The Governor’s Distribution of ARRA Education Funding

On March 19, Governor Patrick announced plans to use federal stimulus funds to provide $168 million to 166 school districts. On their face, these 166 school districts do not appear to fit an easy profile of needy communities. While many lower income cities are slated to receive stimulus funds, other seemingly needy cities are not. At the same time, several districts with high incomes and high property values will receive substantial federal aid. By looking at how the original Chapter 70 formula and recent changes treat different types of communities, we can understand the rules that led to the Governor’s distribution of American Recovery and Reinvestment Act (ARRA) funding. It is important to consider whether all of those rules are appropriate in the current fiscal crisis.

WHAT TYPES OF DISTRICTS RECEIVE MONEY AND WHY?

*Districts with low incomes and low property values*

While much attention has been focused on districts that would receive money and do not seem to need it, a large share of the funds went to communities that have clear need. These are districts that the state formula allocates additional resources to because these districts do not have the resources locally to provide the minimum spending required to provide an adequate education for the number of students they will have enrolled in FY 2010. For example, $13.2 million was allocated to Springfield, $3.1 million to New Bedford, and $5.6 million to Brockton.

*Districts with high incomes and high property values*

In 2007, responding to concerns that the existing needs-based formula was unfair to higher wealth communities, the state reformed the formula to phase in a requirement that every district, regardless of need, would receive state aid of at least 17.5 percent of its foundation budget. Most of the districts that received ARRA money and appear to have limited need are receiving money because of this provision. It is a provision of the law which was specifically designed to increase funding for those who have the least need as measured by the needs-based formula. This includes $1.4 million for Belmont, $1.2 million for Wellesley and $1.2 million for North Andover. Altogether, $14 million of the amount distributed was due to this provision.

*Districts that have been contributing more of their local resources than the formula requires*

In 2007, the education funding formula was also reformed to reduce local contributions and increase state aid for those communities that were spending more of their own resources than other towns with the same capacity. Because the Governor’s distribution continues to phase in this reform, some communities receive aid increases when other very similar looking communities do not – but this is because these communities receiving the new ARRA funds have historically received less aid, proportionately, than comparison communities. For example, Framingham contributes much more than the target set by the formula. Therefore, Framingham is allowed to reduce its contribution towards the target and gets $3.5 million in new aid.
Districts where enrollments are growing rapidly

In many of the cases described above, it is the formula factors combined with growing enrollments that determine how much aid particular communities receive. Increases in a district’s foundation budget are the result of both inflation and enrollment increases. Thus any element of the formula that relates to the foundation budget is sensitive to changes in enrollment. There was, however, another element of the FY 2007 reforms that created a special category of “growth aid” to provide aid to districts with growing foundation budgets that were not otherwise receiving aid. This aid was available to districts with rapidly rising enrollments and also to districts that have relatively flat enrollments, but whose foundation budget was growing because of inflation or demographic changes. Boston, for example, would have received $6 million in this form of aid, if it had been calculated as part of the Governor’s distribution.

WHAT TYPES OF DISTRICTS ARE NOT RECEIVING ANY OF THE $168 MILLION?

Many districts with declining enrollments

Because the foundation budget formula is based on the number of students in a district, those districts with declining enrollments are less likely to receive aid. For many of the lower income districts that are not receiving increased aid, it is because their enrollments are declining and the formula therefore treats them as not having increased need.

Districts with high local capacity that have been contributing relatively less of their resources

Because the current education formula seeks to require every community to contribute the same proportion of local resources towards their schools, those communities whose local spending is a smaller share of local incomes and property values than average are expected to increase local spending rather than receive new state aid.

WHAT’S NEXT?

As the budget process progresses, the Legislature can examine overall education funding levels. It could decide that some of the elements of the formula should be changed, either permanently or for this year. For example, the Legislature could decide that some of the FY 2007 reforms, such as local effort reduction or the minimum aid floor, should be suspended to allow more of the available resources to go to districts with the greatest needs. One requirement that the Legislature does have to meet, however, is that it must make sure that every district has the resources, from a combination of state aid and local contributions, to be able to spend the foundation budget amount for every child. Providing at least that minimum funding level is required by the state Constitution.

ARRA calls for the education portion of the State Fiscal Stabilization Fund to be distributed using existing formulas. In Massachusetts, however, this language probably leaves significant flexibility as the reforms to the formula adopted in FY2007 were never put into the general laws and have been altered since their adoption. In addition, the Legislature could adjust state chapter 70 funding to offset elements of the distribution of the ARRA funding that would not be consistent with a revised distribution plan.