



April 10, 2020

Keeping Promises and Investing in Our Recovery: Why We Must Fund the Student Opportunity Act

By Colin Jones, Senior Policy Analyst

Remembering the Not-So-Distant Past

The COVID-19 public health pandemic has catapulted us into a serious economic and fiscal crisis. And while we face an uncertain economic recovery, investment in the public good has *never* been of greater importance.

Just three months ago, the state was preparing for year-one implementation of the recently enacted school funding law, the Student Opportunity Act (SOA). In January, the Governor proposed increasing state K-12 funding, known as Chapter 70, by \$303.5 million in his Fiscal Year (FY) 2021 budget. The proposal delivered on one-seventh of the major SOA reforms in most areas – special education, health care for educators, social-emotional support, and increments for English Language Learners – keeping those areas on track to be fully-funded over 7 years as planned.[1]

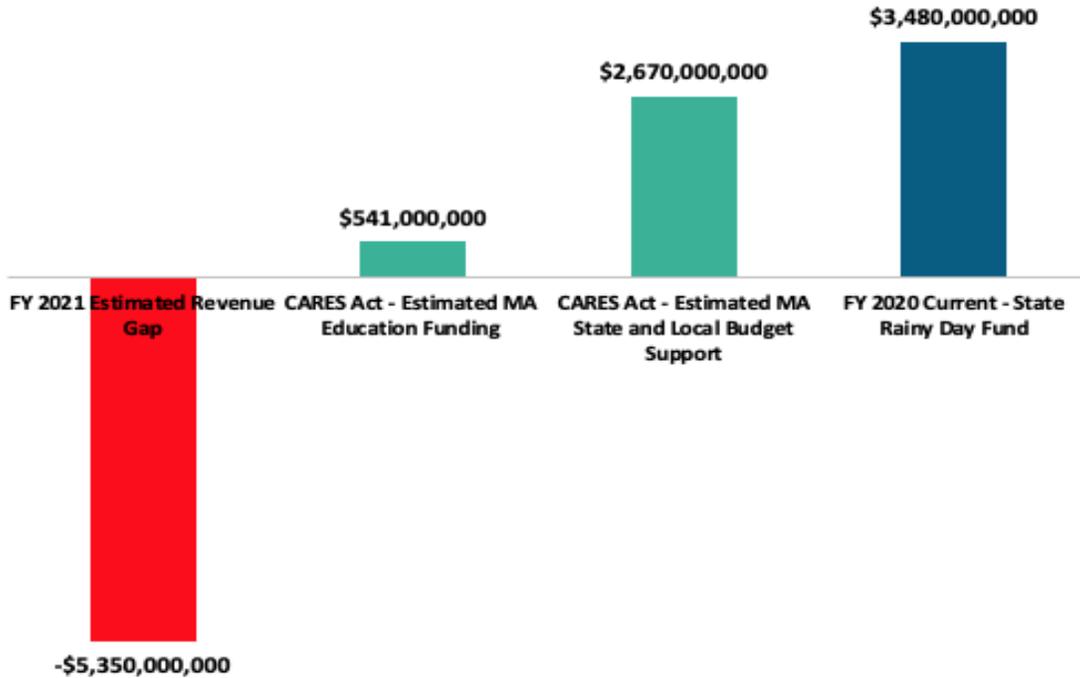
What about low-income students?

One critical area that was not on track in the Governor's January proposal was support for low-income students. In his FY 2021 budget proposal, the Governor only included 4% of the progress towards the SOA target, leaving 96% to be accomplished over the next 6 years.

Providing only 4% of the reforms for low-income students in year-one, instead of one-seventh (as was done in the other areas) would result in an estimated \$73.6 million in missing aid in FY 2021 alone. The result? Reduced capacity for districts to enhance services, expand opportunities, and promote achievement for disadvantaged kids. For further detail and background, see MassBudget's [Opportunity Delayed](#).

With statewide school closures, we must ensure that children are safe, fed, and do not fall behind. We must work now to ensure that all schools have enough resources to fully support each and every child when they reopen their doors.

Mass. Likely Facing Significant Revenue Gap with COVID-19 Crisis, but the Commonwealth has Federal, State Funds to Make Up Gaps



The effects of the COVID-19 public health and economic crises are being felt in every corner of our state and throughout the state budget as well. How could this pandemic affect K-12 education funding, specifically the first year of SOA implementation? Funding the SOA depends on adequate and stable state revenue overall because no dedicated revenue source was identified in the law. This leaves the Commonwealth with tough choices on how to cover new costs of the SOA.

Our Commonwealth’s Success = Investing in Our People

Despite the funding challenges in front of us, Massachusetts has a strong record of continuing to increase Chapter 70 aid every year, even during recessions. For example, with the support of federal stimulus aid, the Commonwealth generally kept Chapter 70 funding level through the Great Recession that hit in FY 2009. [2]

Continuing to increase support to K-12 schools will not only set up our kids for success over the long-term. It will also increase school capacity to hire staff and vendors and invest in infrastructure and services. All of this activity is essential to improving the Massachusetts economy right now, when it is needed most.

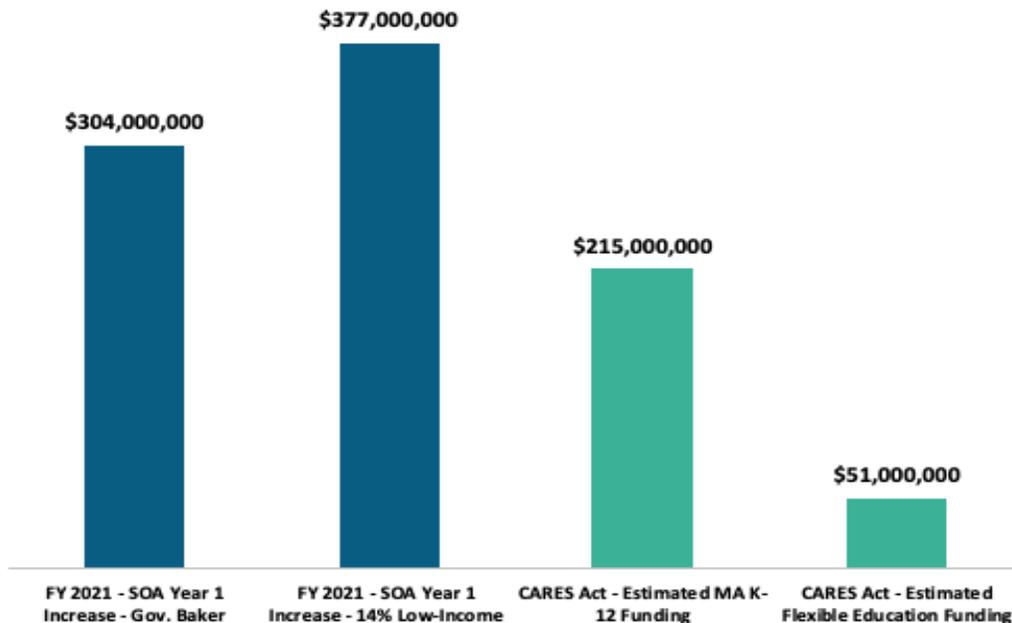
Adjusting Revenue Assumptions in the Wake of COVID-19

With the sudden shutdown of economic activity in the Commonwealth, the tax revenue assumptions behind the FY 2021 budget are outdated. For example, in the last two recessions that hit in FY 2002 and FY 2009, revenue declined by 16.1% and 13.8% respectively. Previously anticipated growth in revenue for FY 2021 may also be halted. If the current crisis follows the prior two downturns, it would suggest a massive decline of tax revenue between \$5.0 and \$5.7 billion in FY 2021.[3] For further detail and background, see [MassBudget's most recent COVID-19 revenue impact analysis](#).

Relying on the Federal Government, the State's Rainy Day Fund, & Costly Tax Breaks

On the positive side, there are solutions to be found. Our state, businesses, and individuals will be eligible for aid from the federal government. A preliminary analysis of the most recent \$2.2 trillion federal stimulus bill (*CARES Act*) suggests that Massachusetts will receive \$2.67 billion for state and local budgets. [4]

Ambitious K-12 Funding Plans Under Student Opportunity Act Can Be Assisted with Federal Funds Through COVID-19 Crisis



Statewide Chapter 70 Aid increases, FY 2021 First Year Implementing SOA, Gov. Baker Proposal, and with 14% Progress to Low-Income Rate Targets. Estimated dedicated K-12 funding, and flexible funding, from Federal CARES Act

Source: Mass. Association of School Superintendents, Congressional Research Service

Additionally, the state will receive a share of the \$30.75 billion Education Stabilization Fund created in the *CARES Act* to specifically support K-12 schools and higher education. According

to the Congressional Research Service, Massachusetts will get an estimated \$541 million. The Education Stabilization Fund breaks down into roughly 51% for higher education campuses (\$275 million), 40% (\$215 million) for K-12 schools, and 9% (\$51 million) in flexible funding to be used how the Commonwealth sees fit. [5]

These funds will be allocated through formulas that account for the total population of students across states and the share of low-income students (primarily K-12 students who receive federal Title I grants and Pell Grant recipients in higher education).

Massachusetts also has the opportunity to find new sources of revenue or consider tapping into its Rainy Day Fund. One way to avoid funding cuts to our state's public schools is to reconsider [costly tax breaks](#). The state's Rainy Day Fund is at a historically high level, with \$3.48 billion available to support the budget during critical situations such as the COVID-19 crisis.[6] For further detail and background, see [MassBudget's Rainy Day Fund analysis](#).

Additional federal aid, reducing or eliminating a number of costly tax breaks, and tapping Rainy Day Funds would allow us to enhance emergency measures to confront the coronavirus and mid and long-term recovery efforts. These will also help us support important needs like education.

Where do we go from here?

With the rapid and evolving developments of COVID-19, the fiscal impact on the state budget is not yet clear. The \$303.5 million increase to school districts proposed in January by the Governor is likely still the starting point for how much funding could be made available for the SOA in FY 2021. Though an estimated \$377.1 million increase would be necessary to phase in all components of the SOA and keep the entire plan on track. Funding the major reform areas equally (by the same percentage) would advance equitable funding for our schools – at a time when students need these supports most. If we must delay any investments in SOA for FY 2021, then we must accelerate our investment when the economy recovers so we meet the target of fully funding the new law in 7 years.

The Legislature should also review the entire range of reforms included in the SOA to determine what must be put on hold during this unprecedented crisis. This has already begun, including the recent postponement of the deadline for submitting 3-year improvement plans (now due no sooner than May 15th). The Legislature also provided the Commissioner of Education the flexibility to cancel the MCAS state assessment and graduation requirement in 2020. [7] These changes are necessary given the emergency closure of schools that began March 16th and has been extended through at least May 4th. [8]

Investments matter for our students and a just recovery

Continuing robust investment in K-12 schools across the state will support hiring staff, expanding services, and updating school infrastructure – investments that can counteract the

present downturn. As we struggle to emerge from the immediate emergency of COVID-19, Massachusetts should hold to the commitments of the Student Opportunity Act. **This will help us reach the learning goals for young people and pave the way toward a just recovery for all.** It remains imperative to overhaul and increase state support for school districts. This is particularly important for schools serving the most disadvantaged youth. Before COVID-19, the state needed stable, growing, and progressive revenue to fully fund the SOA. **Now the urgency is even greater.** We can't afford to delay the promises that we've made to our children and families in the Commonwealth. We must provide our kids with the resources they need to succeed. Right now, those investments are also what our state economy needs to recover.

Endnotes

- [1] Colin Jones. "Opportunity Delayed: FY 2021 Governor's Budget for K-12 Funding Falls Short by \$74M for Low-Income Kids" MassBudget. 2020 https://massbudget.org/report_window.php?loc=FY2021%20Governor%27s%20Budget%20SOA%20Highlights.html
- [2] MassBudget *Budget Browser*. "K-12: Chapter 70 Aid." MassBudget. 2020. Figures adjusted for inflation using Implicit Price Deflator (IPD) for state and local government. <https://massbudget.org/browser/subcat.php?id=K-12%3A+Chapter+70+Aid>
- [3] Phineas Baxandall and Kurt Wise. "Amid Plummeting State Tax Collections, the Commonwealth has Options." MassBudget. 2020. <https://medium.com/this-is-not-a-drill/amid-plummeting-state-tax-collections-the-commonwealth-has-options-4b9881548213>
- [4] Center on Budget and Policy Priorities. "How Much Each State Will Receive From the Coronavirus Relief Fund in the CARES Act." 2020. <https://www.cbpp.org/research/how-much-each-state-will-receive-from-the-coronavirus-relief-fund-in-the-cares-act>
- [5] Rebecca Skinner, Cassandra Dortch, Joselynn Fountain, and Emma Nyhof. "Estimated State Grants Under the Education Stabilization Fund Included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act." Congressional Research Service. 2020. Pgs. 1-3, 5-6, 7-8, 10, 14. <https://www.politico.com/states/f/?id=00000171-31b8-da0d-a17b-fffb32a90000>
- [6] Kurt Wise. "It's Raining: An FAQ on Using Our State Savings Account to Respond to the COVID-19 Crisis." MassBudget. 2020. <https://medium.com/this-is-not-a-drill/its-raining-an-faq-on-using-our-state-savings-account-to-respond-to-the-covid-19-crisis-26e19a749a17>
- [7] Massachusetts Legislature. "House №4616 – Act to Further Address Challenges Faced by Municipalities, School Districts and State Authorities Resulting from COVID-19." pgs. 3-5, April 2, 2020. <https://malegislature.gov/Bills/191/H4616>
- [8] Charles D. Baker and Karyn E. Polito. "Order Extending the Temporary Closure of All Public and Private Elementary and Secondary Schools" Office of the Governor of the Commonwealth. March, 25, 2020. <https://www.mass.gov/doc/march-25-school-closure-extension-order/download>