundamental assumptions that form the basis of the foundation budget calculations may be incorrect.

Regardless of the cause of the divergence between actual spending and the foundation budget, few additional funds are available to increase state aid for education. As a result, district spending must also be examined for opportunities to achieve greater efficiency.

Major opportunities to improve spending:

Special Education tuition: Special Education tuition is funded through Chapter 70 as well as through the Circuit Breaker provision. Between these two programs, the state pays a significant balance of the tuition costs for special education students. However, because these funds are distributed to districts, the state loses any opportunity to achieve economies of scale and to set rates for tuition. As a result, districts, especially those with fewer students who are tuitioned out, are at the mercy of tuition rates set by local Special Education programs. The state should consolidate Special Education tuition funding into either Chapter 70 or the Circuit Breaker provision in order to better administer the funds, and to effectively set a tuition rate using its superior bargaining position under such an arrangement.

Health insurance: Districts should be encouraged to take advantage of the savings available through joining the GIC. While we stop short of recommending that this should be mandated, and we realize that there is significant reluctance by teachers' unions to endorse this step, there are cost savings available inherent in GIC participation that do not necessarily imply a loss to employees. In addition, GIC membership for teachers and education employees is a proposal of Governor Patrick's education agenda, and so districts would be well advised to begin to consider this cost-saving measure now.

Economies of scale: Smaller districts should be encouraged or mandated to decrease per-pupil spending by achieving economies of scale. The varied nature of districts across the Commonwealth makes it difficult to proscribe a specific strategy that will result in all small districts improving the efficiency of their education spending. However, it is important to introduce the principle of efficiency into school spending decisions and to begin to anticipate moves towards future policies that may require even greater structural changes in order to improve spending efficiency. Chapter 70 funding should be better aligned to principles of efficient spending, and amended in order to further encourage districts of all sizes to improve spending efficiencies.

Historically, Chapter 70 has been governed by the principles of adequacy and equity. In order to continue to meet the Constitutional mandate to provide a quality education to students in Massachusetts, the principle of efficiency should be introduced into Chapter 70. The ability of the state to continue to expand its support for local education is limited, therefore questions about the future of Chapter 70 should center on how to incentivize districts to spend existing education dollars more efficiently. By recognizing economies of scale, the state and local districts can partner to improve the efficiency of education spending, implicitly improving Chapter 70's ability to provide adequate and equitable funding for public schools in the Commonwealth.

APPENDIX

1. Cost Categories

Administration	81.7% of FY04 state average expenditure per pupil for administration, factored up for four years of inflation at 24.3%, for a FY09 average of $330.08 per pupil.
Instructional Leadership	81.7% of FY04 state average expenditure per pupil for instructional leadership, factored up by inflation for a FY09 average of $596.16 per pupil.
Classroom and Specialist Teachers	Assumed class sizes of 22 for elementary, 25 for middle, and 17 for high school; at an average salary in FY94 of $38,000. Inflation has increased this salary by 58.26% through FY09, to $60,138 per teacher. In per pupil terms, the rates are $2,733 for elementary, $2,405 for middle, and $3,538 for high school. These rates include the statutory $380 per pupil for expanded programs for low income students, factored up by inflation.
Other Teaching Services	81.7% of the FY04 state average expenditure per pupil for other teaching services, factored up by inflation and further adjusted by the following ratios: elementary (1.25), middle (.90) and high school (.75). FY09 per pupil rates are $701 for elementary, $505 for middle, and $420 for high school.
Professional Development	3% of the salary of teachers and support staff as described in the statutory foundation budget, factored up by inflation. FY09 per pupil rates are $108 for elementary, $117 for middle, and $114 for high school.
Instructional Equipment and Technology	Statutory per pupil amounts factored up by inflation. FY09 per pupil rates are $396 for elementary and middle, and $633 for high school.
Guidance and Psychological	81.7% of FY04 state average expenditure per pupil for guidance and psychological, factored up by inflation and further adjusted by the following ratios: elementary (.75), high school (1.25). In FY09, the per pupil rates are $199 for elementary, $265 for middle, and $332 for high school.
Pupil Services	Combined statutory per pupil rates for health staff ($50 elementary/middle, $38 at high school); athletics ($50 middle, $200 high school); and activities ($25 elementary, $35 middle, and $45 high school). After inflation the FY09 rates are $119 for elementary, $194 for middle, and $447 for high school.
Operations and Maintenance	Combined statutory assumptions for custodial salaries (10% of the number of foundation teaching and support staff, at a custodial salary of $25,000); maintenance ($3,300 times the number of foundation teaching and support staff); and extraordinary maintenance ($2,200 times the number of foundation teaching and support staff). The combined FY09 per pupil amount after inflation equals $759 for elementary, $823 for middle, and $798 for high school.
Employee Benefits and Fixed Charges	Statutory assumption for salary benefits ($4,320 times the number of foundation staff in all categories, adjusted by the wage adjustment factor, plus $468 times the same number of staff, not adjusted by the wage adjustment factor), increased by inflation. In FY09 the per pupil rate equals $684 for elementary, $651 for middle, and $625 for high school.
Special Education Tuition	Statutory assumption for special education tuition rate of $13,500 per pupil, factored up by inflation. In FY09 the per pupil rate is $21,630.

Note: "Statutory rate" refers to the rate set in the original 1993 legislation and formula, and is still mandated by Chapter 70 statute.

2. Calculating the Wage Adjustment Factor

The average salary in a district's labor market area is compared to the state average and weighted at 80%, and the district's average salary is weighted at 20%. The resulting value is compared to the state average, and the distance above or below the state average is divided by three to determine the WAF.

Labor Market areas are designated by the state:

2006 Labor Market Areas	Average Salary
Great Barrington, MA LMA	$33,292
Tisbury, MA LMA	$38,553
Nantucket County/town LMA	$43,283
Amherst Center, MA Micropolitan NECTA	$39,790
Athol, MA Micropolitan NECTA	$30,801
Barnstable MA Metropolitan NECTA	$36,646
Boston-Cambridge-Quincy, MA NECTA Division	$60,955
Brockton-Bridgewater-Easton, MA NECTA Division	$40,631
Framingham, MA NECTA Division	$60,569
Greenfield, MA Micropolitan NECTA	$31,884
Haverhill-North Andover-Amesbury, MA-NH NECTA Division	$41,762
Lawrence-Methuen-Salem, MA-NH NECTA Division	$38,211
Leominster-Fitchburg-Gardner, MA Metropolitan NECTA	$35,898
Lowell-Billerica-Chelmsford, MA-NH NECTA Division	$55,383
Lynn-Peabody-Salem, MA NECTA Division	$43,477
Nashua, NH-MA NECTA Division	$34,890
New Bedford, MA Metropolitan NECTA	$36,582
North Adams, MA-VT Micropolitan NECTA	$35,284
Pittsfield, MA Metropolitan NECTA	$38,415
Providence-Fall River-Warwick, RI-MA Metropolitan NECTA	$34,241
Springfield, MA-CT Metropolitan NECTA	$38,400
Taunton-Norton-Raynham, MA NECTA Division	$41,364
Worcester, MA-CT Metropolitan NECTA	$42,997
State Average	**$52,130**

3. Floor Communities

Districts targeted to be "floor" districts, projected to receive 17.5% of their foundation budget in state aid:

ANDOVER	DEDHAM	LYNNFIELD	SCITUATE
ARLINGTON	DENNIS YARMOUTH	MANCHESTER ESSEX	SHERBORN
BARNSTABLE	DOVER	MARBLEHEAD	SOMERVILLE
BEDFORD	DOVER SHERBORN	MARION	SOUTHBOROUGH
BELMONT	DUXBURY	MASHPEE	STONEHAM
BERKSHIRE HILLS	EASTHAM	MATTAPOISETT	SUDBURY
BERLIN	EDGARTOWN	MEDFORD	SWAMPSCOTT
BERLIN BOYLSTON	ERVING	MILTON	TISBURY
BEVERLY	FALMOUTH	NAHANT	TOPSFIELD
BOURNE	FARMINGTON RIVER	NANTUCKET	TRURO
BOXFORD	GLOUCESTER	NATICK	UPISLAND
BOYLSTON	HADLEY	NAUSET	WAKEFIELD
BREWSTER	HAMILTON WENHAM	NEEDHAM	WALTHAM
BROOKLINE	HANCOCK	NEWBURYPORT	WATERTOWN
CAMBRIDGE	HARVARD	NEWTON	WAYLAND
CANTON	HARWICH	NORTH ANDOVER	WELLESLEY
CAPE COD	HINGHAM	NORWELL	WELLFLEET
CARLISLE	HOPKINTON	OAK BLUFFS	WESTON
CHATHAM	HULL	ORLEANS	WESTPORT
COHASSET	IPSWICH	PROVINCETOWN	WESTWOOD
CONCORD	LENOX	RICHMOND	WILLIAMSTOWN
CONCORD CARLISLE	LEXINGTON	ROCKPORT	WINCHESTER
DANVERS	LINCOLN	ROWE	
DARTMOUTH	LINCOLN SUDBURY	SAUGUS	

4. Excess-effort Districts

Excess effort districts still subject to the "phase-in":

ANDOVER	DOVER	MARBLEHEAD	SCITUATE
ARLINGTON	DOVER SHERBORN	MARION	SHERBORN
BARNSTABLE	DUXBURY	MATTAPOISETT	STONEHAM
BEDFORD	EASTHAM	MILTON	SUDBURY
BELMONT	EDGARTOWN	NAHANT	SWAMPSCOTT
BOYLSTON	ERVING	NANTUCKET	TISBURY
BROOKLINE	FALMOUTH	NATICK	TRURO
CAMBRIDGE	HADLEY	NEEDHAM	WAKEFIELD
CANTON	HARVARD	NEWBURYPORT	WALTHAM
CARLISLE	HARWICH	NEWTON	WATERTOWN
CHATHAM	HINGHAM	NORTH ANDOVER	WAYLAND
COHASSET	IPSWICH	NORWELL	WELLESLEY
CONCORD	LEXINGTON	ORLEANS	WELLFLEET
CONCORD CARLISLE	LINCOLN	ROCKPORT	WESTON
DANVERS	LINCOLN SUDBURY	ROWE	WESTWOOD
DEDHAM	MANCHESTER ESSEX	SAUGUS	WINCHESTER

5. Low-effort Districts

Low-effort districts are those districts whose historical tax burden when the formula was written in 1993 was below average. As a result, many of these districts received relatively "too much" Chapter 70 funding without being required to increase their local tax burden. The FY07 reforms addressed this historical inequity by requiring low-effort districts to incrementally increase their contribution every year.

District	Target Local Share	FY09 Difference Between Target Local Share and Actual Local Share	District	Target Local Share	FY09 Diff Between Target Local Share and Actual Local Share
CONWAY	79.30%	34.65%	HOLYOKE	20.15%	9.66%
SUNDERLAND	68.12%	25.61%	WEYMOUTH	69.63%	9.27%
HOPEDALE	52.99%	20.86%	LEOMINSTER	43.06%	9.20%
SOMERVILLE	82.50%	19.54%	WRENTHAM	66.88%	9.14%
NORTH ADAMS	28.22%	18.23%	WALES	44.17%	8.64%
BERLIN	82.50%	17.07%	SHREWSBURY	70.06%	8.43%
FALL RIVER	31.60%	16.95%	LOWELL	28.69%	8.33%
NORFOLK	72.38%	16.35%	MASHPEE	82.50%	8.17%
AMHERST	64.79%	15.99%	DOUGLAS	45.90%	7.52%
HULL	82.50%	15.85%	EASTHAMPTON	59.13%	7.51%
WILLIAMSTOWN	82.50%	15.48%	LEICESTER	45.77%	7.42%
BOSTON	82.50%	15.32%	N. BROOKFIELD	41.35%	7.32%
N. ATTLEBOROUGH	59.97%	14.14%	CHELSEA	23.93%	7.12%
NORTHBRIDGE	46.97%	12.99%	BROCKTON	27.74%	6.95%
GARDNER	35.84%	12.92%	FRANKLIN	53.75%	6.76%
NEW BEDFORD	26.90%	12.68%	SPRINGFIELD	17.93%	6.64%
GRANVILLE	54.90%	12.33%	MEDFORD	82.50%	6.63%
BERKLEY	49.54%	12.27%	BOURNE	82.50%	6.61%
WESTPORT	82.50%	11.39%	BOXFORD	82.50%	6.58%
UXBRIDGE	54.91%	11.25%	HANCOCK	82.50%	6.48%
LAWRENCE	15.15%	11.00%	CARVER	44.16%	6.43%
BROOKFIELD	42.58%	10.97%	LYNN	28.71%	6.05%
ORANGE	26.65%	10.95%	LAKEVILLE	61.86%	5.84%
SOUTHAMPTON	52.10%	10.79%	E. BRIDGEWATER	50.66%	5.81%
SHIRLEY	53.23%	10.72%	SOUTHBOROUGH	82.50%	5.80%
MARSHFIELD	72.63%	10.55%	PEABODY	71.12%	5.78%
ACUSHNET	53.41%	10.54%	NORTON	54.31%	5.73%
DEERFIELD	76.98%	10.43%	ATTLEBORO	52.22%	5.65%
DARTMOUTH	82.50%	10.30%	AMESBURY	61.77%	5.51%
WARE	43.57%	10.07%	MIDDLEBOROUGH	49.18%	5.46%
MALDEN	48.25%	9.82%	BREWSTER	82.50%	5.30%
LEVERETT	82.50%	9.81%			

6. Districts Receiving Federal Stimulus Funds

District	Amount	District	Amount	District	Amount	District	Amount
Acton	515,536	Harvard	53,277	Oakham	39,646	Whately	21,182
Adams	30	Haverhill	832,465	Oxford	332,099	Williamsburg	18,947
Agawam	1,565,437	Hawley	8,767	Palmer	44,279	Wilmington	954,127
Andover	182,526	Hingham	955,012	Pembroke	1,430,105	Winchendon	1,047,370
Arlington	914,048	Holland	74,558	Pittsfield	2,137,112	Winchester	801,501
Ashland	401,817	Holliston	410,525	Plainville	11,459	Worcester	14,363,614
Attleboro	588,733	Holyoke	1,667,565	Plymouth	2,521,350	Wrentham	48,802
Auburn	815,609	Hopkinton	75,355	Princeton	2,384	Yarmouth	2,507
Barre	22,506	Hudson	1,249,621	Quincy	4,308,342	Acton Boxborough	879,470
Belchertown	848,208	Ipswich	273,626	Reading	964,698	Ashburnham Westminster	404,034
Bellingham	40,970	Kingston	166,430	Revere	5,251,378	Central Berkshire	11,438
Belmont	1,364,975	Lawrence	6,749,168	Rochester	220,864	Dudley Charlton	781,241
Bernardston	11,921	Leominster	1,998,043	Rockland	327,719	Hampden Wilbraham	170,154
Billerica	1,657,249	Littleton	975,927	Salem	3,215,367	Hampshire	265,346
Boylston	25,315	Lowell	2,607,047	Savoy	7,387	Lincoln Sudbury	204,346
Braintree	2,867,737	Ludlow	1,106,742	Shrewsbury	1,233,215	Mendon Upton	299,755
Brockton	5,608,435	Lunenburg	328,911	Somerset	343,815	Northboro Southboro	82,762
Buckland	6,217	Lynn	1,742,813	S. Hadley	454,247	Old Rochester	46,649
Canton	237,322	Malden	1,670,201	Springfield	13,182,907	Silver Lake	142,465
Charlton	7,700	Mansfield	2,094,771	Stoneham	133,559	Southwick Tolland	412,724
Chelmsford	1,517,458	Marlborough	2,219,946	Stoughton	591,698	Wachusett	1,395,570
Chelsea	1,635,386	Maynard	513,865	Sturbridge	387,482	Whitman Hanson	510,061
Chicopee	2,476,283	Medway	1,610,801	Sudbury	139,094	Assabet Valley	35,837
Clarksburg	142,956	Mendon	265	Sutton	88,486	Blackstone Valley	574,067
Clinton	52,364	Methuen	4,311,711	Swampscott	255,260	Bristol Plymouth	778,045
Douglas	778,152	Middleborough	561,804	Swansea	407,774	Greater New Bedford	799,364
Dracut	1,416,489	Milford	2,162,682	Taunton	2,036,968	Greater Lowell	358,263
Dunstable	4,242	Millbury	170,754	Tewksbury	284,063	Montachusett	651,891
Duxbury	586,200	Millis	774,384	Wakefield	457,398	NE Berkshire	111,457
E.Longmeadow	1,138,673	Milton	1,110,098	Walpole	111,189	Nashoba Valley	464,493
Easton	55,581	Monson	142,164	Wareham	717,775	Ne Metropolitan	675,404
Erving	24,707	Montgomery	2,870	Webster	958,343	Old Colony	21,041
Everett	3,795,080	Natick	1,721,838	Wellesley	1,197,609	Shawsheen Valley	590,720
Fall River	59,524	Needham	1,363,960	Westborough	557,220	Southeastern	890,008
Fitchburg	565,192	New Bedford	3,106,538	W.Bridgewater	284,917	South Shore	67,707
Florida	49,599	N. Andover	1,243,995	Westfield	1,161,158	SE Worcester	433,906
Foxborough	615,488	Northborough	355,977	Westford	1,601,089	Whittier	961,344
Framingham	3,494,668	Northbridge	222,235	Westhampton	67,068	Bristol County	68,360
Franklin	448,381	N. Reading	853,881	W. Springfield	1,618,766	Norfolk County	35,150
Freetown	131	Norwell	585,858	Westwood	783,132	**State Total**	**167,946,924**

7. GIC[xii]

Since 1955, Massachusetts state employees have been enrolled in the GIC (General Insurance Commission) to manage their healthcare plans.

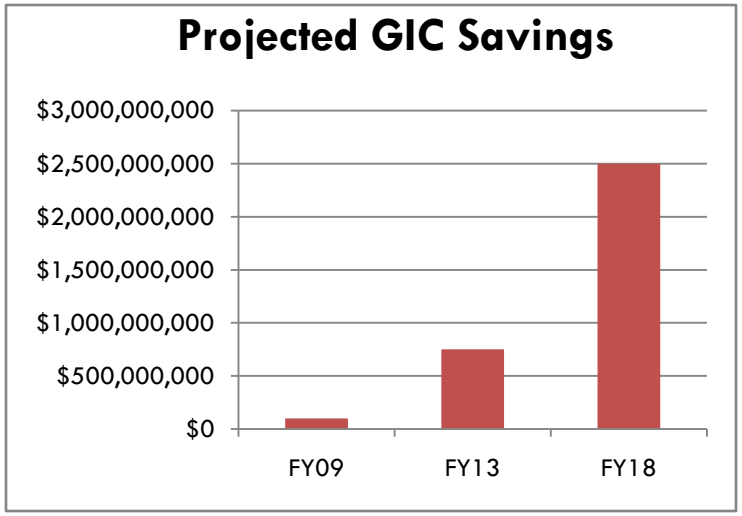
The GIC is beneficial to municipal employees for several reasons:

- It requires that all classes of employees be treated equally, whether one is a current worker, retiree or survivor. This provides long-term security for public employees, regardless of their current employment status.
- The GIC is not a common plan for public employees across the state. The GIC offers nine regular health insurance plans and six Medicare supplemental plans.
- Decisions regarding the percentage of the premium paid by public employees would continue to be made locally through the coalition bargaining process.
- In general, GIC plans have higher co-payments but are balanced by lower premiums. The GIC, with currently over 300,000 state employees, has large purchasing power and resultant leverage with insurance companies that most local unions do not have. Not all cities and towns will save by joining the GIC, as municipalities have varying benefit plans and contribution rates.
- The GIC's flexible management system allows it to more efficiently respond to changing conditions and the availability of new products and plans. Under the current management, changes to most public employee healthcare plans can be made only every three years due to collective bargaining restraints.
- Participating in the GIC also reduces health insurance costs for towns by requiring eligible individuals to enroll in Medicare. This requirement saved the state an estimated $156 million FY06 by shifting some costs to the Federal program.

GIC has worked aggressively and creatively to control costs:

- The GIC has saved almost 20% over three years by ranking hospitals, physicians and specialists on quality and cost effectiveness, offering financial incentives for subscribers to choose these providers. The state estimates that the program has resulted in more than $75 million per year of combined savings for the state, employees, and retirees.
- The GIC has a prescription drug program that provides financial incentives for subscribers to purchase mail order and generic drugs, saving an estimated $5.2 million in 2006.
- The GIC continuously analyzes spending and heath trends in order to identify additional opportunities to save.

Projected savings are based on assumed 13% annual cost increase without GIC and an 8% increase with the GIC, and presume that all towns join the GIC.



Municipalities Participating in GIC:
Athol-Roylston School District
Blue Hills Vocational School District
City of Melrose
City of Pittsfield
City of Quincy
City of Springfield
Gill-Montague Regional School District
Groton-Dunstable Regional School District
Groveland
Hawlemont Regional School District
Holbrook
Millis
Mohawk Trail Regional School District
Old Colony Planning Council
Pioneer Valley Planning Commission
Saugus
Southeastern Regional Planning and Economic Development District
Town of Norwood
Town of Randolph
Town of Stoneham
Town of Swampscott
Town of Watertown
Town of Wenham
Town of Weston
Town of Weymouth
Winthrop

8. FY07 Actual District Spending Compared to Foundation Budget

District	FY 07 Total spending	Foundation Budget	% diff	District	FY 07 Total spending	Foundation Budget	% diff
Abington	22459755	15991272.54	40	Plainville	8455045	5587068.99	51
Acton	25340791	16122068.05	57	Plymouth	97825176	66076499.01	48
Acushnet	13749989	10130362.95	36	Plympton	2369569	1483389.7	60
Agawam	47874849	32181860.88	49	Provincetown	6186900	1201885.14	415
Amesbury	29065058	18163767.89	60	Quincy	110095483	72960525.67	51
Amherst	21563138	10707688.45	10	Randolph	39454188	28613377.8	38
Andover	73623942	42048841.96	75	Reading	44736735	29125978.88	54
Arlington	53027084	32302040.67	64	Revere	66154047	48764185.15	36
Ashland	29101510	17812257.66	63	Richmond	3249856	1660226.36	96
Attleboro	65426113	48283415.9	36	Rochester	5985191	3533706.26	69
Auburn	25760496	15797637.92	63	Rockland	27191502	19084560.05	42
Avon	8593067	4429149.72	94	Rockport	13318794	7081278.486	88
Ayer	15597938	8282716.592	88	Rowe	1629775	383345.95	325
Barnstable	74442845	43966358.43	69	Salem	65938269	39465451.5	67
Bedford	34482614	17467332.85	97	Sandwich	37441871	26439488.44	42
Belchertown	25678798	18302804.02	40	Saugus	34315003	22430673.54	53
Bellingham	27820730	18357184.31	52	Savoy	1092074	757508.67	44
Belmont	41016066	24935083.19	64	Scituate	32072931	21485249.77	49
Berkley	11195424	7664226.68	46	Seekonk	21604008	15499119.32	39
Berlin	3243616	1453041.125	12	Sharon	43288760	24270600.24	78
Beverly	52321309	33218687.89	58	Sherborn	6090572	3157740.14	93
Billerica	68188963	44109788.12	55	Shirley	11112609	6638707.491	67
Boston	106498650	583481723.8	83	Shrewsbury	55112435	39917864.09	38
Bourne	30545778	17747931.48	72	Shutesbury	2103618	1015899.77	107
Boxborough	6560955	3795490.324	73	Somerset	32030327	18321295.72	75
Boxford	9707333	5799056.04	67	Somerville	83494932	49326592.47	69
Boylston	4239483	2401717.69	77	Southampton	5786338	3744415.85	55
Braintree	54125075	36553991.02	48	Southborough	18360808	10239102.7	79
Brewster	7126205	3445881.11	10	Southbridge	29317422	18858084.82	55
Brimfield	4333724	2061444.75	11	South Hadley	24479231	16125314.27	52
Brockton	194356227	139370857.7	39	Springfield	357879006	247581308.5	45
Brookfield	3482257	1915054.28	82	Stoneham	29838460	20355401.17	47
Brookline	93827435	42961402.93	11	Stoughton	41559011	29606904.16	40
Burlington	46837036	26366960.02	78	Sturbridge	10327139	5100523.61	102
Cambridge	148759960	55652011.32	16	Sudbury	34705073	20518046.87	69
Canton	34531174	21424199.16	61	Sunderland	2986104	1332206.77	124
Carlisle	10395179	5125654.025	10	Sutton	15917555	11146394.78	43
Carver	21604238	14425566.13	50	Swampscott	27650030	15048036.79	84
Chatham	10704554	3997374.41	16	Swansea	23129279	14351130.28	61
Chelmsford	56280478	39457558.96	43	Taunton	84779058	62254087.87	36
Chelsea	69398387	50199440.01	38	Tewksbury	44011149	32430283.48	36
Chicopee	84382340	62354509.45	35	Tisbury	6441596	2382451.57	170
Clarksburg	2651412	1834015.66	45	Topsfield	7187330	4292519.998	67
Clinton	24034250	16208007.86	48	Truro	4379993	1601022.1	174
Cohasset	17761111	10411327.78	71	Tyngsborough	20755271	14405514.77	44
Concord	29393594	12564865.31	13	Uxbridge	23681486	15145626.97	56
Conway	2217666	821407.13	17	Wakefield	38249704	24668488.54	55
Danvers	39160022	25316735.49	55	Wales	2200130	1018670.92	116
Dartmouth	40104087	29524726.4	36	Walpole	41789041	26801579.78	56
Dedham	38475305	20450885.24	88	Waltham	81993459	39953660.1	105
Deerfield	5228368	2627573.3	99	Ware	16483678	10596424.23	56
Douglas	14790750	10429947.42	42	Wareham	35801512	25832020.45	39
Dover	8916670	4149401.598	11	Watertown	40835672	19971359.09	104
Dracut	36975291	29279425.81	26	Wayland	38386562	20111038.08	91
Duxbury	33198771	22528086.56	47	Webster	21867400	15387055.78	42

District	FY 07 Total Spending	Foundation Budget	% Dif	District	FY 07 Total Spending	Foundation Budget	% Diff
Eastham	3754385	1498392.29	15	Wellfleet	2645025	948469.73	179
Easthampton	20951430	13825459.68	52	Westborough	44207136	24276200.08	82
E.Longmeadow	28470431	19231216.42	48	West Boylston	12420419	7300154.67	70
Easton	36054960	25459485.44	42	W.Bridgewater	11947657	6940902.73	72
Edgartown	7163104	2787371.81	15	Westfield	73570432	50175950.61	47
Erving	3694099	1750712.04	11	Westford	49008892	35926207.14	36
Everett	59877526	45212305.17	32	Westhampton	1675153	1080955.23	55
Fairhaven	22592255	15025287.12	50	Weston	39524117	16021552.85	147
Fall River	141074977	98197608.26	44	Westport	18159260	12882217.67	41
Falmouth	50042886	29091259.05	72	W.Springfield	44968154	31693233.45	42
Fitchburg	68787201	49059801.15	40	Westwood	37984321	20812933.9	83
Florida	1510521	772918.4	95	Weymouth	80364399	50392805.61	59
Foxborough	30428787	21948168.96	39	Whately	1778390	785590.99	126
Framingham	119807708	64760168.42	85	Williamsburg	2435922	1333873.47	83
Franklin	62756016	44770031.1	40	Williamstown	5771441	2776670.19	108
Freetown	7022650	4199474.29	67	Wilmington	39086453	26459752.47	48
Gardner	29440585	22674383.51	30	Winchendon	19028265	13443757.38	42
Georgetown	14858747	10291700.73	44	Winchester	43717633	25637566.39	71
Gloucester	43944912	30360117.71	45	Winthrop	21608321	14131730.77	53
Grafton	24879141	17573097.58	42	Woburn	60447460	34710798.37	74
Granby	10791717	7514662.5	44	Worcester	319582768	228729113.2	40
Granville	3480262	2192077.34	59	Wrentham	11144334	7882112.237	41
Greenfield	25247324	16679085.41	51	Northampton Smith	8061028	1946607.29	314
Hadley	6946312	4428772.58	57	Acton Boxborough	34369970	20911354.23	64
Halifax	7403725	4724312.76	57	Adams Cheshire	19699619	12481409.66	58
Hancock	1141798	819147.72	39	Amherst Pelham	29627635	14814845.56	100
Hanover	27392014	18645886.94	47	Ashburnham Westminster	26344218	16453751.56	60
Harvard	15752062	8729806.21	80	Athol Royalston	24225991	16525592.52	47
Harwich	20003203	10878086.02	84	Berkshire Hills	20922827	8627538.72	143
Hatfield	5273668	3390044.67	56	Berlin Boylston	6500016	3001645.21	117
Haverhill	86294141	57887197.35	49	Blackstone Millville	20620945	14550562.03	42
Hingham	37797354	25511971.48	48	Bridgewater Raynham	55147703	38885592.99	42
Holbrook	15562538	10338573.41	51	Chesterfield Goshen	1969344	1217641.15	62
Holland	2691414	1475698.17	82	Central Berkshire	25171237	15892117.07	58
Holliston	32796792	19709019.08	66	Concord Carlisle	20974954	10307301.7	103
Holyoke	104758033	68439205.93	53	Dennis Yarmouth	46788990	29786264.69	57
Hopedale	12473428	7680085.992	62	Dighton Rehoboth	32506040	23435534.58	39
Hopkinton	38204312	23915695.41	60	Dover Sherborn	17093494	7608714.943	125
Hudson	33436766	19257427.35	74	Dudley Charlton	40977195	29903013.78	37
Hull	18273088	10453010.89	75	Nauset	24439362	12551923.76	95
Ipswich	20834085	13906805.01	50	Farmington River	3733419	2094074.42	78
Kingston	11404483	7646901.064	49	Freetown Lakeville	19448644	13484950.18	44
Lakeville	6923953	4799664.66	44	Frontier	10837686	5341910.08	103
Lanesborough	3637686	1857911.1	96	Gateway	17427034	10544466.25	65
Lawrence	161487202	120252141.8	34	Groton Dunstable	30913737	20422875.49	51
Lee	10970626	5933832.68	85	Gill Montague	18217482	9691569.17	88
Leicester	19500318	13915435.02	40	Hamilton Wenham	26584547	13956855.75	90
Lenox	11250197	5153866.53	11	Hampden Wilbraham	39937945	26569139.29	50
Leominster	66545120	49116368.03	35	Hampshire	11124928	6336492.89	76
Leverett	2226250	792199.66	18	Hawlemont	1827995	938725.8	95
Lexington	85697174	44617570.56	92	King Philip	21794753	15130896.51	44
Lincoln	21234560	4759856.338	34	Lincoln Sudbury	23646857	12745411.61	86
Littleton	17467248	11213001.38	56	Manchester Essex	17512607	8468447.725	107
Longmeadow	33013313	21655101.17	52	Marthas Vineyard	16036969	7473606.56	115
Lowell	181142762	131050768.1	38	Masconomet	24402871	15978819.22	53
Ludlow	32093466	22425775.43	43	Mendon Upton	26957113	17863131.23	51
Lunenburg	18476058	11384424.83	62	Mount Greylock	11402589	4474906.29	155

District	FY 07 Total Spending	Foundation Budget	% Dif	District	FY 07 Total Spending	Foundation Budget	% diff
Lynnfield	22390029	14596236.68	53	Narragansett	16247530	11813315.77	38
Malden	80632160	54697483.75	47	Nashoba	38551861	21946727.06	76
Mansfield	44809972	34337260.22	30	New Salem Wendell	1941200	993071.16	95
Marblehead	37521693	22095354	70	Northboro Southboro	17490125	10325564.05	69
Marion	5383247	2769441.19	94	North Middlesex	43144289	31076576.22	39
Marlborough	61226307	36821883.12	66	Old Rochester	14893217	8606205.14	73
Marshfield	46404717	32343496.91	43	Pentucket	32845325	22785574.59	44
Mashpee	24428820	14387113.54	70	Pioneer	14136028	7109293	99
Mattapoisett	6704680	3130202.36	11	Quabbin	32552123	21215926.59	53
Maynard	17391049	9883726.569	76	Ralph C Mahar	11892136	6472099.35	84
Medfield	29225189	20564146.62	42	Silver Lake	21961091	13333575.09	65
Medford	67514621	40166375.24	68	Southern Berkshire	13664155	6586443.79	107
Medway	27029421	19207313.76	41	Southwick Tolland	18353080	12848545.36	43
Melrose	37219012	24106347.2	54	Spencer E.Brookfield	23967459	16400539	46
Methuen	72863512	56494913.51	29	Tantasqua	19734572	14083538.33	40
Middleborough	36498425	26707205.76	37	Triton	35479573	24098973.09	47
Middleton	8218013	5049054.76	63	Upisland	8165262	2460785.45	232
Milford	45949180	31158580.81	47	Wachusett	67701135	47634592.53	42
Millbury	20668211	14248377.72	45	Quaboag	15344226	10975059.24	40
Millis	13228664	8793831.46	50	Whitman Hanson	41910628	29955898.51	40
Milton	42628105	25316304.49	68	Assabet Valley	17545891	8894125.214	97
Monson	14376648	11105549.27	29	Blackstone Valley	16523311	11114146.56	49
Nahant	3883253	2672675.84	45	Blue Hills	16308986	10023788.43	63
Nantucket	24883652	8569648.88	19	Bristol Plymouth	16238727	12916465.34	26
Natick	54997364	33762464.72	63	Cape Cod	12685385	8544981.89	48
Needham	61117736	34260225.94	78	Franklin County	9306122	5967926.86	56
New Bedford	159735861	113635762.5	41	Greater Fall River	20410680	16319924.91	25
Newburyport	29722463	16107182.06	85	Greater Lawrence	27517907	22436084.05	23
Newton	170151871	85217994.72	10	Gtr New Bedford	29068007	24554485.11	18
Norfolk	12338895	6931251.253	78	Greater Lowell	32194487	25904916.87	24
North Adams	26924097	14495477.74	86	South Middlesex	16802762	8811294.528	91
Northampton	34007235	21930086.52	55	Minuteman	18270137	6605968.699	177
N.Andover	45439774	31060266.55	46	Montachusett	20496519	15148761.39	35
NAttleborough	46492685	32394119.35	44	Northern Berkshire	7735630	5176833.58	49
Northborough	20599281	12027509.54	71	Nashoba Valley	8583521	5149993.806	67
Northbridge	28728130	18480191.31	55	NE Metropolitan	20174041	14633243.97	38
N. Brookfield	8422233	6120249.47	38	North Shore	9543816	5612209.288	70
North Reading	25551562	18680025.92	37	Old Colony	8647299	5562667.25	55
Norton	32248314	21707847.35	49	Pathfinder	11398400	6509180.51	75
Norwell	23480080	14896267.38	58	Shawsheen Valley	21312987	14658247.9	45
Norwood	42834197	27812874.02	54	Southeastern	20367455	15823353.83	29
Oak Bluffs	7400441	2844450.75	16	South Shore	8968019	6328039.251	42
Orange	8480825	5410721.15	57	Southern Worcester	15246868	11833839.25	29
Orleans	3828763	1481932.25	15	Tri County	15098971	9751502.989	55
Oxford	21451842	15276559.45	40	Upper Cape Cod	11268052	7524619.76	50
Palmer	21521236	15204395.9	42	Whittier	19206270	11477915.27	67
Peabody	74308386	51366233.49	45	Bristol County	7637882	4473497.92	71
Pelham	1617557	695242.1	13	Essex County	9746465	4999466.72	95
Pembroke	31148817	23020143.45	35	**Mass Total**	**11787819832**	**7483444289**	**58**
Petersham	1406481	822114.4	71				
Pittsfield	76527386	53542575.75	43				

9. Comparison of Growth in Health Care Costs vs. GIC

LYNN

Fiscal Year	Municipal HI Expenditures	Percent Change	State HI Expenditures	Percent Change
2001	15,187,339		605,596,955	
2002	17,706,814	16.59	676,102,421	11.64
2003	22,353,176	26.24	694,982,613	2.79
2004	21,978,161	-1.68	737,289,523	6.09
2005	23,260,231	5.83	785,103,811	6.49
2006	26,008,295	11.81	896,010,107	14.13
2007	Percent Change 2001-2006:	71.25	Percent Change 2001-2006:	47.95

WAKEFIELD

Fiscal Year	Municipal HI Expenditures	Percent Change	State HI Expenditures	Percent Change
2001	4,396,384		605,596,955	
2002	6,636,916	50.96	676,102,421	11.64
2003	6,184,838	-6.81	694,982,613	2.79
2004	6,696,897	8.28	737,289,523	6.09
2005	7,029,066	4.96	785,103,811	6.49
2006	7,772,958	10.58	896,010,107	14.13
2007	Percent Change 2001-2006:	76.8	Percent Change 2001-2006:	47.95

LYNNFIELD

Fiscal Year	Municipal HI Expenditures	Percent Change	State HI Expenditures	Percent Change
2001	1,110,708		605,596,955	
2002	1,288,030	15.96	676,102,421	11.64
2003	1,527,191	18.57	694,982,613	2.79
2004	1,630,875	6.79	737,289,523	6.09
2005	2,363,229	44.91	785,103,811	6.49
2006	2,955,568	25.06	896,010,107	14.13
2007	Percent Change 2001-2006:	166.1	Percent Change 2001-2006:	47.95

10. Local Contribution Calculations for 9th Essex District Towns

SAUGUS FY09

	Effort Goal			FY09 Increments Toward Goal		
1)	2006 equalized valuation	4,328,919,200		13)	Required local contribution FY08	24,598,250
2)	Property percentage	0.3106%		14)	Municipal revenue growth factor (DOR)	3.95%
3)	Local effort from property wealth	13,447,746		15)	FY09 preliminary contribution (13 x 14)	25,569,881
				16)	Preliminary contribution pct of foundation (15/8)	91.23%
4)	2005 income	700,490,000				
5)	Income percentage	1.5561%		*If preliminary contribution is above the target share:*		
6)	Local effort from income	10,900,098		17)	Excess local effort (15 - 10)	2,448,058
				18)	33% reduction toward target (17 x 33%)	807,859
7)	Combined effort yield (row 3+ row 6)	24,347,843		19)	FY09 required local contribution (15 - 18)	24,762,022
				20)	Contribution as percentage of foundation (19 / 8)	88.35
8)	Foundation budget FY09	28,026,452				
9)	Maximum local contribution (82.5% * row 8)	23,121,823		*If preliminary contribution is below the target share:*		
				21)	Shortfall from target local share (11 - 16)	
10)	Target local contribution (lesser of row 7 or row 9)	23,121,823		22)	Shortfall in dollars	
				23)	Added increment toward target (13 x 1% or 2%)*	
11)	Target local share (row 10 as % of row 8)	82.50%			**1% if shortfall is between 5% and 10%; 2% if shortfall > 10%*	
12)	Target aid share (100% minus row 11)	17.50%		24)	FY09 required local contribution (15 + 23)	
				25)	Contribution as percentage of foundation (24 / 8)	

LYNNFIELD FY09

	Effort Goal			FY09 Increments Toward Goal		
1)	2006 equalized valuation	2,540,054,900		13)	Required local contribution FY08	14,028,560
2)	Property percentage	0.3106%		14)	Municipal revenue growth factor (DOR)	3.83%
3)	Local effort from property wealth	7,890,656		15)	FY09 preliminary contribution (13 x 14)	14,565,854
				16)	Preliminary contribution pct of foundation (15/8)	77.96%
4)	2005 income	590,206,000				
5)	Income percentage	1.5561%		*If preliminary contribution is above the target share:*		
6)	Local effort from income	9,184,004		17)	Excess local effort (15 - 10)	
				18)	33% reduction toward target (17 x 33%)	
7)	Combined effort yield (row 3+ row 6)	17,074,660		19)	FY09 required local contribution (15 - 18)	
				20)	Contribution as percentage of foundation (19 / 8)	
8)	Foundation budget FY09	18,683,196				
9)	Maximum local contribution (82.5% * row 8)	15,413,636		*If preliminary contribution is below the target share:*		
				21)	Shortfall from target local share (11 - 16)	4.54%
10)	Target local contribution (lesser of row 7 or	15,413,636		22)	Shortfall in dollars	847,782
				23)	Added increment toward target (13 x 1% or 2%)*	0
11)	Target local share (row 10 as % of row 8)	82.50%			**1% if shortfall is between 5% and 10%; 2% if shortfall > 10%*	
12)	Target aid share (100% minus row 11)	17.50%		24)	FY09 required local contribution (15 + 23)	14,565,854
				25)	Contribution as percentage of foundation (24 / 8)	77.96

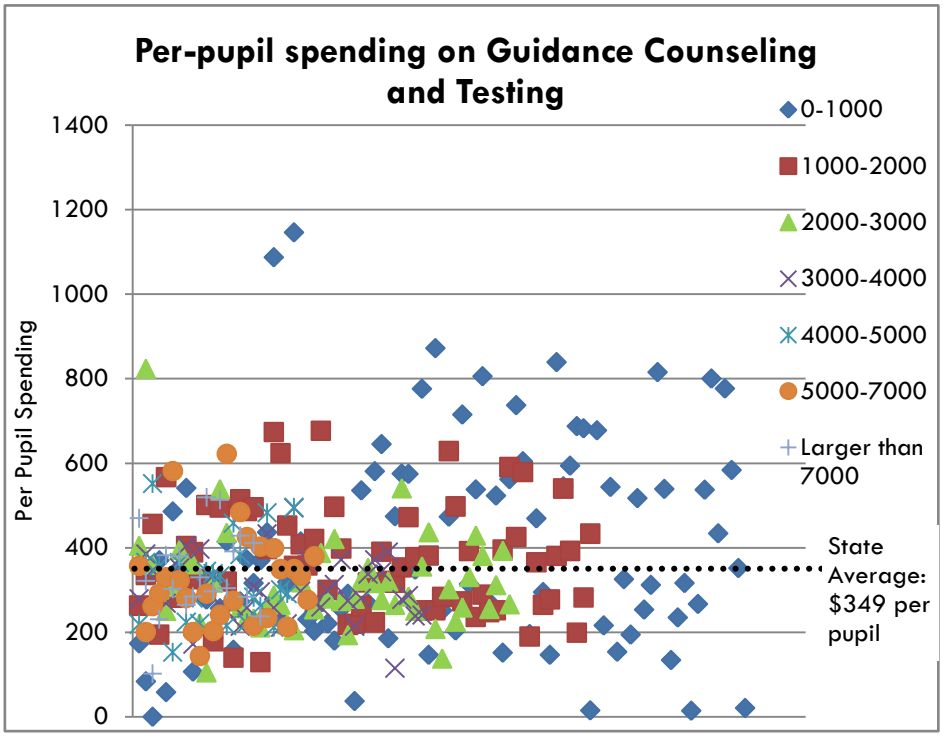
LYNN FY09

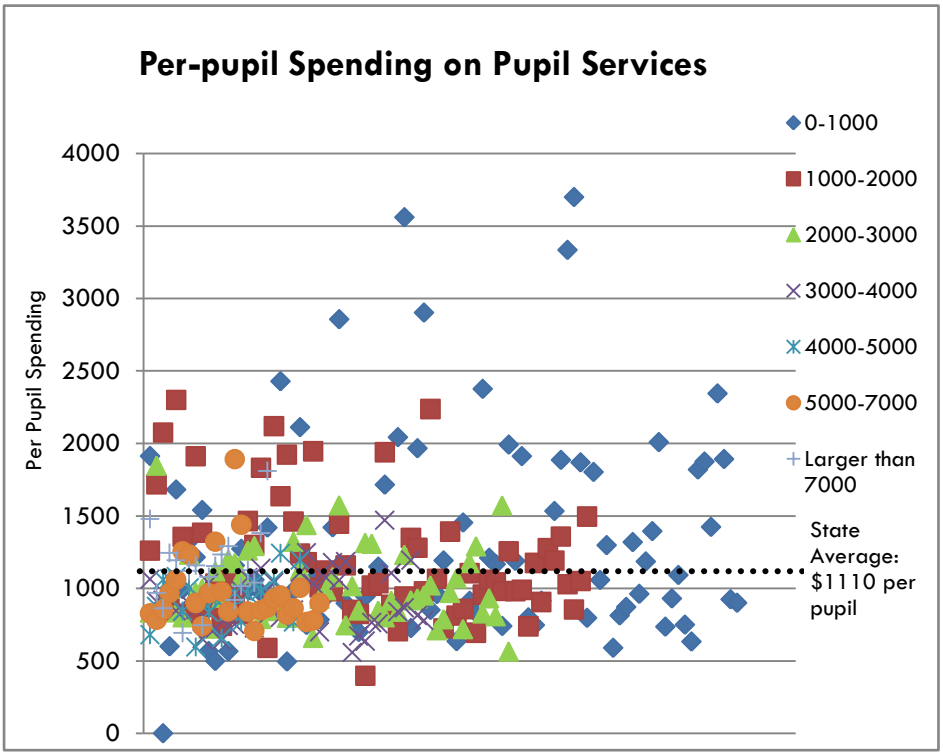
	Effort Goal			FY09 Increments Toward Goal		
1)	2006 equalized valuation	7,258,700,200		13)	Required local contribution FY08	33,827,600
2)	Property percentage	0.3106%		14)	Municipal revenue growth factor (DOR)	3.42%
3)	Local effort from property wealth	22,549,082		15)	FY09 preliminary contribution (13 x 14)	34,984,504
				16)	Preliminary contribution pct of foundation (15/8)	22.86%
4)	2005 income	1,427,544,000				
5)	Income percentage	1.5561%		*If preliminary contribution is above the target share:*		
6)	Local effort from income	22,213,549		17)	Excess local effort (15 - 10)	
				18)	33% reduction toward target (17 x 33%)	
7)	Combined effort yield (row 3+ row 6)	44,762,631		19)	FY09 required local contribution (15 - 18)	
				20)	Contribution as percentage of foundation (19 / 8)	
8)	Foundation budget FY09	153,040,163				
9)	Maximum local contribution (82.5% * row	126,258,135		*If preliminary contribution is below the target share:*		
				21)	Shortfall from target local share (11 - 16)	6.39%
10)	Target local contribution (lesser of row 7 or	44,762,631		22)	Shortfall in dollars	9,778,127
				23)	Added increment toward target (13 x 1% or 2%)*	338,276
11)	Target local share (row 10 as % of row 8)	29.25%			**1% if shortfall is between 5% and 10%; 2% if shortfall > 10%*	
12)	Target aid share (100% minus row 11)	70.75%		24)	FY09 required local contribution (15 + 23)	35,322,780
				25)	Contribution as percentage of foundation (24 / 8)	23.08

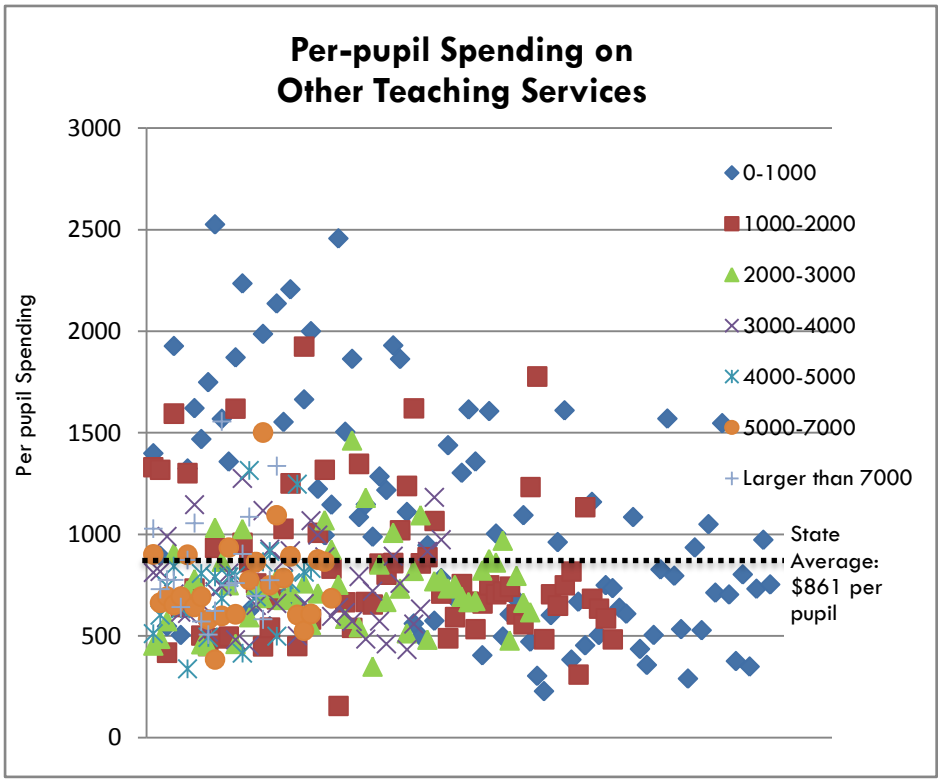
WAKEFIELD FY09

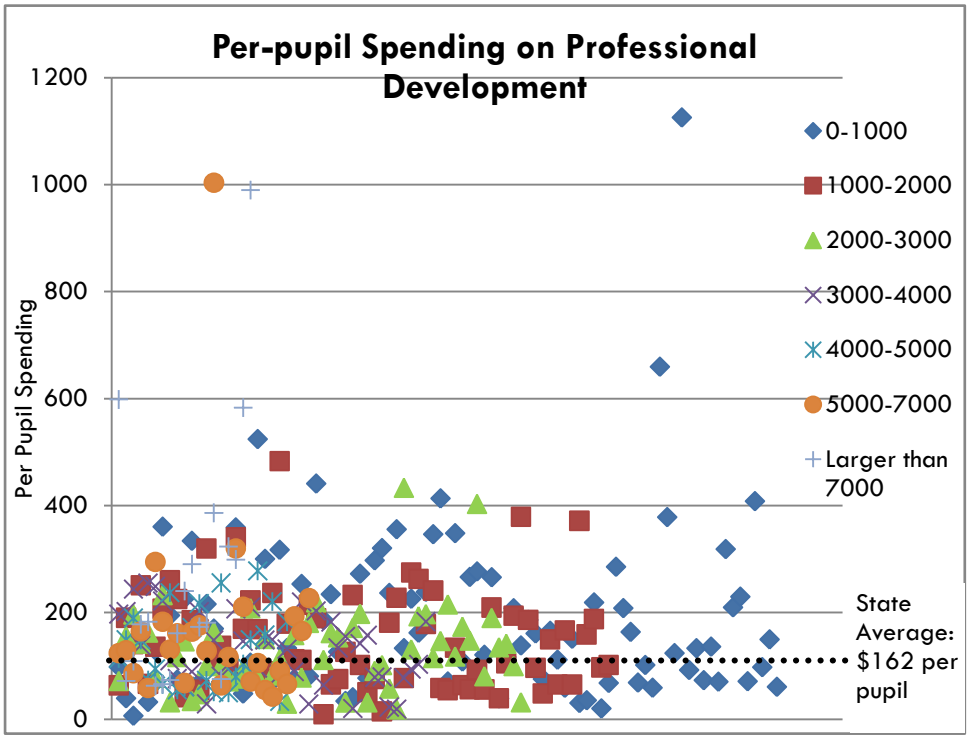
	Effort Goal			FY09 Increments Toward Goal		
1)	2006 equalized valuation	4,161,973,600		13)	Required local contribution FY08	25,741,548
2)	Property percentage	0.3106%		14)	Municipal revenue growth factor (DOR)	3.14%
3)	Local effort from property wealth	12,929,131		15)	FY09 preliminary contribution (13 x 14)	26,549,833
				16)	Preliminary contribution pct of foundation (15/8)	86.79%
4)	2005 income	814,204,000				
5)	Income percentage	1.5561%		*If preliminary contribution is above the target share:*		
6)	Local effort from income	12,669,564		17)	Excess local effort (15 - 10)	1,312,185
				18)	33% reduction toward target (17 x 33%)	433,021
7)	Combined effort yield (row 3+ row 6)	25,598,695		19)	FY09 required local contribution (15 - 18)	26,116,812
				20)	Contribution as percentage of foundation (19 / 8)	85.37
8)	Foundation budget FY09	30,591,089				
9)	Maximum local contribution (82.5% * row 8)	25,237,648		*If preliminary contribution is below the target share:*		
				21)	Shortfall from target local share (11 - 16)	
10)	Target local contribution (lesser of row 7 or row 9)	25,237,648		22)	Shortfall in dollars	
				23)	Added increment toward target (13 x 1% or 2%)*	
11)	Target local share (row 10 as % of row 8)	82.50%			**1% if shortfall is between 5% and 10%; 2% if shortfall*	
12)	Target aid share (100% minus row 11)	17.50%		24)	FY09 required local contribution (15 + 23)	
				25)	Contribution as percentage of foundation (24 / 8)	

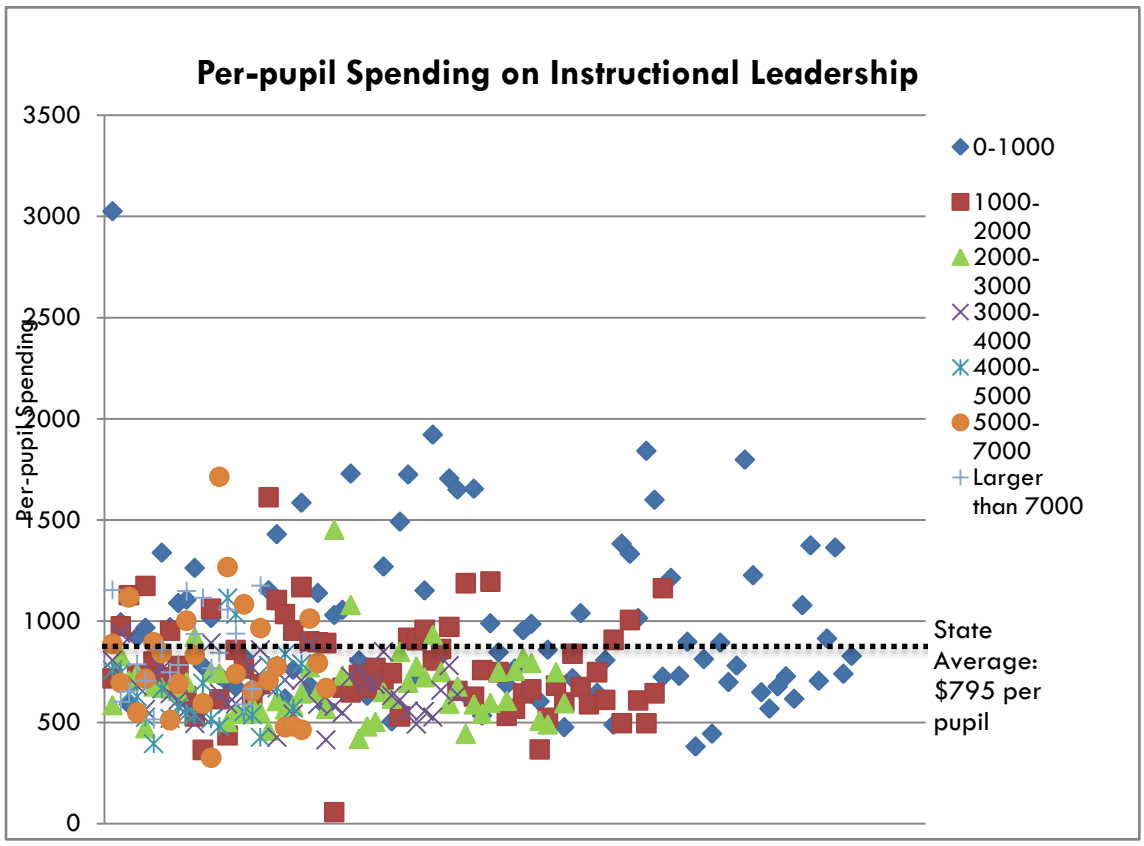
11. Actual District Spending, by District Size






Per-pupil Spending on Other Teaching Services
Per pupil Spending
3000
2500
2000
1500
1000
500
0
0-1000
1000-2000
2000-3000
3000-4000
4000-5000
5000-7000
Larger than 7000
State Average: $861 per pupil


Per-pupil Spending on Professional Development
Per Pupil Spending
1200
1000
800
600
400
200
0
0-1000
1000-2000
2000-3000
3000-4000
4000-5000
5000-7000
Larger than 7000
State Average: $162 per pupil


Per-pupil Spending on Instructional Leadership
Per-pupil Spending
3500
3000
2500
2000
1500
1000
500
0
0-1000
1000-2000
2000-3000
3000-4000
4000-5000
5000-7000
Larger than 7000
State Average: $795 per pupil

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ENDNOTES

[i] Descriptions of Chapter 70 and its formula calculations are drawn from the following sources:

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[ii] Schneider, Rhoda E., General Counsel, Massachusetts Department of Elementary and Secondary Education. "Education Laws and Regulations: The State Constitutional Mandate for Education." http://www.doe.mass.edu/lawsregs/litigation/mcduffy_hancock.html.

[iii] "School Finance and District Support." Massachusetts Department of Elementary and Secondary Education. http://finance1.doe.mass.edu/.

[iv] *Ibid*: Actual district spending data is drawn from the Massachusetts State Department of Education website.

[v] Anderson, Amy Berk, John G. Augenblick and John L. Meyers. "Equity and Adequacy in School Funding." The Future of Children: Financing Schools Volume 7, No. 3: (1997)

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[vii] Boston Municipal Research Bureau and Massachusetts Taxpayers Foundation. "Municipal Health Reform: Seizing the Moment" August 2007.

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[ix] Boston Municipal Research Bureau and Massachusetts Taxpayers Foundation. "Municipal Health Reform: Seizing the Moment" August 2007.

[x] Massachusetts Executive Office for Administration and Finance, http://www.mass.gov/?pageID=afagencylanding&L=4&L0=Home&L1=Insurance+%26+Retirement&L2=Oversight+Agencies&L3=Group+Insurance+Commission&sid=Eoaf

[xi] "Ready for 21st Century Success: The New Promise of Public Education." The Patrick Administration Education Action Agenda, June 2008.

[xii] Boston Municipal Research Bureau and Massachusetts Taxpayers Foundation, *Ibid*.