

Just the Facts

PreK-Through-Grade 12 Education Aid and the Budget Crisis: Where We Are, Where We're Headed

During the past decade, the Commonwealth's public schools have made progress in helping students achieve. Strong public schools give our students the skills they need to succeed in our knowledge-based economy.

The state still faces a fiscal challenge. During the past four years, there have been serious revenue shortfalls. Last year, FY05, the shortfall was about \$1 billion, while the FY06 shortfall is estimated to be between \$700 million and \$900 million. As a result of these shortfalls, education funding has been drastically cut in recent budget cycles, risking undoing the progress made in public education since passage of the Education Reform Act in 1993. In fact, Superior Court Judge Botsford's findings accepted by a majority of the Supreme Judicial Court in *Hancock v. Driscoll* document that many schools' resource needs are still not being met despite the constitutional requirement that all public school districts must be adequately funded.

Background

To help students achieve the standards established by the Education Reform Act of 1993, the state agreed to pay an increasing amount of funding for education over a seven-year period. The funding plan included a commitment to the following principles: equity of funding for districts and taxpayers, a high-quality education for all students and a stable and reliable funding stream.

As a result, state funding for Chapter 70 – state aid to local school districts – increased from \$1.3 billion in FY94 to about \$3 billion in FY01. The average yearly increase in Chapter 70 funds until FY03 was \$214 million a year. Despite those increases, however, the MTA believes that the current foundation budget is insufficient to provide an adequate education for all students, as required by the Massachusetts Constitution.

According to U.S. Census Bureau data from 2002, Massachusetts ranked 43rd in spending on public education relative to personal income. A recent study by Professor Andrew Reschovsky (University of Wisconsin, Madison, *The Impact of State Government Fiscal Crises on Local Governments and Schools*) shows that the change in real per-pupil state aid dropped by 14.3 percent from FY02 to FY04 in Massachusetts, which was the largest decrease of any state in the country. The average was 4 percent.

Governmental Services Division

Director
Joanne Blum

Consultants
Catherine Fichtner
Jo Ann Fitzgerald
John H. Flannagan
Arline Isaacson
Julie Johnson

Phone:
1-800-392-6175
(617) 878-8119

Catherine A. Boudreau
President

Anne Wass
Vice President

Edward P. Sullivan
*Executive Director/
Treasurer*



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FY03 State Budget

FY03 was the first time in almost a decade that Chapter 70 received an increase that, while holding the districts at foundation level, barely covered inflation. The increase of almost \$46 million brought total Chapter 70 aid to more than \$3.2 billion a year.

While Chapter 70 received a slight increase of 1.4 percent, other discretionary grant programs were cut by 19 percent compared to FY02. These cuts had a varying impact on districts across the state, but in some cases have forced cutbacks in staff and programs. Cuts included: early childhood grants, regional school transportation and charter school reimbursements, while health education grants were eliminated.

FY04 State Budget

While FY03 was the first time since 1993 that Chapter 70 received only a small increase, FY04 was the first time that Chapter 70 funding was actually cut, by \$151 million from FY03. Despite this seemingly small cut, nearly half of all school districts saw 20 percent cuts in funding. Other local aid, not required to go to the schools, was cut by about 20 percent. Statewide estimates show that up to 50 percent of other local aid goes to support local schools.

In addition to the cut to Chapter 70, cuts to education grant programs totaled \$100 million. Overall, including Chapter 70, other state aid and administration of education programs, preK-12 funding was cut by more than \$248 million. These cuts, made on top of the already serious cuts in FY03, included charter school reimbursement, MCAS remediation grants, kindergarten development grants, early literacy programs and early childhood education, while grants for class size reduction and non-regional school transportation were eliminated.

FY05 State Budget

In FY05, the state began to see small increases in revenue and there was an attempt to restore some funding to some education items. There was a very modest increase in Chapter 70 (2.4 percent or \$75 million), the special education “circuit breaker” program saw an increase, the charter school reimbursement funding was restored, as was the funding commitment for regional school transportation. However, most other education programs were simply maintained at the FY04 level, which, due to inflation, means that most programs were effectively cut. And, programs that were eliminated in FY03, including health education grants, non-regional school transportation and class size reduction grants, were not restored.

FY06 – Governor’s Proposed Budget

While claiming that public education is a major priority of his administration, the governor does not translate that stated priority into reality. Programs and spending levels for our schools have not been restored to their levels of a few years ago. Almost two-thirds of Massachusetts’ school districts have yet to recover from cuts to their Chapter 70 aid (state funds to schools) — many as high as 20 percent — made in FY04. This will leave school districts and campuses struggling to deal with increasing class sizes, inadequate after-school and remedial programs and not enough faculty and staff to continue to provide high quality education.

Chapter 70 – state aid to school districts – received an increase of \$77 million, but when inflation is taken into account, schools will receive only \$22 million over last year. In addition, Chapter 70 aid is \$242 million below the FY02 level, adjusted for inflation.

Most grant programs were funded at last year’s level, which is below funding in previous years. Some programs, including the class size reduction and non-regional school transportation, are not funded.

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Results of These Budget Cuts

For many school districts, the results have been devastating. A report compiled by the MTA, along with the Massachusetts Municipal Association, the Massachusetts Federation of Teachers, the Massachusetts Association of School Committees and the Massachusetts Association of School Superintendents, released in February, 2004, detailed the effects of the budget cuts. See, *Progress in Jeopardy: A Report on the State of Education Funding in Massachusetts* at www.massteacher.org.

What Can Be Done?

The state must continue its investment in public schools to preserve their quality and protect the improvements of the past decade. Students will not get the skills they need to be successful in the new knowledge-based economy if class sizes increase because teachers have been laid off and programs are cut or eliminated.

Over the last 10 years, Massachusetts has cut revenue more than any other state. Close to \$4 billion has been drained from state revenues as a result of tax cuts in the past decade. Some of these lost revenues must be put back into state coffers.

Options that should be considered to close the revenue shortfall for FY06 include closing corporate tax loopholes, including instituting combined reporting, increasing the income tax and increasing the sales tax by a penny. Giving local communities the ability to raise taxes or fees may help some of them, but not all have the ability to raise additional revenues. As a result of the Education Reform Act, the state took on more responsibility for ensuring that all school districts had funds to pay for their schools. Whether or not there are good schools available should not depend on the city or town in which a child resides.