

Massachusetts Still is Missing the Mark on Equitable Chapter 70 State Education Aid

Addressing Massachusetts' persistent achievement gaps and pandemic-related learning loss requires strategic, targeted, and equitable funding in the state's K-12 education system. But, as revealed in the 2020 report [Missing the Mark](#), structural issues in the Chapter 70 aid formula used to determine the state's investment in K-12 education perpetuate funding inequities that harm students in Massachusetts' least wealthy communities. The FY 2022 budget increases foundation budget rates, as required by the Student Opportunity Act (SOA), to provide additional aid to combat the underfunding of specific education cost drivers. But as an unintended consequence of this increased investment, the FY 2022 budget exacerbates the inequities revealed in the *Missing the Mark* report by increasing funding for needs-blind education aid for the Commonwealth's wealthier school districts at the expense of accelerating investments in lower wealth communities. Remediating these inequities cannot be accomplished through the SOA provisions and must be a priority for policymakers because they undermine efforts to close achievement gaps and meet students' evolving learning needs.

Each fiscal year, the Governor and both legislative branches propose a state budget providing Massachusetts school districts with Chapter 70 state education aid. As shown in Table 1, the FY 2022 Chapter 70 aid provisions proposed by Governor Baker differed from those proposed and enacted by the Legislature. The Governor's budget proposed \$5.48 billion in Chapter 70 state aid, while the final budget agreed to by the House and Senate provided \$5.50 billion in Chapter 70 aid by accelerating the implementation of the SOA. Each budget proposal provides a \$30 per-pupil minimum aid increase, as required under the SOA. The final budget also includes \$40 million in House- and Senate-proposed one-time grants for districts that experienced pandemic-related disruptions in their enrollment or faced significantly higher transportation needs.

Table 1: Chapter 70 Provisions in Proposed and Final FY 2022 Budgets

	Governor Baker (H.1)	Legislature (H.4001/S.2465)	Final Budget (H.4002)
Total Chapter 70 State Aid	\$5.48 billion	\$5.50 billion	\$5.50 billion
SOA Implementation Timeline	1/7 th	1/6 th	1/6 th
Minimum Aid Increase	\$30 per pupil	\$30 per pupil	\$30 per pupil
One-time Enrollment Grants	N/A	\$40 million	\$40 million
State Aid Above Target	\$608 million	\$613 million	\$613 million
State Aid Attributable to Hold Harmless Provision	\$403 million	\$398 million	\$398 million
State Aid Attributable to Minimum Aid	\$17.2 million	\$16.7 million	\$16.7 million
State Aid Attributable to 82.5% Maximum Required Local Contribution ¹	(\$221 million)	(\$223 million)	(\$223 million)

Through the annual budget process each year, many school districts receive state education aid above the target amount determined by the Chapter 70 state education aid distribution formula. As shown in Table 1, districts statewide will receive over \$613 million in Chapter 70 education aid above the target amount set by the state formula's calculation of what school districts need for FY 2022, accounting for approximately 11.1% of the total Chapter 70 appropriation and almost a \$100 million increase over FY 2021 (\$516.5 million).² In fact 265 out

¹ Aid attributable to the maximum local contribution share of foundation budget is negative because it represents forgone state aid that is not delivered because of the 82.5% cap on local contributions.

² This figure only accounts for aid provided through the Chapter 70 formula and does not include the \$40 million in newly proposed enrollment grants or other funding sources. Additionally, this figure does not capture all the aid attributable to needs-blind formula factors. Several needs-blind factors not examined in this brief affect the aid target set by the formula and/or the foundation budget calculation. Because of this, the *Missing the Mark* report found that total needs-blind aid exceeds the aggregate aid above target. Other needs-blind formula factors include below-effort aid and the floor for the wage adjustment factor.

of 318 operating school districts will receive aid at least one percentage point higher than their target, while 138 districts will receive aid at least five percentage points higher than the formula-derived aid target.³

Districts receive state education aid above the formula-derived aid target because of several needs-blind formula factors identified in the *Missing the Mark* report – including the hold harmless provision (or base aid), minimum aid, and the 82.5% cap on required local contributions – which do not account for community wealth and income in a recipient district. Table 1 shows that FY 2022 aid attributable to the hold harmless provision amounts to \$398 million, while aid attributable to the minimum aid increase equals \$16.7 million, and foregone aid attributable to the 82.5% cap totals \$223 million.

Both the hold-harmless provision and annual minimum aid increases are regressive components of the state’s education aid distribution formula. In FY 2022, the Commonwealth’s least wealthy districts will receive the smallest portion of this needs-blind aid, both in aggregate and on a per-pupil basis.

The hold-harmless provision – a commitment by the Legislature each year that no school district receives less Chapter 70 state aid than the prior year – accounts for approximately \$398 million in Chapter 70 aid, or \$425 per student statewide in FY 2022. As shown in Table 2, the hold harmless provision benefits middle and high-wealth districts to the detriment of the state’s least wealthy districts. In FY 2022, the wealthiest 20% of districts will receive over three times as much hold-harmless base aid per-pupil than the least wealthy 20% of districts.⁴

Table 2: Chapter 70 State Aid Attributable to the Hold-Harmless Provision (FY 2022)

		Aggregate	Per Pupil	Districts Benefiting
Least Wealthy Wealthiest	Quintile 1 Districts	\$30,711,598	\$100	28
	Quintile 2 Districts	\$71,060,449	\$550	51
	Quintile 3 Districts	\$151,590,908	\$1,016	55
	Quintile 4 Districts	\$85,062,459	\$526	59
	Quintile 5 Districts	\$61,152,247	\$322	56

Last school year, many districts experienced pandemic-induced enrollment declines which would have reduced state education aid in the absence of the hold-harmless provision. Instead, 249 out of 318 operating districts, up from 205 districts last fiscal year, benefit from hold-harmless base aid in FY 2022.⁵ This year, 56 wealthier Quintile 5 districts benefit from the hold-harmless provision, or twice as many districts as in the least wealthy Quintile 1.

Chapter 70 state aid attributable to the FY2022 minimum aid increase of \$30 per pupil – funding provided to school districts to ensure a per-student increase above the prior fiscal year’s aid amount – is equal to \$16.7 million, and higher wealth districts receive the largest share of this funding. As shown in Table 3, the lowest wealth districts will receive one-sixth as much minimum aid per pupil in FY 2022 as the wealthiest districts. Although 249 of 318 operating districts benefit from the minimum aid provision in FY 2022, far fewer Quintile 1 districts receive this form of aid compared to the other Quintiles.

Table 3: Chapter 70 State Aid Attributable to Minimum Aid (FY 2022)

		Aggregate	Per Pupil	Districts Benefiting
Least Wealthy Wealthiest	Quintile 1 Districts	\$1,350,149	\$4	28
	Quintile 2 Districts	\$2,845,165	\$22	51
	Quintile 3 Districts	\$3,371,550	\$23	55
	Quintile 4 Districts	\$4,251,873	\$26	59
	Quintile 5 Districts	\$4,896,099	\$26	56

³ Department of Elementary and Secondary Education, FY2022 Chapter 70 Aid and Net School Spending Requirement, [Complete Formula Spreadsheet](#).

⁴ Each quintile has 63 or 64 school districts. Quintiles are based on number of school districts and not enrollment, meaning each quintile has a different quantity of students and student needs. As such, the per pupil amounts provide a more accurate comparison across districts. The Appendix describes the methodology used to calculate school district quintiles.

⁵ See [Missing the Mark](#) for FY 2021 calculations.

A final Chapter 70 formula factor – the 82.5% cap on required local contributions – also benefits wealthier communities by limiting the share of local money the state requires communities to spend on K-12 education. Because many high-wealth communities can afford to fully fund their foundation budget from local resources, capping the required local contribution at 82.5% of a municipality’s foundation budget results in additional state aid – and lower local contributions – for wealthy communities. This also results in reduced state aid and higher required local contributions in less wealthy communities. Table 4 shows that the current 82.5% cap results in \$223 million in foregone Chapter 70 aid in FY 2022, with Quintiles 1 through 4 missing out on potential state aid and Quintile 5 receiving additional aid.⁶ The state’s current commitment to cap required local contributions ensures every district receives some amount of state funding.

Chapter 70 aid increases when the 82.5% cap is removed because the total statewide local contribution target is fixed at 59% of the state foundation budget. Increasing the maximum local contribution share results in larger local contributions from wealthier communities and smaller local contributions in lower wealth communities. Because local contributions from lower wealth communities decrease, these districts now require additional state aid to maintain foundation budget spending.

Table 4: Chapter 70 State Aid Attributable to the 82.5% Maximum Local Contribution Share of Foundation Budget (FY 2022)

	Aggregate	Per Pupil	Districts Benefiting	
Least Wealthy	Quintile 1 Districts	(\$85,082,764)	(\$277)	0
	Quintile 2 Districts	(\$61,706,190)	(\$478)	0
	Quintile 3 Districts	(\$62,562,747)	(\$419)	0
	Quintile 4 Districts	(\$13,572,798)	(\$84)	1
Wealthiest	Quintile 5 Districts	\$169,526	\$1	4

In addition to hold-harmless base aid, minimum aid, and the 82.5% cap on local contributions, the FY 2022 budget introduces a new form of needs-blind aid in the form of \$40 million for one-time grants to districts that experienced pandemic-related declines in enrollment that negatively affect their Chapter 70 aid or increases in transportation costs (line-item 7061-0011). The state will provide the one-time grants in addition to the existing hold harmless aid that mitigates enrollment-driven funding decreases.

These grants are a new form of needs-blind aid because a provision in the line-item guarantees new funding for every district with year-on-year enrollment growth on October 1, 2021. The specific recipients and funding allocations will not be determined until later this year, but the funding guarantee does not differentiate between lower wealth communities and the many wealthier municipalities that already possess the local resources to fully fund their districts’ foundation budgets. Consequently, many wealthier districts will receive grant funding at the expense of providing additional resources to lower-wealth districts with greater need.

Recommendations

To support ongoing efforts to close achievement gaps and to best meet the evolving needs of students, particularly those in lower wealth communities, policymakers should prioritize addressing the inequities caused by needs-blind factors in the Chapter 70 state aid formula. The following four recommendations reduce the negative impacts of needs-blind state education aid on the Commonwealth’s least wealthy communities:

1. *Incrementally phase out the hold-harmless provision*

The hold-harmless provision should be phased out incrementally because the state’s least wealthy districts receive less than one-third the amount of hold harmless aid per pupil compared to the wealthiest districts.

⁶ Aid attributable to the maximum local contribution share of foundation budget is negative for Quintiles 1 through 4 and represents forgone state aid that is not delivered because of the 82.5% cap on local contributions.

2. Phase out minimum aid

Minimum aid should be phased out because it is regressive: the wealthiest school districts in the Commonwealth receive 6 times more minimum aid per student compared to the least wealthy districts.

3. Increase from 82.5% to 85% the maximum required local contribution share of the foundation budget that wealthy communities are expected to make

The state should increase the maximum required local contribution share of the foundation budget from 82.5% to 85% so wealthier communities with the local resources to fully fund their foundation budget provide a greater share of their community's education funding. Without making other changes to the state aid formula, raising the cap to 85% results in a net increase of \$14 million in FY 2022 state aid, with Quintiles 1-3 receiving additional state aid and Quintiles 4-5 receiving less aid.

4. Ensure future funding is distributed equitably

Prior to distributing any new forms of education aid, such as the \$40 million in one-time grants provided in the FY 2022 budget, the state should conduct an equity analysis to ensure the proposed aid is predicated on student and community need. An equity analysis for new state education aid should evaluate funding outcomes across communities, determine if inequitable impacts follow, and provide recommendations to revise the proposal so the state funding is distributed equitably.

Implementing these recommendations will better align the state's investment in K-12 education with student and community need. By strategically targeting Chapter 70 funding to student and community need, the state can make the best use of its financial resources while simultaneously injecting greater equity into the state's K-12 education system.

Methodology

Calculating aid attributable to needs-blind factors

The analysis presented in this brief is based on the Complete Formula Spreadsheet published by the Department of Elementary and Secondary Education (DESE) on July 19, 2021.⁷ The version of the spreadsheet used reflects the final FY 2022 (Chapter 24 of the Acts of 2021) budget. This spreadsheet calculates a required local contribution and the amount of state aid for each school district. The impact of each needs-blind formula factor was determined by rerunning the required local contribution and aid calculations with that factor removed from the formula and subtracting the results from the FY 2022 amounts published by DESE (less the Minimum Aid Adjustment).⁸ See Appendix 2 in the [Missing the Mark](#) report for a full description of the methodology used in this brief.

Determining school district wealth quintiles

The school district wealth quintiles in this brief are identical to those used in the [Missing the Mark](#) report. The quintiles are calculated by ranking each school district by the ratio of its combined effort yield to its foundation budget. Nonoperational districts were excluded from this ranking, leaving a total of 318 operational school districts that were then divided into quintiles of 63 or 64 districts each. For more information, see Appendix 2 of the [Missing the Mark](#) report.

⁷ Department of Elementary and Secondary Education, FY2022 Chapter 70 Aid and Net School Spending Requirement, [Complete Formula Spreadsheet](#).

⁸ The SOA contains a minimum aid adjustment provision that gives additional hold-harmless aid to school districts that would have lost aid due to any SOA changes to the state education aid formula. This provision was removed to conduct the analysis presented. Not removing the minimum aid adjustment makes it impossible to demonstrate the impact of any formula factors whose removal would result in a district receiving less aid than the prior fiscal year.