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School Health Costs Outpace Chapter 70 Aid

Unsustainable trend points to why local health insurance reform is necessary

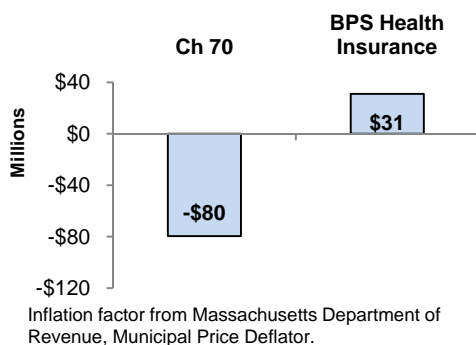
Boston Public School (BPS) spending for employee health insurance is outpacing the growth of Chapter 70 funds intended to improve student achievement. This situation reflects a key finding in a report just released by The Boston Foundation and the Massachusetts Business Alliance for Education, *School Funding Reality: A Bargain Not Kept*, that state education aid for cities and towns is increasingly outstripped by growing health insurance costs.

A Bargain Not Kept shows that from FY00 to FY07, aggregate annual health care costs for Massachusetts school districts grew by \$1 billion, while Chapter 70 state aid increased by only \$700 million. During this time, spending on books fell by 57% and funding for teacher training fell by 25.2%. Boston's numbers are not as dramatic, but the same pattern exists.

costs for BPS employees have risen by \$31 million when adjusted for inflation. (Figure 1) In FY02 the cost of BPS health insurance represented 19.3% of Chapter 70 revenue, and escalated to 41.9% in FY11.

Between FY02 and FY11, spending for BPS employee benefits increased by 42.5% while BPS spending for supplies such as textbooks and testing materials decreased 63.3%. Spending for equipment that includes computers and instructional devices fell 51.2%. Salaries decreased by 10.5% which reflects the reduction in staff including 286 teachers during this period. (Table 1)

Figure 1
Chapter 70 Aid to Boston and BPS Healthcare Spending, FY02-FY11
Figures adjusted for inflation



The growth of healthcare spending has also surpassed Chapter 70 funding in Boston. Between FY02 and FY11, Chapter 70 aid for Boston decreased by \$80 million while healthcare

Table 1
Change in BPS Spending FY02-FY11
Figures adjusted for inflation

Salaries	-10.5%
Benefits	42.5%
Supplies	-63.3%
Property Services	-35.9%
Transportation	-4.6%
Equipment	-51.2%
Purchased Services	-30.0%
Miscellaneous	-24.5%

Inflation factor from Massachusetts Department of Revenue, Municipal Price Deflator.

This trend is unsustainable and is exactly why Boston should be granted plan design authority for employee health insurance costs. Mayor Menino has proposed a home rule petition to allow the City to establish a local Group Insurance Commission with administrative authority for plan design. The City Council should approve this petition early in 2011 so that it can be submitted to the legislature for action.