



Worcester Public Schools

Worcester, Massachusetts



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Senator Chang-Diaz, Representative Peish, and Commission Members,

I am Melinda Boone, Superintendent of the Worcester Public Schools, the third largest school district in the Commonwealth. We are a district that is funded at or near the foundation budget level each year. We know all too well how certain areas of the foundation budget have impacted our overall financial ability to provide opportunities for all students.

The basic premise of the foundation budget formula, a differentiated per pupil allocation that recognizes additional funds for ESL and Low Income funds, is not perfect, but it is a formula that has proven to work and easily understandable. After 22 years with little updates the formula needs to reflect changes during the past two decades. Average class size in primary grades, the amount used for teacher salaries, the amounts for both ESL and low income increments, all for sure deserve some level of consideration by the Commission. But clearly, both the assumed full time equivalency and per pupil dollar amount for special education as well as the amount provided for fringe benefits are the two areas that are significantly far below what is adequate in the formula, and I say this after years of reforms, cost savings and other initiatives in these areas.

The foundation budget assumes a full time equivalency of 3.75% of students receive in-district special education services and 1% of students are serviced through out-of-district placements. In Worcester, while 18% of our students receive some level of in-district service, on a full time equivalency that equates to 7.9% of our enrollment. Similarly, 2.3% of our enrollment are receiving services through out-of-district placements. Even when you take out circuit breaker reimbursement, we spend \$32 million more on special education than the foundation provides. The foundation budget covers 47% of the actual cost of special education.

Similarly, our School Committee and employee unions have agreed to several health insurance changes over the past several years. Contribution rates have changed, co-pays and deductibles have increased, and our analysis shows that Worcester plans are more cost effective than the state's GIC plans. We've done what the state said we should do on health insurance and we still are spending \$25 million more in health insurance and fixed costs than the foundation budget provides.

When you are faced with increased special education and health insurance costs and no change in the foundation budget formula, you are required to be innovative in order to allocate resources that support student achievement. The Worcester School Committee has adopted a Seven Point Financial Plan for Advancing Student Achievement and Program Sustainability. This plan is our financial compass to ensure that meeting the needs of our students remains as the highest priority

of all budget decisions. We engage in long term budget planning, use a zero-based budget review of spending, have a highly transparent budget and budget process, have frequent financial updates to the community, develop programs using funds that are both supplemental and sustainable, cap administrative spending to 1.5% of the district's foundation budget, and target all new revenues in very prescriptive ways.

We have invested resources to develop internal capacity to deliver special education programs in-district saving \$3.5 million dollars from out-of-district and third party contracted services. We've renegotiated energy contracts and restructured energy management services. We've consolidated, reduced, and redefined non classroom positions, and we've even moved all employee paystubs online saving \$65,000 in annual postage costs! There isn't one area of the budget that we haven't looked at to squeeze as much as we can into instructional services. We are innovating and consolidating, but there's only so much that can be done without impacting students. We cannot continue with this vast underfunding of these two areas of the foundation budget.



CITY OF WORCESTER

January 24, 2015

Senator Chang-Diaz, Representative Peisch, Members of the Review Commission:

Worcester has a unique tie to the conversation regarding education in Massachusetts, because it is in Worcester that John Adams, fresh out of Harvard, taught school. We are proud of our history of public education in Worcester, and we take seriously the charge that Adams put into the Commonwealth's Constitution:

It shall be the duty of legislatures and magistrates, in all future periods of this Commonwealth, to cherish the interest of literature and the sciences...public schools and grammar schools...

It is this same charge that drives your work on the Commission, for *McDuffy v. Secretary* found:

Hence, the "duty ... to cherish the interests of literature and the sciences, and all seminaries of them; especially ... public schools and grammar schools in the towns" **is an obligation** to support or nurture these interests and institutions.

[emphasis added]



In your work towards meeting this Constitutional obligation, we would ask that you consider the following experiences of the Worcester Public Schools and the City of Worcester.

Special education assumptions need to more accurately reflect the students we educate.

Presently, 3.75% of enrolled students are assumed in the formula as in-district students that receive special education services and 1% of the foundation enrollment is assumed as out-of-district special education students. This amount is only 47% of the amount that the Worcester Public Schools spend on special education costs. In Worcester, we estimate that the FY15 foundation budget understates the cost of special education by more than \$35 million, as the district spends \$66 million compared to the \$31 million foundation budget allocation.

The health insurance assumption in the foundation budget must be adjusted to reflect actual costs. Despite several years of premium cost savings and shifting to employees with higher contribution rates, higher deductibles, and higher co-pays, we estimate that the FY15 foundation budget understates the cost of health insurance and fixed costs to Worcester by more than \$25 million, as the district spends \$55 million compared to the \$30 million foundation budget allocation.

The foundation budget inflation factor must better capture the actual rate of inflation. An adjustment in FY 2010 changed the inflation factor reference to a less generous quarter, costing schools statewide \$300+ million in needed foundation revenues, funds that continue not to be available in the Chapter 70 base. For the Worcester Public Schools, this loss represents \$10 million each fiscal year. The current inflation factor, the Implicit Price Deflator for Gross Domestic Product, does not perfectly measure the cost of living changes

that many school districts face when balancing annual budgets. Because the current inflation factor is based on spending by local and state governments, it creates a vicious cycle: should states and cities spend less, the inflation factor is less, resulting less spending the next year, and so forth. The index should be thoroughly explored by the review commission to determine the best method of capturing actual cost of living increases by Massachusetts school districts.

Extended day or extended year programs are not recognized within the foundation budget. Schools designated at Level 4 by the Department of Elementary and Secondary Education require turnaround plans that include extended learning time opportunities. These turnaround plans may be funded through competitive grants on a three year basis, however, the ability to replicate successful practices from Level 4 schools to Level 3 schools cannot be achieved through existing resources. The foundation budget should include additional funding within the low income increment to those school districts that implement extended day or school year programs.

Assumptions on teacher salary, given the high education level and cost of living within the state, must more accurately reflect costs. The state's FY15 foundation budget assumes an average teacher salary of \$65,482, whereas the actual FY13 statewide average teacher salary (latest data available) was \$71,620. Assuming 2% growth each year, the average salary in the current year is likely closer to \$74,513. Given that personnel costs for the Worcester Public Schools, as for most districts, are the biggest section of the budget, this is a significant difference to recognize.

Kindergarten and elementary class expenses must be appropriately recognized within the foundation budget. The FY15 per pupil foundation rate for kindergarten of \$7,171 is less than the per pupil allocation for elementary students of \$7,214. This does not allow for appropriate kindergarten additional classroom expenses beyond what would be found in an elementary classrooms, such as instructional assistants. Further, all students in grades K-5 are assumed to be in classrooms of 22 students. The review commission should explore appropriate funding for Kindergarten in the foundation budget to allow for additional assistance with instructional assistants and consider lowering the average class size in the elementary grades, particularly at the K-3 level.

Finally, the foundation budget allows for both half and full day kindergarten programs in the funding formula but only provides reimbursement for pre-kindergarten students at the half day rate. Given what we know of the importance of early childhood education, we would echo those in the Legislature calling for full-day preschool to be a fully recognized cost.

Let us, as Adams wrote, “tenderly and kindly cherish, therefore, the means of knowledge.”

We appreciate your attention to this issue.



Mayor Joseph M. Petty



Edward M. Augustus, Jr., City Manager



Melinda J. Boone, Ed.D., Superintendent