

IN SUPPORT OF S313/H1944

“An Act simplifying and making more equitable the provisions of Chapter 70 relating to the distribution of state aid and the requirements for spending by local governments”

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League of Women Voters of Massachusetts

In 1995 a study by the League of Women Voters Fiscal Policy Committee found great inequity in how state school aid was being distributed to Massachusetts cities and towns. The League found that communities of similar fiscal strength did not receive similar levels of aid. In 1996 the League filed legislation to replace the state's school aid distribution formula (Chapter 70) with a more equitable formula. Not much has changed since 1996. The current distribution of aid continues to be less equitable than what the League's formula would achieve. So, again this year, for the sixth time, the League has filed a bill, S313/H1944, to correct this problem.

An equalizing and equitable formula

S313/H1944 would apply a single two-part formula to distribute aid to all 351 cities and towns. The formula works by determining, for each community, the ratio of local per pupil property wealth to the state average. This ratio is linked to a percentage along a sliding scale, and aid is applied to the community's foundation budget. The sliding scale percentage means that aid is distributed on a progressive, equalizing basis determined by local fiscal resources.

The premise of the League's proposal is that state aid for education should work towards equalizing the ability of cities and towns to finance schools by providing more aid to poorer cities and towns and less aid to the wealthier. We have repeatedly pointed out that the current aid formula has an erratic impact; it is not progressively equitable. A significant component of an equalizing formula is the determination of how much revenue a community can and should raise locally. The measure of local effort must be fair, rational, and based on an accepted measure of local wealth. In Massachusetts, where the major share of locally collected revenue is generated by the property tax, equalized valuations per pupil recognize the local resources that can be taxed to support one pupil in the local school system.

Although the statutory Chapter 70 language adopted as part of the Education Reform Act of 1993 remains in place, in the FY07 budget the Legislature introduced a new process for determining school aid. We are pleased to observe that long term, this new methodology should create a somewhat more equitable aid distribution. The attached graphs compare actual FY2008 aid levels and the target share local aid levels (as if this new methodology were already fully phased in) with the LWVM formula aid levels. Unfortunately this demonstrates that actual FY2008 aid levels are still erratic and still not progressively equitable.

While the target share aid levels of the Legislature's new formula are an improvement, the likelihood of reaching these targets is at least five, and probably many more, years in the future. For communities of less than average wealth, target aid shares are generally progressively equitable, although the

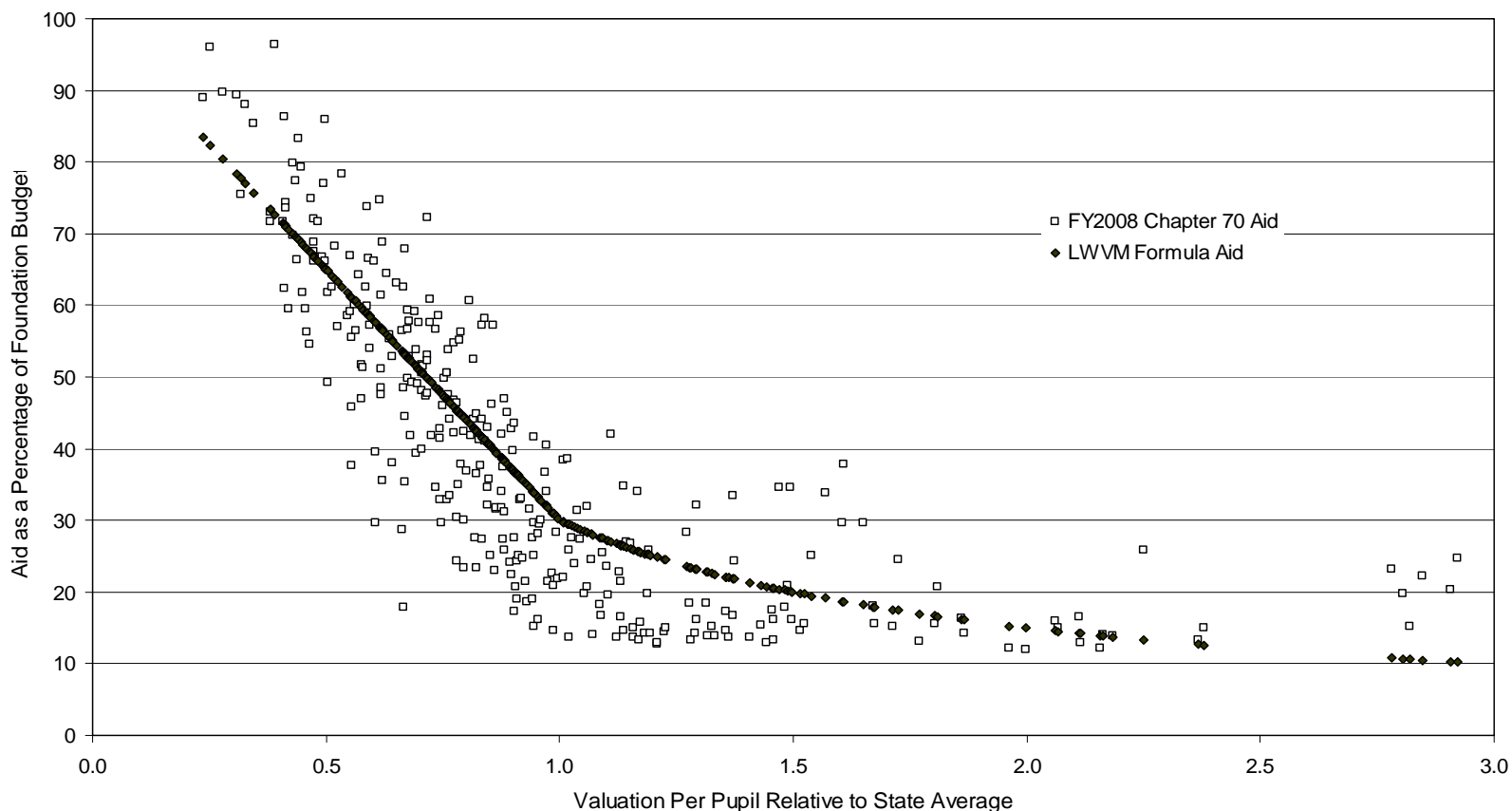
aid amounts are less than that proposed by the League's formula. For communities of above-average wealth, the new methodology is not progressive; all have a target share equal to 17.5% of the foundation budget. For communities in the middle, those with an equalized valuation per pupil of 75%-150% of the state average, target aid shares are generally not progressive and are well below the aid level proposed by the League formula. The League has repeatedly called attention to the shortcomings of the current education aid system for these middle-range communities.

The current Chapter 70 formula attempts to correct disparities in required local contributions that were based on actual school spending in FY93 and increased yearly by the municipal revenue growth factor (MRFG). The improved equitability and progressiveness seen in target aid levels for communities of less than average wealth is a result of this correction. However, the League believes that the failure of the current Chapter 70 formula to provide similarly progressive target aid amounts for middle-range communities is due to the use of income in this new formula.

The League does not support the inclusion of an income factor in any education-aid formula. Massachusetts' cities and towns cannot tax incomes. It makes no sense to include income as a measure of local wealth because it does not reflect a community's ability to raise local revenue. Under Proposition 2½ two towns with the same property tax base have the same limit on the amount of property taxes that can be collected – a maximum 2.5% of assessed value. The town with more students, however, will have a more difficult time supporting its larger school budget on this fixed amount of revenue, no matter how much income some of its residents bring home. In addition, income data does not reflect the entire community. It includes only residents, not owners of second homes, and it does not measure the fiscal strength of the commercial sector.

For all of these reasons the League of Women Voters of Massachusetts continues to request that the Legislature support replacing the current local education aid formula with the formula proposed by the League of Women Voters in S313/H1944 to assure the equitable distribution of aid to all 351 of our state's cities and towns.

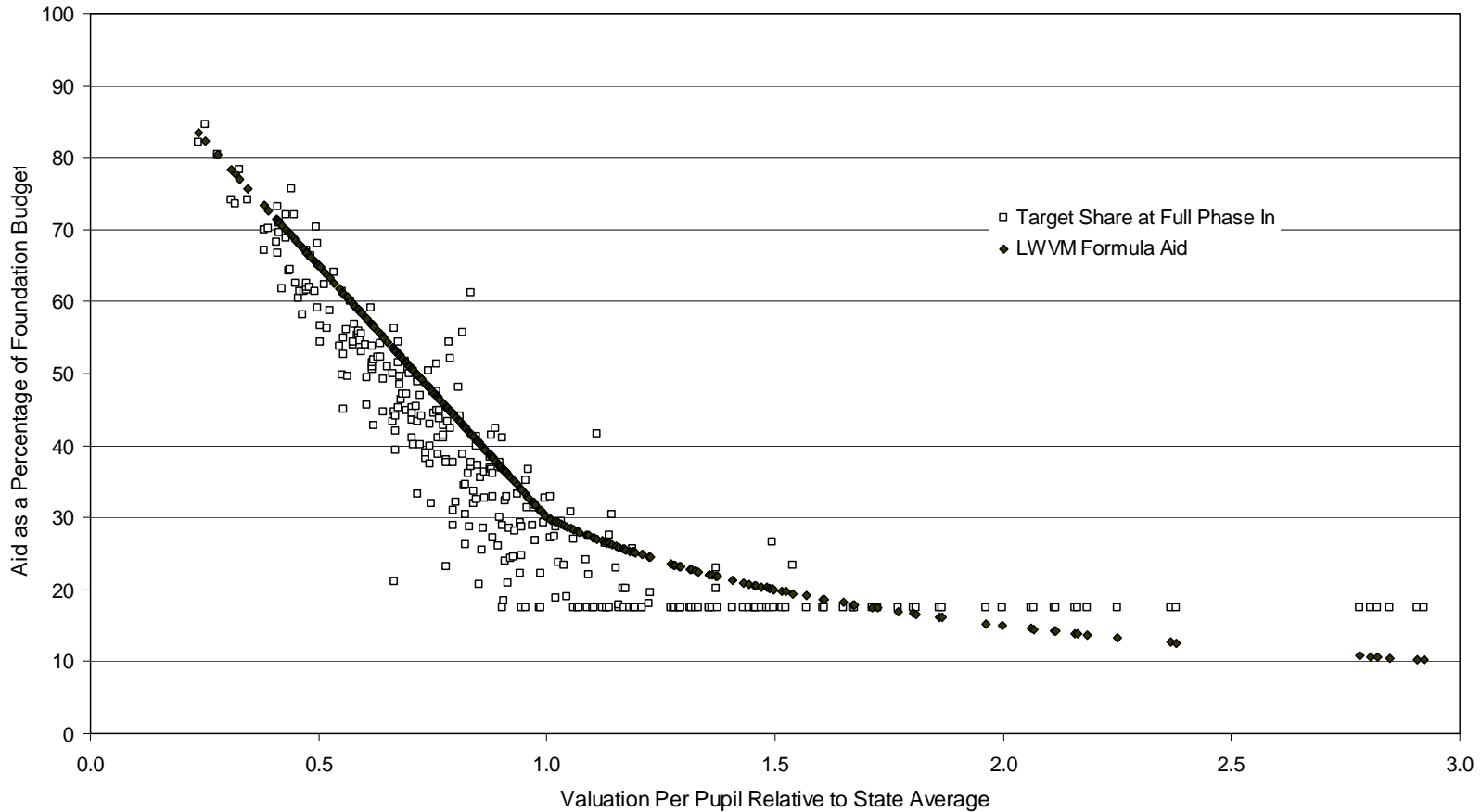
Chapter 70 State Education Aid
Comparison of FY2008 Chapter 70 Aid and LWVM Formula Aid
Based on Equalized Valuation Per Pupil



Omits 16 districts with Equalized Valuation per Pupil greater than 3.0
 Equalized Valuation per Pupil is based on FY06 equalized valuations and FY08 Foundation Enrollments.

This graph illustrates the unfairness of the current distribution of education aid in Massachusetts and compares current levels with LWVM formula levels. For example districts with equalized property valuations per pupil of 0.66 – 66% of the state average – receive aid that varies from as low as 18% of their foundation budget to as high as 68%.

Chapter 70 State Education Aid
Comparison of State Target Aid Share at Full Phase In and LWVM Formula Aid
Based on Equalized Valuation Per Pupil



Omits 16 districts with Equalized Valuation per Pupil greater than 3.0
 Equalized Valuation per Pupil is based on FY06 equalized valuations and FY08 Foundation Enrollments.

Compared with the previous graph, this graph illustrates that the target share distribution of education aid is more equitable and progressive for districts with equalized property valuations per pupil less than 0.75 – 75% of state average. For districts above 75% of the state average, the target share distribution is not progressive or equitable.