

Solutions: A Fairer Way to Fund Schools

Massachusetts Association of Regional Schools

October 2025

DESE and DOR Division of Local Services (DLS) had previously conducted a review of the Chapter 70 required contribution formula mandated by language in the Student Opportunity Act in FY21. That December 2020 report titled Local Contribution Study can be located [here](#).

While the study provides a historical overview and acknowledges some challenges, it largely affirms the existing framework without proposing transformative changes, essentially serving as a "rubber stamp" of the status quo. This review focuses on the study's limitations, particularly its inadequate treatment of disparities faced by regional school districts (e.g., multi-town collaboratives like Amherst-Pelham) and districts with enrollments under 2,500 students. These entities, often rural or small, suffer from diseconomies of scale, governance hurdles, and funding assumptions rooted in the outdated 1992 Moscovitch Model Budget. The study underemphasizes how these factors exacerbate inequities, favoring urban districts with larger enrollments and economies of scale. As the same agencies (DESE and DOR/DLS) are tasked with the new FY26 study under similar legislative language, addressing these issues is critical to ensure a more equitable analysis. Key concerns include:

- Minimal attention to regional districts' unique fiscal and governance challenges.
- Overreliance on the 1992 model's enrollment assumptions, which disadvantage over 200 small districts.
- Attribution of small/rural district distress primarily to diseconomies of scale without linking it sufficiently to local contribution requirements.
- Lack of bold recommendations, deferring key issues to other commissions.

Recommendations for the FY26 study emphasize incorporating regional-specific data, updating enrollment assumptions, and prioritizing equity for small and declining-enrollment districts.

The Chapter 70 formula, established under the 1993 Education Reform Act, calculates a "foundation budget" for each district based on enrollment and cost categories, then determines required local contributions (RLC) and state aid. Local contributions are derived from municipal wealth metrics (equalized valuation [EQV] and income), with a target local share capped at 82.5% of the foundation budget. The formula aims for equity

but has evolved through reforms like the FY07 aggregate wealth model. The 2020 Study reviewed these elements post-Student Opportunity Act (SOA, 2019), which increased foundation budgets for low-income and English learner students. It analyzed impacts from FY06–FY20, including enrollment trends, Proposition 2½ constraints, and the municipal revenue growth factor (MRGF). The study solicited public comments and included appendices on municipal and district data. However, the study's conclusions—recommending maintenance of the basic framework while suggesting "further analysis" on select issues—fall short, especially for regional and small districts. With over 200 districts below the 1992 model's assumed enrollment thresholds (e.g., 300–350 elementary students per school, 500 middle school, 1,200 high school), these entities face structural funding shortfalls. Regional districts like Amherst-Pelham (serving Amherst, Leverett, Pelham, and Shutesbury for grades 7–12) compound this with shared administration but separate elementary districts, leading to inefficiencies not captured in the formula.

Key concerns in the 2020 Study

1. Inadequate Focus on Regional School Districts' Unique Challenges

Regional districts, which often serve multiple towns to achieve economies of scale in rural areas, receive scant dedicated analysis in the 2020 Study. While the report briefly notes "friction" in regionalization—such as per-pupil assessment disparities and cumbersome budget approvals (requiring two-thirds or unanimous town votes)—it treats these as secondary to Chapter 70 mechanics.

Governance and Fiscal Hurdles: The study mentions long-standing statutes (e.g., M.G.L. Chapter 71) that complicate budgeting in multi-town regions, using Berkshire County's potential county-wide system as an example. However, it defers solutions to a "special commission on rural schools" without integrating these into local contribution recommendations. This overlooks how regional structures amplify Proposition 2½ constraints: towns with varying wealth levels may veto budgets, forcing underfunding despite aggregate capacity.

Shared Services Oversight: Districts like Amherst-Pelham, with a shared superintendent and central office across standalone elementary districts, incur costs not reflected in foundation budget calculations. The study fails to quantify how this affects RLC equity, where wealthier member towns subsidize others unevenly, leading to perceptions of inequity.

Disparity Impact: Regional districts often span rural areas with declining enrollments, yet the study groups them with urban systems in aggregate analyses (e.g., Appendices A–C).

This masks how the 82.5% cap disproportionately burdens regions with volatile enrollments, as fixed costs (e.g., transportation) rise per pupil.

The result? The study underestimates regional disparities, perpetuating a formula biased toward single-municipality urban districts with stable, larger enrollments.

2. Reliance on Outdated 1992 Moscovitch Model Assumptions

The foundation budget's core—derived from Edward Moscovitch's 1992 model—assumes enrollment scales that no longer align with reality for small districts. The model posits:

- Elementary: 2–3 schools, 300–350 students, 22 students/class.
- Middle: 500 students, 25 students/class.
- High: 1,200 students, 18 students/class.

Over 200 districts (many rural/regionals) fall below these, losing economies of scale. The 2020 Study acknowledges "diseconomies of scale in these small districts" as a driver of fiscal distress but attributes it more to operational inefficiencies than to local contribution flaws.

Enrollment Decline Amplification: The study surveys FY06–FY20 changes in RLC as a foundation share, noting impacts from declining enrollments (Section iii). However, it downplays how the 1992 assumptions inflate per-pupil costs for districts under 2,500 students, where fixed expenses (administration, maintenance) consume disproportionate shares. For Amherst-Pelham (enrollment ~1,249 in FY26), this leads to RLC calculations that ignore shared regional efficiencies.

No Rural/Regional Adjustments: Unlike urban districts benefiting from higher low-income/English learner increments under SOA, small districts see minimal aid boosts. The study recommends monitoring SOA impacts but ignores how the aggregate wealth model penalizes rural wealth variations (e.g., high EQV from land but low income).

Accuracy Gaps: In analyzing MRGF and combined effort yield (Sections iv–v), the study claims "predictability," but small districts experience volatility from enrollment drops, unaddressed in recommendations.

This reinforces urban bias: larger districts achieve model efficiencies, while small/regionals are structurally underfunded.

3. Attribution of Distress Without Formula Linkage

The study identifies small/rural district issues (e.g., declining enrollment, 82.5% cap growth) but decouples them from local contribution mechanics. It states fiscal distress is

"more related to... diseconomies of scale" than RLC, recommending a rural commission for review.

Equity Oversights: While assessing the 82.5% cap's inequities (Section viii), it notes increasing municipalities hitting the cap but doesn't connect this to regionals' multi-town dynamics, where one town's cap strains others.

Proposition 2½ and Wage Factors: The analysis of Prop 2½ constraints (Section vi) and wage adjustment factors (Section vii) is generic, ignoring rural labor market misplacements that inflate costs without aid offsets.

Rubber-Stamp Nature: Recommendations are tepid—maintain framework, monitor SOA, study wages—deferring reforms. Public comments (Appendix D) likely highlighted regional/small district concerns, but these are not substantively integrated.

4. Overall Urban Bias and Lack of Bold Reforms

Aggregate data (Appendices A–C) favor urban trends, masking small district outliers. The study's FY07 reform praise ignores post-2006 enrollment declines in ~40% of districts, widening gaps.

Recommendations for the [FY26 Study](#)

1. Dedicate Sections to Regionals/Smalls: Analyze governance (e.g., budget votes), shared services, and multi-town wealth disparities separately.
2. Update 1992 Assumptions: Incorporate modern enrollment data; propose rural/regional multipliers for foundation budgets (multipliers 1.1–1.5 for <2,500).
3. Link Distress to Formula: Quantify how RLC exacerbates diseconomies; 192 towns capped in FY26, many non-wealthy due to declines; shields wealthy from SOA hikes; model alternatives like tiered caps or enrollment stabilizers (tiered caps: 70–75% for non-wealthy decliners (<2,500 students); 90-100% for wealthy).
4. Accuracy of Wealth and Income Measures. EQV/income often misrepresent capacity (e.g., rural land values inflate EQV without liquid wealth; Amherst income per cap \$21,921, yet regional caps apply). Recommend hybrid measures: Blend with "adjusted income" (subtracting housing costs) or "fiscal capacity indices" (including debt/service burdens). MMA proposes this for low-capacity towns. Validate via pilots: Test in 20 rural districts using EQV data.
5. Adequacy and Equity of Methodology for Target/Required Contributions. The Current CEY (weighted EQV/Income) is calculated pre-foundation, inflating targets for declining enrollment districts. This disadvantages non-wealthy towns (e.g.,

Barre: income per cap \$33,327 yet capped at 82.5%). Recommendations – adjust downward (5-10%) for districts with >5% enrollment decline, using 3 year averages to stabilize.

6. Impact of Local Contributions on Municipal Services. Education often consumes 40–70% of budgets in small towns (e.g., Shutesbury 60.61% in FY24) crowding out services like public safety (avg 20% statewide from DLS FY24 General Fund Expenditures). Mitigate via grants: Create a \$50M "Municipal Relief Fund" for towns where education >50% of budget, funded by state aid reallocation.
7. Impact of Fixed 59% Local Share on CEY. The 59/41 split forces high local burdens (statewide \$8.4B RLC), benefiting wealthy capped towns while penalizing non-wealthy decliners (e.g., EQV data shows bottom 10% rural towns < \$30,000 income per cap facing 71–82% RLC). Recommendation - Rebalance to 50/50 over 5 years: Increase state share by 2% annually (\$200M/year), prioritizing rural/declining districts.
8. Municipalities Receiving Minimum Per Pupil Aid and Its Impact. Min aid (\$150/pupil FY26) benefits 211 districts but doesn't offset declines (e.g., rural min aid recipients face shortfalls). Raise to \$300/pupil, with bonuses (\$50 extra) for decliners.
9. Incorporate Public Input Robustly: Prioritize feedback from small/regional stakeholders.
10. Impact of Section 21C (Prop 2½) on Required Contributions. Limits revenue growth, forcing overrides (e.g., Pelham capacity \$0.85M); rural towns reliant on residential taxes. Allow education-specific overrides without full Prop 2½ caps.
11. Propose Actionable Reforms: Avoid deferrals; recommend MRGF adjustments for declining enrollments and SOA phase-in protections.
12. Equity Metrics: Use disaggregated data to measure urban vs. rural/regional outcomes.
13. Inequities in the Payments in Lieu of Taxes (PILOT) program for state-owned land, drawing on FY26 data from Cherry Sheet receipts, the 2020 State Auditor's report on PILOT and solar policies, and FY24 DCR watershed PILOT payments. The program fails to adequately compensate non-wealthy, rural towns like Barre, Amherst, and Oakham, exacerbating Chapter 70 burdens for low-enrollment districts with high education spending. The PILOT program's flaws are clear from the data:

Undercompensation: Reimburses only ~27% of potential tax revenue (2020 Auditor's report, p. 10). For Barre, FY24 PILOT was \$18,583 for 5,423.86 acres of

watershed land, vs. ~\$117,308 potential at its \$13.98 tax rate (assessed value ~\$4.8M). FY26 PILOT is \$131,000, leaving a gap of ~\$1,078 (undercompensation \$354,185 FY24).

Outdated Formula: Based on 1978 valuations with no inflation adjustment, leading to stagnant payments (FY20 \$35M to FY26 ~\$20.2M, despite rising land values, Cherry Sheet data).

Bias Toward High-Assessment Towns: Payments scale with assessments and tax rates, favoring urban/wealthy areas (Cambridge \$352,256 FY26 vs. Barre \$131,000, Cherry Sheet). Rural towns with large acreage (e.g., Barre's forests) get low payments due to low assessments, while high-value urban parcels receive more.

Recommend \$100M PILOT Equity Fund for non-wealthy towns, covering state/private non-taxable:

Payment = (Acres × \$4) + (Undercompensation × 0.5). Barre Simulation: Acres \$21,695 + Undercompensation \$177,093 = \$198,788 total (\$67,788 increase ~52%).

Phase-in FY27–FY29 (\$33M/year).

This fund addresses Auditor's undercompensation and FY26 mandate item iv (wealth measures), saving Barre \$67,788 and reducing education % to ~48%.

By rectifying these issues, the FY26 study can foster a more equitable Chapter 70 formula, ensuring all districts—regardless of size or structure—can provide adequate education.