

A Sustainable Future for Rural Schools

Commission on the Fiscal Health
of Rural School Districts

Established by
Chapter 132 of the Acts of 2019

Rural School Commission

- Rural school districts in Massachusetts face unique and long-standing fiscal challenges. For decades, Massachusetts' most rural schools have increasingly struggled under the burden of circumstances which other communities do not encounter.
- Declining populations, stagnant or declining tax bases, in combination with the disproportionately high costs of educating students in smaller schools, has left our rural school districts with funding deficits.
- The Student Opportunity Act of 2019 acknowledged the need for the state to examine this area in further details and established the Commission on the Long-term Fiscal Health of Rural School Districts for that purpose.
- This commission's recommendations are a continuation of the work of the Student Opportunity Act to ensure students in every corner of the Commonwealth receive the resources and opportunity they deserve.

The Take-Away



Truly unique circumstances for rural regions of Massachusetts put schools at a disadvantage



37 states provide additional supports for schools in this category, typically rural school aid or through transportation reimbursement



Rural school aid at current funding levels is not sufficient

Charge

Created under the Student Opportunity Act (SOA) in 2019, the Special Commission on Rural School Districts was created to study the long-term fiscal health of rural school districts that are facing or may face declining student enrollment, and make recommendations to consider:

- *(i) improving and expanding the rural school aid grant program and feasibility of including a low and declining student enrollment factor within the existing rural school aid formula; (ii) establishing and including a low and declining student enrollment factor within the foundation budget; (iii) expanding the use of technology to deliver instruction; (iv) enabling operating efficiencies; (v) exploring the use of shared services; (vi) optimizing schools and school districts; (vii) encouraging improvement of fiscal health and educational outcomes; and (viii) other matters related to educational opportunities in rural areas subject to the discretion of the commission.*

Rural School Commission Members

Commission Chairs

Representative Natalie M. Blais, *First Franklin District*

Senator Adam Hinds, *Berkshire, Hampshire, Franklin, and Hampden District*

Commission Members

- Representative Donald Berthiaume, House Minority Leader appointee
- Tom Consolati, Senate Minority Leader appointee
- Sean Cronin, Division of Local Services, the Department of Revenue appointee
- Tom Moreau, Secretary of Education designee
- Jay Sullivan, Department of Elementary and Secondary Education & Department of Elementary and Secondary Education, Commissioner designee
- Linda Dunlavy, Rural Policy Advisory Commission appointee

Governor Baker Appointees:

- Sheila Muir, Massachusetts Association of Regional Schools
- Ellen Holmes, Massachusetts Association of School Committees
- Noah Berger Massachusetts Teachers Association
- Cindy Yetman, American Federation of Teachers
- Sharon Harrison, Massachusetts Association of School Business Officials
- Todd Stewart, Massachusetts Association of School Superintendents
- Dr. Lisa Battaglino, Bridgewater State University College of Education and Allied Studies

Defining the Problem

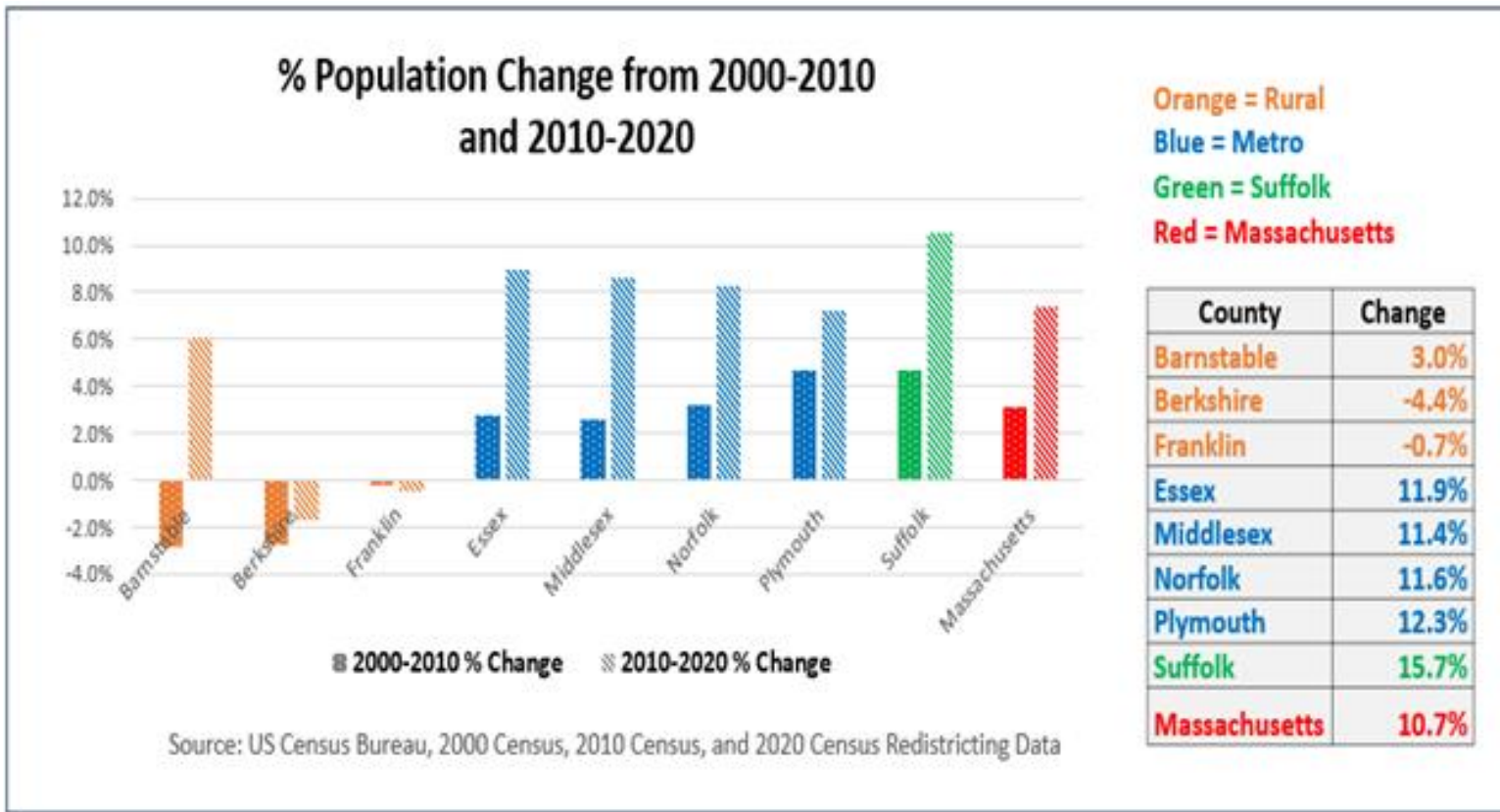
Declining
Population

Older
Population

Lower Wages

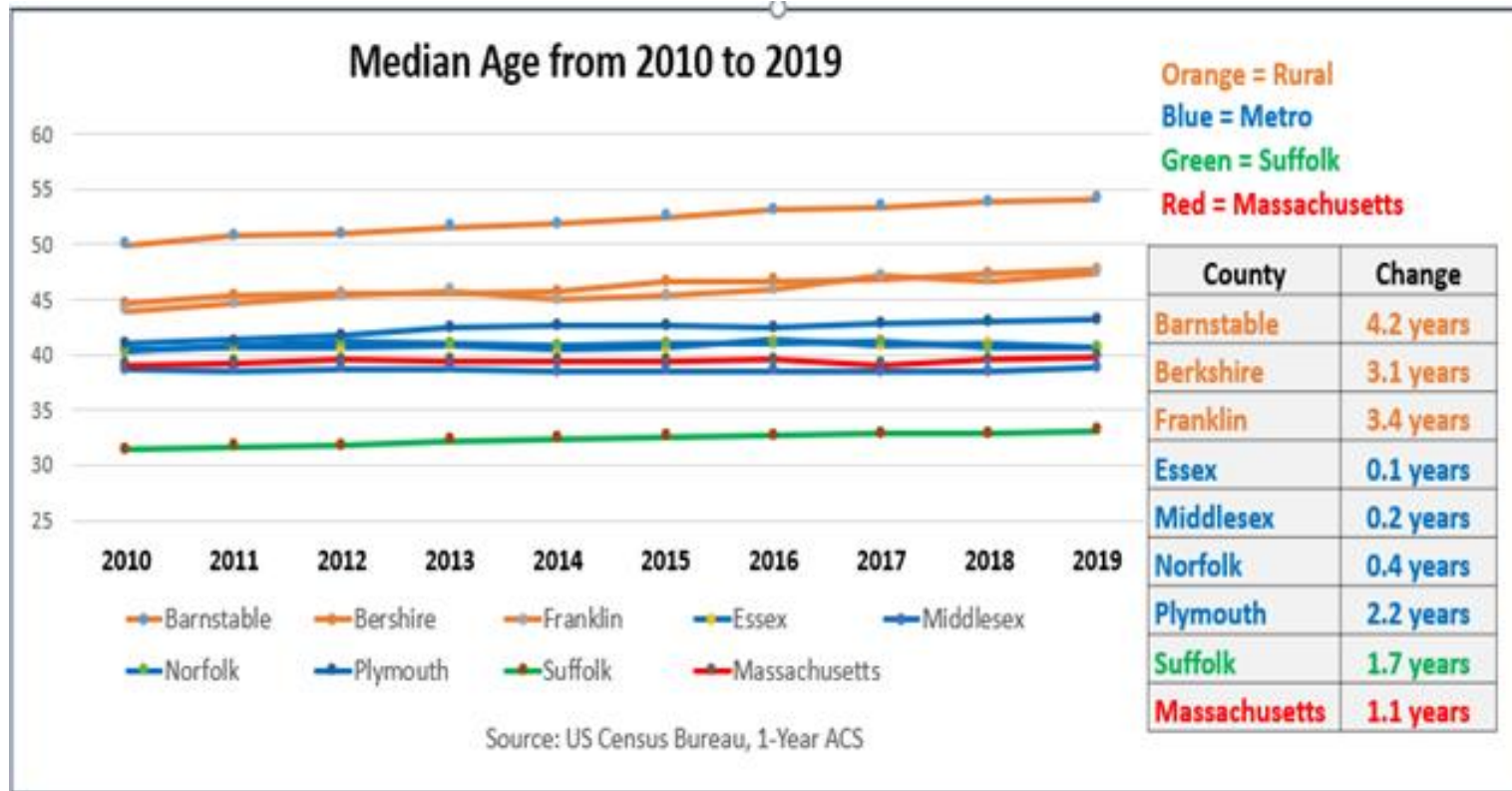
Smaller Tax
Base

Lower Student
Enrollment



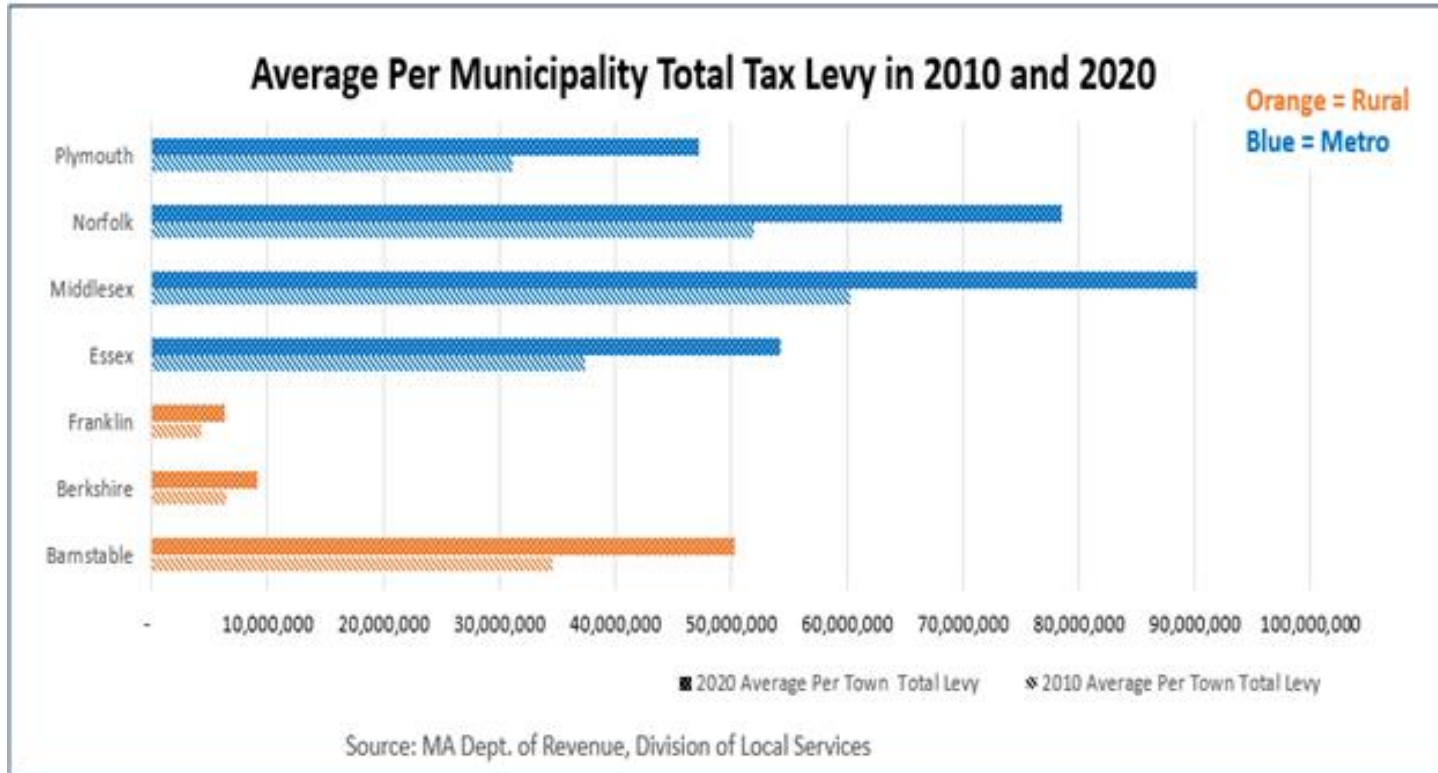
Declining Population

Over the last 20-year period, both Berkshire and Franklin Counties' populations declined while the state average rose over 10%.



Older Population

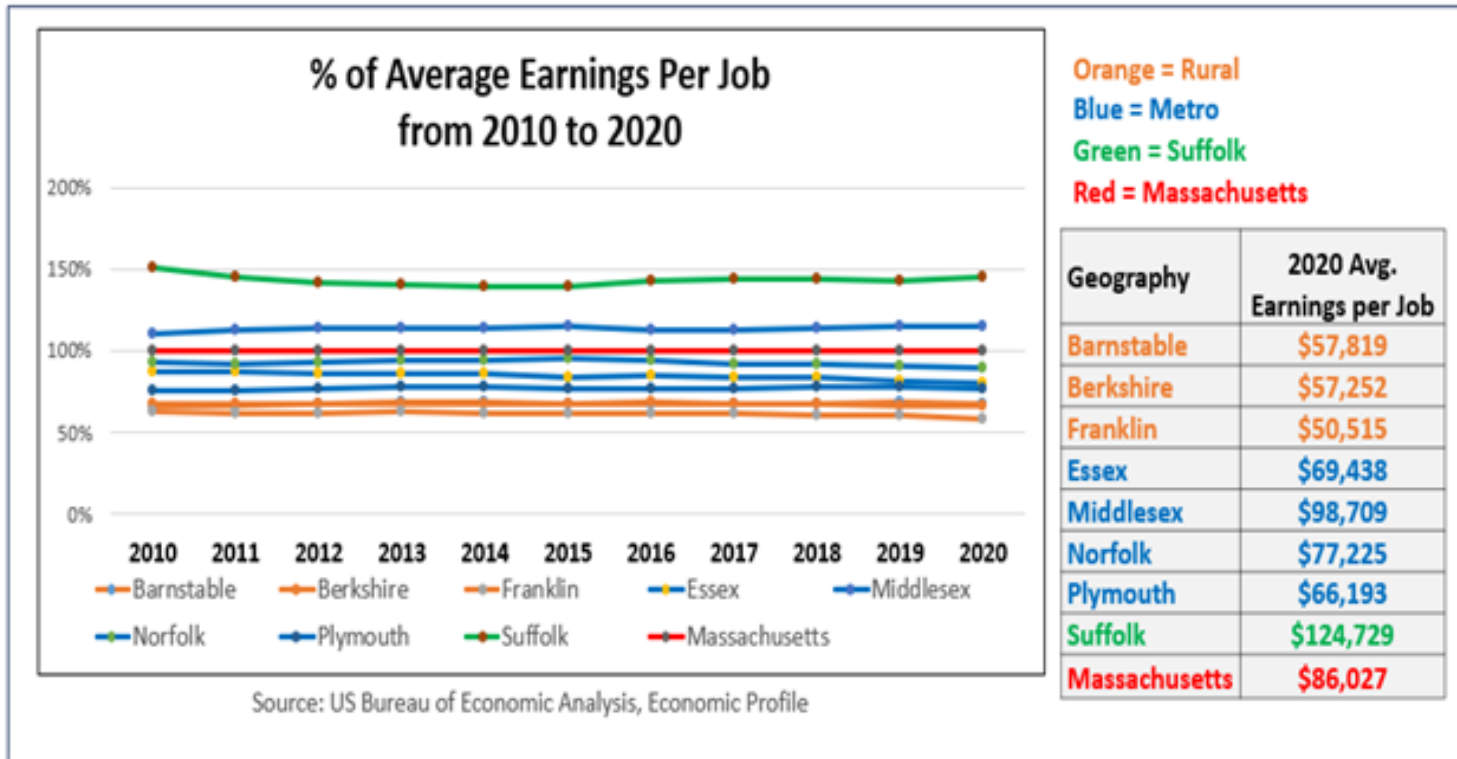
Rural Massachusetts is growing older, exacerbating the problems associated with population decline and characterized by increased numbers of citizens on fixed incomes, an increased need for specialized healthcare services and housing, and a reduction in the available workforce.



Smaller tax base

Small rural communities are often unable to meet basic needs because significantly lower property values, and property value growth, results in less tax revenue available for local budgets.

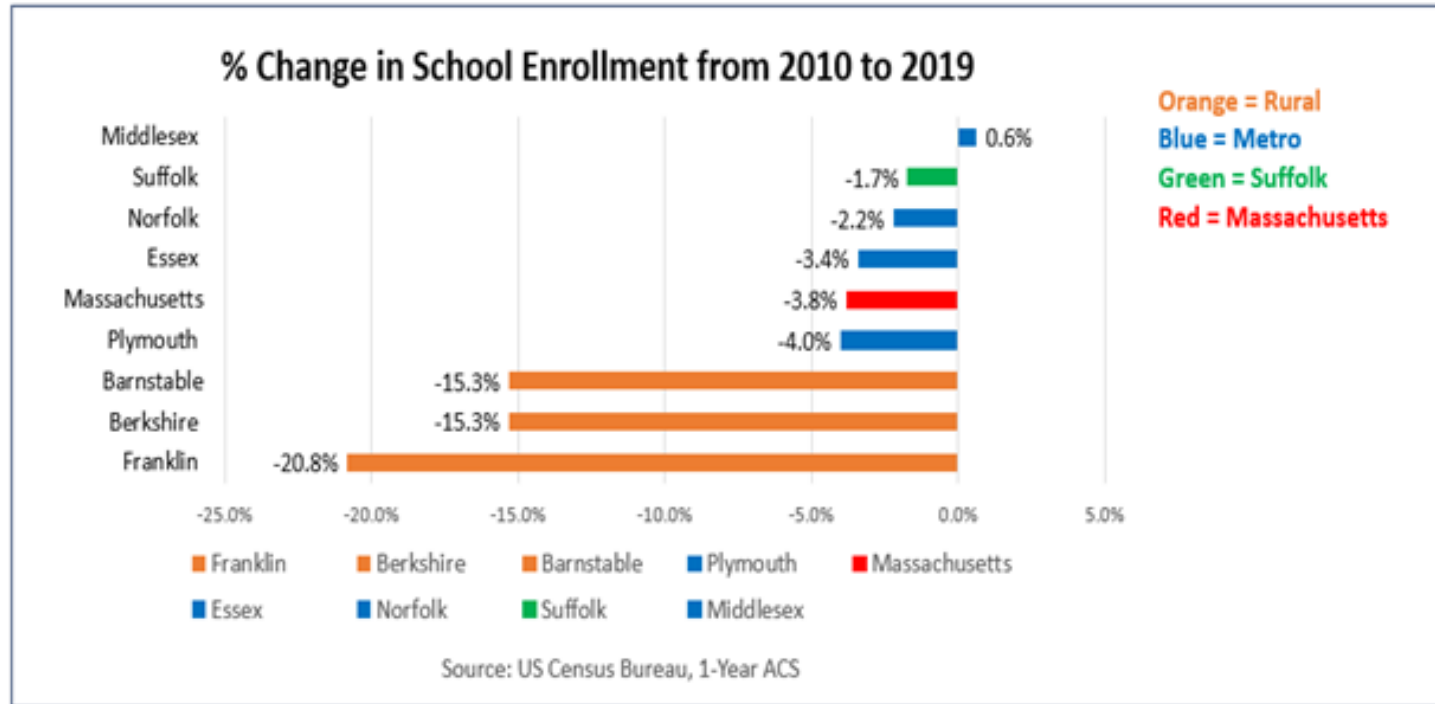
It is not unheard of for a school budget to represent 60 percent of the total town budget, but in small towns, the burden is felt disproportionately. In addition to the enormity of this budget item, to fund the entire municipal budget, small towns are struggling with property tax increases that are pushing up against the property tax levy ceiling and the tax rate cap imposed by Proposition 2 1/2



Lower Wages

The average earning per job in Franklin, Barnstable and Berkshire Counties is only 40-46% of the average Suffolk County job. Even with the consistency of the minimum wage rate, rural areas have jobs that pay significantly less and may have fewer full-time jobs than Metro Boston and Suffolk counties.

Lower Student Enrollment



The fundamental challenge for rural school districts is that when student enrollment declines by 15-21% the costs of operating these schools do not decline at the same rate.



The state committed to investing an additional \$1.5 billion in Chapter 70 education aid through the SOA over a projected seven-year period.



Of the 41 districts identified as rural in this report, 27 are projected to receive no increase in Chapter 70 aid in FY23 as a result of the SOA.



The average benefit to rural districts is \$34,278 and their total benefit is 0.39% of the state's additional aid of \$360,661,816 in FY23.

The Student Opportunity Act (SOA)
has not changed the dynamic for rural schools

Defining Rural and Low Enrollment Challenges

Low enrollment districts	Districts with student enrollments that are low enough that their per-pupil costs are significantly greater than average or high enrollment districts.
Sparse districts	Districts with few students per square mile or districts spread out over large geographic areas. Sparse districts have higher transportation and special education costs.
Declining enrollment districts	Districts that have experienced a substantial reduction in enrollment, particularly over an extended period of time. This experience leaves districts with substantial legacy cost for employee benefits, retiree insurance, and facilities costs.
Rural districts	Districts in the state's least densely populated regions that are sparsely populated, have significantly low enrollment, significantly declining enrollment, or a combination of these conditions.

Findings

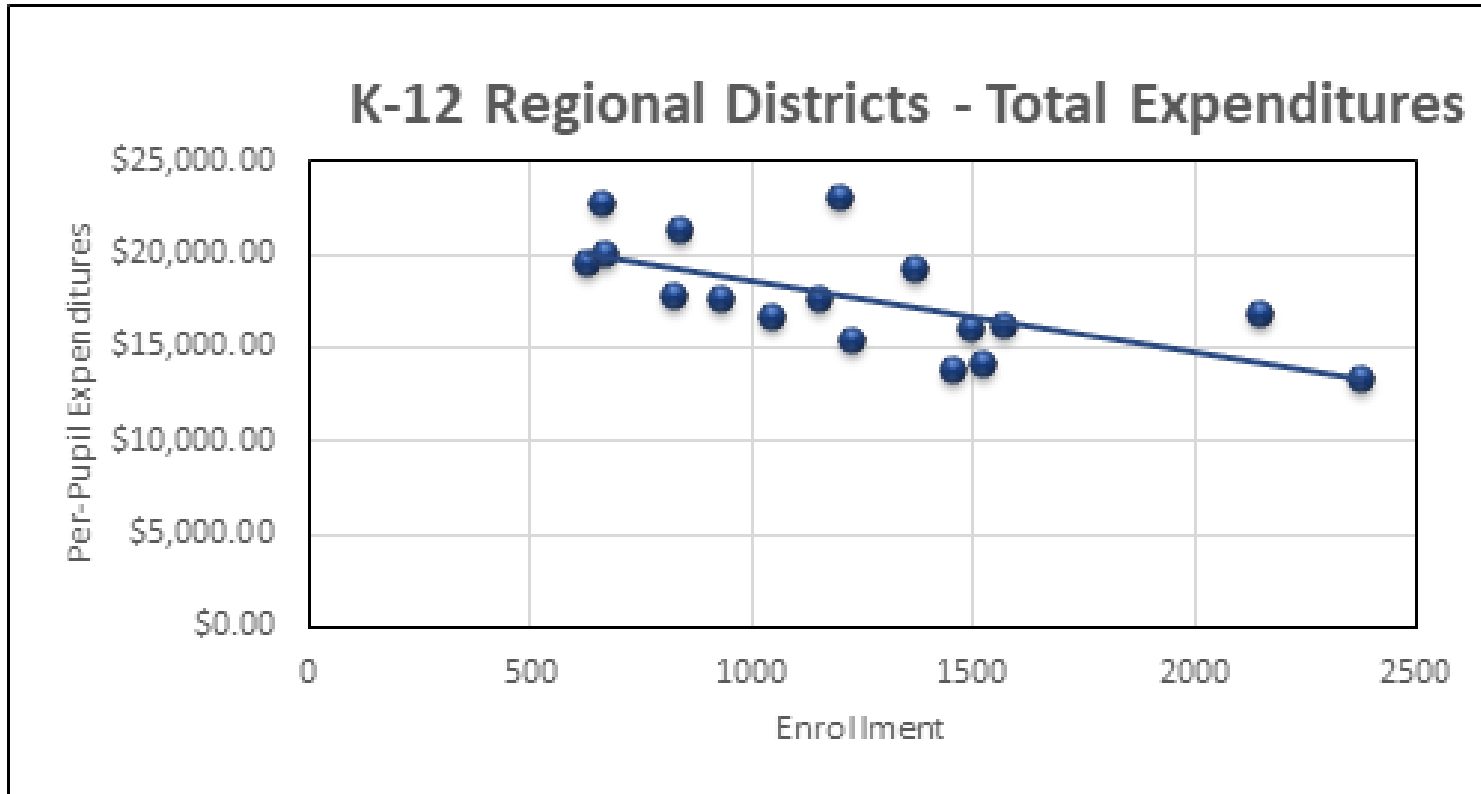
Rural school districts have experienced high levels of declining enrollment, which leave *substantial* legacy costs behind that are not provided for in the foundation budget formula.

Student enrollments are significantly lower than in the rest of state and per-pupil costs are substantially higher than corresponding foundation budget cost determinations.

Rural school districts are sparse, spread out over larger areas, and have few students per square mile. This results in greater costs such as student transportation, and distance often a barrier consolidating schools.

The degree to which school choice has acted to as a mechanism to perpetuate a cycle of declining enrollment, declining funding, and declining educational services, has been substantial in rural districts.

Combined with the unique community challenges in these regions they have diminishing means to fund increasing percentages of the cost of public schools.

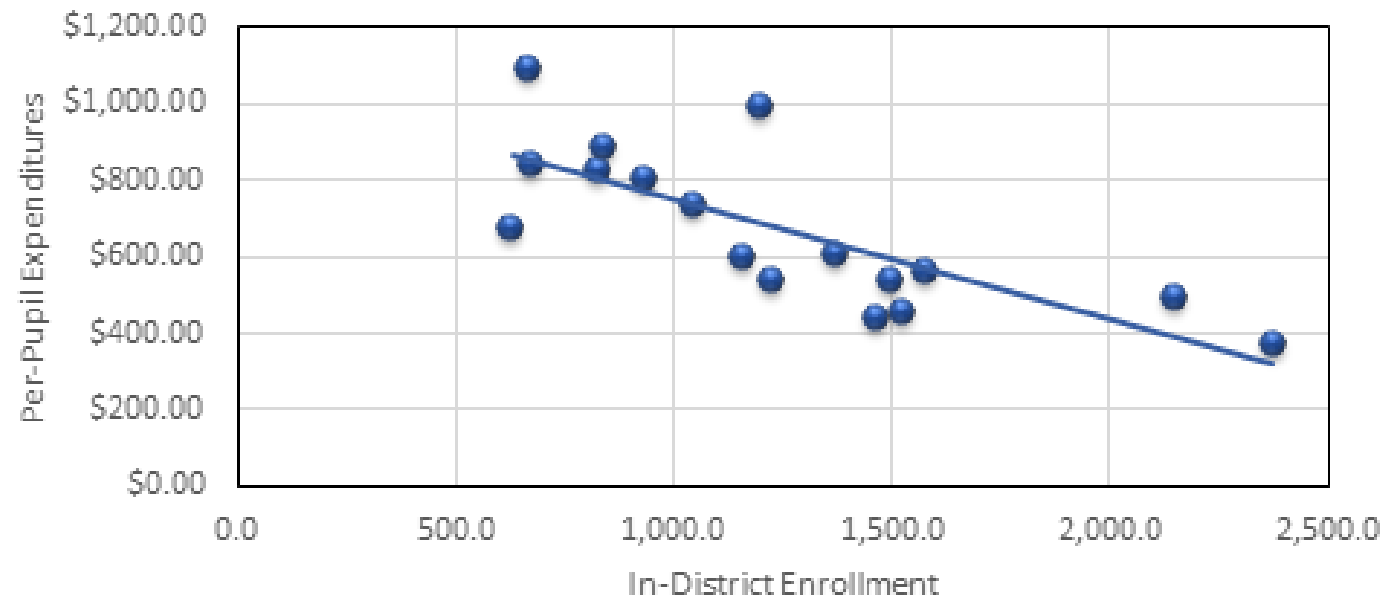


K-12 Regional District Total Expenditures, FY20

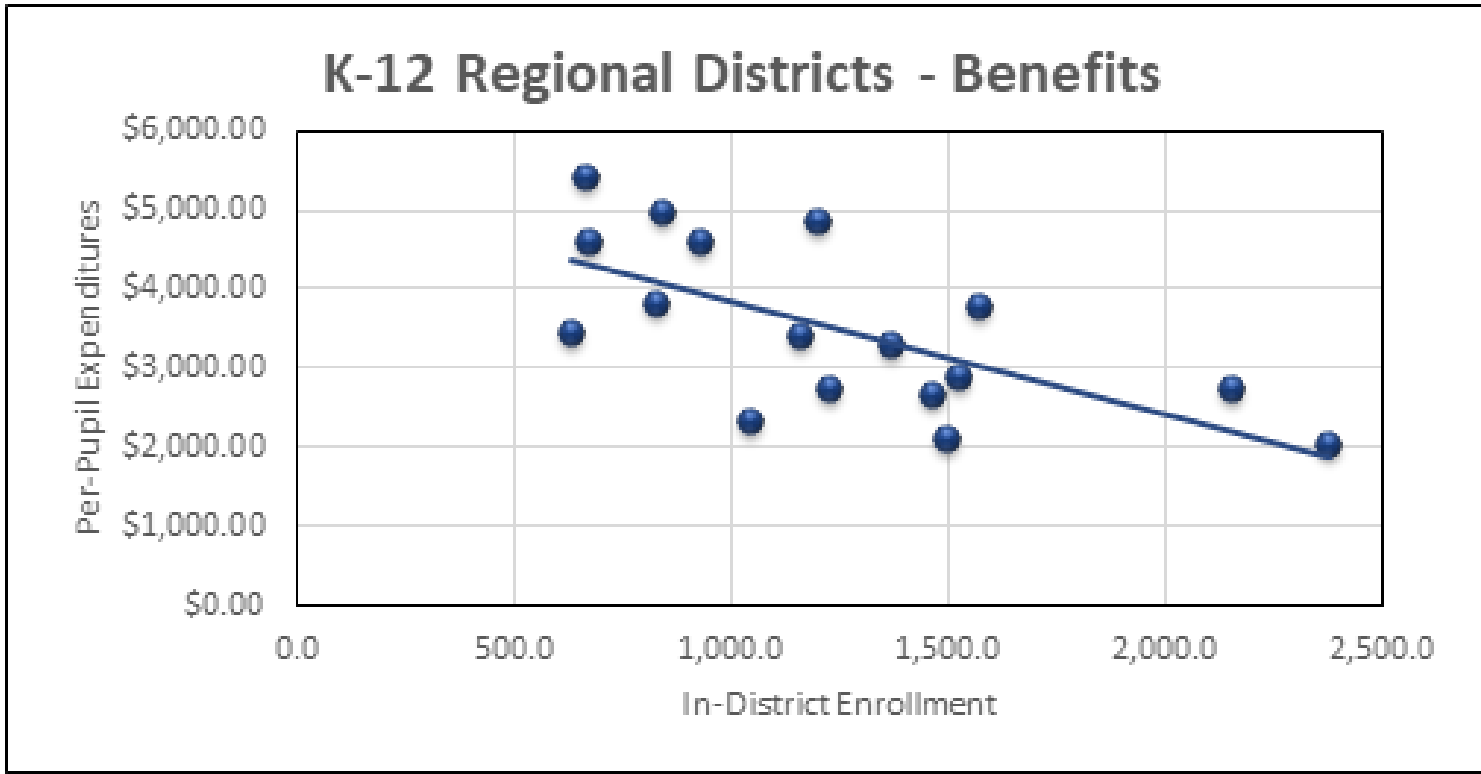
Increased enrollment is strongly correlated with lower per-pupil costs. This results in under-calculation of low enrollment regional districts' necessary costs in the foundation budget and consequently insufficient Chapter 70 aid. Regional districts with 1,300 students or fewer had an average per pupil cost of \$19,091 while districts over 1,300 had an average cost of \$15,558.

This variance is \$3,533 per-pupil or a 22.7% higher cost for smaller regional districts.

K-12 Regional Districts - Administration



**K-12 Regional District
Expenditures for
Administration**



**K-12 Regional District
Expenditures for
Employee Benefits**

District	Change in Enrollment			Hold Harmless Gap (FY23 Estimate)
	2006-07	2021-22	Change	
Amherst Pelham	1,857	1,270	-31.6	\$5,406,692
Southwick Tolland	1,904	1,359	-28.6	\$4,265,999
Quabbin	3,221	2,223	-31.0	\$2,758,210
Mohawk Trail	1,271	762	-40.0	\$1,807,152
Pioneer Valley	1,112	657	-40.9	\$1,292,965
Gateway	1,337	733	-45.2	\$878,825
Berkshire Hills	1,469	1,188	-19.1	\$172,618
Ashburnham-Westminster	2,472	2,272	-8.1%	\$0
Tantasqua	1,880	1,789	-4.8%	\$0
Berlin Boylston	488	1,053	115.8%	\$0

Enrollment Declines

Recommendations

Rural School Aid

Transportation

School Choice

Declining
Student
Enrollment

Regionalization

Health Insurance

Shared Services

Special
Education

Rural School Aid

- Since FY20, the State Legislature has appropriated funds for Rural School Aid. In FY22 the General Appropriations Act (GAA) included \$4 million for Rural School Aid. DESE determined districts eligible for Rural School Aid based upon their student density and their per capita income. Applying these criteria, there are 67 school districts eligible to receive rural school aid in FY22.
- To date, rural aid for eligible districts has been prioritized based on three “priority” tiers of student density. Unfortunately, the average grant amount from this appropriation is only \$59,701 per district, which is not enough to cover a single teacher salary and benefits.
- The unfunded needs of rural districts far exceed this amount. In addition, the qualifiers for rural aid do not presently take into account factors of student enrollment, declining enrollment, or other evidence of disproportionately high per-pupil costs.

Rural School Aid

At least **\$60 million** be appropriated annually in Rural School Aid.

The Legislature should **review the rural aid formula** to more accurately address the fiscal challenges of rural schools.

Transportation

- Low rate reimbursement rates
- Lack of competition amongst bus service providers
- Workforce challenges related to bus drivers
- Efficiencies in delivery of services
- The lack of sidewalks or safe walking paths to school hinders student access to educational opportunities.
- Inadequate late bus or after-hours transportation provided by schools also limits participation in extra help sessions, athletics and arts/clubs/other co-curriculars.
- The condition of roadways impacts student access to school at times.
- Transporting students to out of district placements often takes a significant amount of time as it may take a great deal of time just to reach a state and/or federal highway

Transportation

Establish and fully fund a Rural School Transportation Reimbursement Account.

Fully fund Line Item 7035-0007 which provides for reimbursement for non-resident pupil transportation reimbursement.

Amend Chapter 71, Section 7C of the Massachusetts General Laws to allow for more competition in the school transportation vendor contract process.

Appropriate/direct additional funds to enable every rural school district to purchase/ maintain a handicap accessible van or vans.

Appropriate/direct additional funds to offer qualified drivers additional work beyond their driving duties at the schools or within the town.

Designate DESE to create a statewide list of approved/pre-qualified transportation vendors who will provide transportation to rural school districts.

Encourage discussions with special education advocates, school administrators, parents, and experts to explore reform of regulations under 603 CMR 28.00 so that the durational limit of one hour each way does not apply under circumstances where the best or only educational option for the student is over an hour away.

Reimburse, as an eligible reimbursement, transportation where the path to and from school is on a documented dangerous roadway as defined by local public safety officials.

Direct DESE to conduct a feasibility study of transportation collaboratives.

Declining Student Enrollment

Rural school districts have experienced high levels of declining enrollment, over long periods of time, which leave substantial legacy costs behind that are not provided for in the foundation budget formula.

Declining Student Enrollment

The Legislature should consider an annual appropriation of funds to be disbursed to districts with substantial enrollment loss over time.

The State should consider shifting the foundation budget formula from annual enrollment to a three-year rolling foundation enrollment average.

Regionalization

- In rural Massachusetts, educational supply exceeds demand. Although community and school leaders have worked hard to adapt to declining enrollments, smart strategies remain necessary and difficult choices will continue. The Commission recognizes that support for increased operational efficiencies is imperative.
- Creating additional regional school districts may provide a partial solution to the challenges faced by low enrollment, declining enrollment, and sparse school districts.
- However, existing rural K-12 regional school districts already are among the state's most fiscally challenged districts. The cost savings of regionalization alone are unlikely to result in substantial, long term fiscal improvement.

Regionalization

Transitional aid of \$200 per-pupil should be provided to regional districts in their first three years of operation.

State funding should be provided to cover the salaries for specific temporary positions for the first two years of operation of a new regional school district.

MSBA regulations should be changed to support rural schools

Assistance to address unused school buildings.

Fund regionalization grants in three-year cycles.

Provide aid to new regional districts when a drop in foundation aid occurs to any of its new members due to formation of the region.

Shared Services Agreements

- Shared service arrangements can result in cost savings, efficiencies, and greater availability of professional expertise where it may be hard to find. They may also advance collaborative relationships among districts that might lead to future regionalization opportunities.
- It is important to note, however, that while cost savings may be meaningful, they will not be at a scale to substantially resolve the challenges facing low enrollment and sparse districts

Shared Services Agreements

State grant funds, such as efficiency and regionalization grants, be provided to support cost/benefit analyses of districts wishing to consider formation of a superintendency union.

Funding should be provided to support the creation of part-time position at DESE with an employee who would provide expertise in researching, developing, and executing shared service projects among school districts and with municipal governments.

Special Education

- The geographic distance from population centers providing special education services and the low enrollments of rural districts cause several types of fiscal hardships.
- In cases where districts have a small number of students who need support from specialized personnel such as a Board-Certified Behavior Analyst, there may only be a need for a part-time employee. Finding someone in a high demand field to take a part-time position in a rural district is nearly impossible, even after exploring options for contracting with educational collaboratives.
- Traveling to a larger community for these services can be difficult or impossible due to lack of public transportation, particularly for families who are economically disadvantaged. As a result, rural districts have an increased need to provide services to students in the school setting. Rural districts have created increased numbers of positions in an attempt to fill this void of services.

Special Education

Special education extraordinary relief funding should be made available to rural districts having in-district special education rates greater than 20%.

Rural districts should be reimbursed for high-cost students in the year in which extraordinary costs are incurred, not in the following year as is current DESE practice

Provide state funding to rural school districts to cover the partial costs of salaries for highly specialized staff where a 1.0 FTE is not needed but a full-time salary is necessary to procure a qualified professional.

Expand incentives and supports for paraprofessionals to obtain licensure as special educators.

Provide state funding to rural districts where special education students must travel long distances to receive services in other districts or at educational collaboratives.

A Special Education Funding Reform Commission should be established to further study the following topics that have come to the attention of this Commission.

School Choice

- As enrollment declines, many districts are relying more on school choice to fill classroom seats. In some rural districts, school choice students make up as much as half of the total enrollment. The loss of students through school choice from districts already struggling financially has a substantial adverse financial impact on these districts. It also impacts school cultures adversely by reducing class sizes that are undesirably low from a student engagement and collegiality perspective, in addition to reducing the number of parents or care providers who actively support and advocate for these schools.
- In FY22, approximately 1.9% of all public school students in the state attending non-vocational or charter schools choiced out of district, with choice out funding reductions of approximately \$101 million.
- For the state's 72 low enrollment or sparse districts the number was 6.5%, representing approximately 3,297 students and \$16.5 million. In addition, 25 of these 72 districts had between 10% and 28% of their foundation students leave through school choice.

School Choice

Establish a school choice cap for rural districts.

DESE should conduct a student equity analysis of School Choice, Charter, and Vocational Schools to analyze the impacts to sending districts both financially and demographically.

The Legislature should further examine school choice and its fiscal impacts, proposing changes to existing policies as needed.

Health Insurance

- Health Insurance is both a critical part of the benefit structure of employees and a cost center that districts must actively manage.
- In its 2018, Fiscal Conditions in Rural School Districts, one of DESE's findings was that "declining enrollment and increasing health insurance spending are driving up per pupil costs."
- Since FY15 the average amount spent on health insurance (net payments) for rural districts increased approximately 22% while for non-rural districts the increase was approximately 19%. In addition, during this same time period, approximately 42% of rural districts saw increases of more than 30% while approximately 28% of non-rural districts realized this level of growth.

Health Insurance

Rural school districts should only consider purchasing health insurance on their own as a last resort after exhausting all possible pooled insurance groups, trusts and other means of accessing health insurance benefits.

The state should consider provide support to districts enabling them to have an analysis performed regularly by a qualified consultant that allows the district and joint purchasing groups to see what, if any, alternative cost-saving plans and/or plan designs are available. Such a review should occur at least every three years, more frequently if purchasing insurance on their own.

The GIC should be required, as part of its upcoming bid, to explore additional options for school districts in western Massachusetts.

Rural districts should promote the use of Flexible Spending Accounts (FSA's), including paying for the administrative fees and/or matching employee deposits.

Rural districts should promote wellness programming to facilitate increased health and wellness lifestyles, which is beneficial in controlling cost.

A state level office with expertise in this area should assist rural school districts and joint purchasing groups with a cost/benefit analysis of buying into Medicare for its retirees who were hired before 1986. If it is determined that there will be savings, the state should provide financial incentives to assist in the transition.