



## Ed reform erosion

### The state's performance goals are threatened by inadequate funding

BY EDWARD MOSCOVITCH

**IN 1993, THE** state passed an education reform law with a funding formula that closely followed proposals I developed with the late Jack Rennie and the Massachusetts Business Alliance for Education. The formula's foundation budget established spending goals for each district; based on those spending goals and local property wealth and personal income, the formula also laid out how much the state should supply in aid to cities and towns. The formula was about money, but it was also about a set of management objectives—how small classes should be, how to adjust spending for inflation, how to encourage cities and towns to do more on their own, and how to spend the money effectively. The algebra behind the funding formula was complicated, but the management objectives were easy to understand.

Some of these management goals remain in effect, but most of the key ones have been eroded away. It's a troubling trend. The annual debate about the funding formula is no longer about the management goals we set in 1993 but has instead become a numbers game. How little can we spend and still claim we are meeting the 1993 goals? How can we forestall another school-funding lawsuit?

The 1993 funding changes were a key part of a broad bargain between educators and the state government. Educators agreed to be held accountable, in the form of the MCAS tests and the associated graduation requirements. The governors and the Legislature agreed to provide funding sufficient to enable schools to educate students to high standards.

The law's foundation budget spelled this bargain out in terms any layperson could understand. Specifically, the goal was a class size of 22 for grades K-5, a class size of 25 for middle schools, and a class size of 17 for high schools. In addition to class-

room teachers, the formula provided for art, music, gym, and library teachers; it also included staffing goals for principals, school nurses, custodians, and the central office.

The class-size objectives were essential. We can have an intelligent discussion about whether a class size of 22 in elementary schools is small enough (or too small!), but, sadly, the 2006 changes to the formula now state the spending goal in dollar figures rather than class sizes and staffing levels. Who knows whether \$2,733.55 per pupil for classroom



instruction—the target for classroom instruction in elementary schools last school year—is a reasonable figure?

Funding has also not kept pace with the management objectives. The 1993 legislation required that annual funding goals be adjusted upward each year for inflation, but as a practical matter the inflation adjustments have not been sufficient to cover the full impact of higher costs, primarily in the area of employee health care. Over the last several years, health care costs for school employees have grown by some 12 percent a year, while the index used to adjust the foundation budget was growing at about 3.5 percent. As a result, actual spending for health insurance last year exceeded the foundation allowance by \$1 billion.

It's clear that runaway inflation in health care costs is a major threat to the success of our education reform. I've suggested elsewhere that employee health care should be removed from the foundation budget and that all school employees should be covered at state expense through the (generally less expensive) state-run Group Insurance Commission. In this way, the state would have both the

tools and responsibility to address the problem, and our children would no longer be held hostage to rising health care costs.

Given last year's actual health care costs, a district spending right at the foundation budget would have had 33 students in the average elementary school class and 37 in middle school classes. With major cuts in both state aid and local contributions, class sizes in this new school year will be higher still.

Certainly spending alone doesn't guarantee educational success. But I doubt that anyone who knows schools believes that schools can excel with classes this large. Funding this low throws into doubt the whole rationale behind the 1993 reform law. There's clearly no appetite for the taxes necessary to meet the goals we set in 1993. But that hasn't stopped the governor from ratcheting up pressure on districts to improve performance.

Concentrating as it did on numbers and not management objectives, the budget debate this past spring tended to hide these problems rather than illuminate them. Gov. Deval Patrick used an inflation factor 1.5 percentage points lower than what the formula called for. In so doing, he not only left schools short of the goal—a result that was inevitable given the revenue shortfall—but artificially lowered the spending goal itself, thereby hiding the extent of the problem. The switch three years ago to a dollar spending figure instead of class size goals makes it much harder to understand how far current spending falls short from the 1993 spending goals.

**THE 1993 REFORM** set ambitious performance goals for schools in return for increased funding. To make this work, we had to ensure that the increased funding intended for schools actually reached the schools. The law required that the amount of their own money that cities and towns contributed toward support of the schools had to rise each year in proportion to the overall increase in local revenues. The large increases in state aid in the first few years therefore really did go toward increasing school budgets.

This provision remained in effect until 2006, when Gov. Mitt Romney and the Legislature allowed cities and towns to reduce local contributions as state aid increased, as long as the total spending met the foundation budget goal. That might have made sense if the foundation budget were still adequate to meet our original goals for class sizes and spending on books and professional development, but for the last few years that has no longer been the case.

As a practical matter, this new failure to separate school from municipal funding is now hitting hard. Much of the federal stimulus money nominally intended for schools

has in fact been used to prevent decreases in police and fire department budgets. Given the awful choices they face, it's hard to fault mayors and selectmen. But if President Obama comes to Massachusetts to see how his education aid was spent, it will be awkward to have to tell him that the increases in state funding for the schools were largely offset by cuts in local school support, so that the net effect was to stave off deep cuts elsewhere in city budgets. How can we hold schools accountable for increases in education aid when those increases are largely nullified by offsetting cuts in local funding?

In designing the Chapter 70 formula in 1993, we were acutely aware that local officials would be afraid to increase local funding for schools beyond the minimum requirement if they thought that the state would use such increases as a reason to cut state aid. We bent over back-

## There's clearly no appetite for the taxes necessary to meet the 1993 reform goals.

wards to make sure that local need was measured by such things as enrollment and poverty, not local decisions to support schools.

This approach remained in effect until last spring, when Gov. Patrick very unwisely decided to cut aid—by millions of dollars—to certain districts that had been contributing more than the minimum. Most (but not all) of the districts were among the poorest in the state, including Lynn and Fall River. The net impact of Lynn's and Fall River's past generosity toward their schools is now several million dollars less in state aid than they would be getting had they been less supportive—and school spending no higher than it otherwise would have been. When I asked administration officials why any city or town should now ever spend more than the minimum, they assured me that this was a one-time change and they'd never do it again. But who would believe that?

With the state so obviously unable to provide adequate support, the administration should bend over backward to encourage cities and towns to do more on their own, not punish those that do so!

One of the worst features of government administration is the way that public officials hastily spend each June any money left over from the budget year, lest it revert to the state or city treasury. To end this practice, the 1993 law provided that schools could carry over to the new school year unspent funds equal to up to 5 percent of their overall budget. This would give them a strong incentive to save those funds for major purchases, such as improving education technology or repairing school roofs.

Unfortunately, some districts have misinterpreted this provision to mean they need to appropriate only 95 percent of the foundation budget amount. The problem here is not legislative change, but inadequate enforcement of our original intent.

Two key management provisions of the original law have enjoyed broad support and remain in effect. Recognizing that it is more expensive to educate youngsters from disadvantaged backgrounds, the per-student funding goals for high-poverty communities like Chelsea are significantly higher than those for well-off towns like Wellesley.

Also, the foundation budget is based on an assumed number of special education students rather than the actual count. Our (wise) state policy is to encourage districts wherever possible to meet the needs of struggling students within the regular education program. If districts had received extra funding for identifying special needs students, they'd go out of their way to put more students in special education. Set up the way it is, the funding formula re-enforces (instead of undercutting) state education policy.

Candor about what we can and cannot afford—and how far short it falls of what we need—cuts across the political grain, particularly in an election year. When

money is tight, the natural tendency is to save money anyway possible, regardless of the long-term consequences. Sadly, it's easy to forget the funding formulas are not just about money out of the state treasury, but also about encouraging productive behavior by school officials and local government and, ultimately, about providing the resources necessary to meet the high goals all of us have for our public schools.

In the spring of 1992, Governor Weld liked the Massachusetts Business Alliance for Education's proposals for high-stakes testing, charter schools, and other reforms, but rejected our funding goals. In a truly memorable episode, Rennie unloaded on the governor. His voice rose, his face grew red, and he angrily said that there was no way he would participate in the fraud of promising ambitious improvements in student performance while countenancing spending levels he knew were inadequate to achieve those goals. Reform was dead for a year; it passed in 1993 after Weld accepted our foundation budget. It's too bad there's no one here now to have a similar showdown with Gov. Patrick! **CW**

*Edward Moscovitch is president of Cape Ann Economics and chairman of the Bay State Reading Institute.*



## P&G and Gillette Taking Tradition to the Next Level

P&G and Gillette – both have a long-standing tradition of commitment to the community. Together, we are committed to improving the lives of women and men of Massachusetts and proud to call Boston our newest hometown.

Touching lives, improving life. **P&G™**



# *Reconnecting Massachusetts Gateway Cities:*

## *Lessons Learned and an Agenda for Renewal*

### **FROM RESEARCH TO RESULTS**

Since the publication of the report, MassINC is working with leaders in the 11 Gateway Cities and the University of Massachusetts Dartmouth's Urban Initiative to develop a new urban agenda for Massachusetts. Gateway Cities provide middle-class housing, infrastructure to accommodate smart growth, and an expanding, energized, and diverse labor force. By forging a new state-local partnership, Gateway Cities can help Massachusetts stay economically competitive.

*To learn more about our Gateway Cities initiative, visit [gateways.massinc.org](http://gateways.massinc.org).*

*To read the report, check out [www.massinc.org](http://www.massinc.org) and click on the "Research" tab.*

A JOINT PROJECT OF:

**MassINC**  
RESEARCH. JOURNALISM. CIVIC LIFE.



METROPOLITAN POLICY PROGRAM  
THE BROOKINGS INSTITUTION