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## Highlights

- Chapter 70 aid to Boston is not intended to fully support Boston Public Schools, but rather to ensure adequate education for Boston resident students, in BPS schools and public charter schools.
- Despite growing costs to the City from charter seat expansion, the growth of the BPS budget has outpaced that of other city departments.
- The true drivers of budgetary gaps for the BPS are growing personnel costs and excess capacity across the district.

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## The True Cost of Boston's Charter Schools

*Charter expansion has not been a revenue issue for Boston Public Schools*

As Boston approaches its cap on charter schools seats, and long wait lists remain at many of the Commonwealth charter schools serving Boston residents, efforts have begun to lift the charter cap and expand the number of seats available to Boston residents. This situation raises questions about whether the increase in charter seats is the reason for the annual budget problems facing the Boston Public Schools (BPS). Is the growth in charter school seats taking state Chapter 70 school aid away from the BPS schools? How is Chapter 70 education aid allocated to cities and towns and charter schools? Do Commonwealth charter schools receive an unfair share of public resources for education?

The purpose of this report is to answer these questions and more by explaining the structure of educational aid in Boston and analyzing the effect that charter seat expansion, and the resulting increased cost of the charter school assessment has had on the City and the operations of the BPS.

The number of Boston resident students attending Commonwealth charter schools is currently 9,260 or 14% of all Boston resident students attending a public school. In this report, "charter schools" refer to Commonwealth public charter schools. Also, all fiscal 2016 financial information is budgeted not actuals.

The following points are important to understanding the effects of Commonwealth charter school expansion on educational spending in Boston:

- Chapter 70 education aid is distributed to Boston, taking into account its local property and income wealth, in order to adequately fund public education for all Boston resident students, in both BPS schools and Commonwealth charter schools.
- The budgetary challenges faced by the BPS are the result of the growing cost of level services, which has outpaced revenue growth even when the City's current budget practices hold the BPS relatively harmless to the increase in the charter tuition assessment.
- The growing charter tuition assessment has put a burden on the City's overall General Fund budget, but has not yet led to a reduction in the BPS budget as a percentage of total city appropriations.
- The true impact of Commonwealth charter schools on the BPS lies in its failure to reduce excess seats in a timely manner and its responsibility to provide transportation services to charter school students.
- In the current school year, Boston's budgeted net school spending is \$157.6 million above the net school spending required by the state to provide adequate education funding for Boston students.

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## History of Boston Charter Schools

Commonwealth charter schools first opened their doors in Boston in 1995, with four schools enrolling 785 students. These schools were first authorized as part of the state's Education Reform Act of 1993, which allowed the creation of 25 charter schools. By 2000 this cap was increased to allow 120 charter schools, for which tuition could represent no more than 9% of a district's net school spending (a measure of a city or town's education-based expenditures, including spending on both in-district schools and Commonwealth charter schools). Since then charter schools have grown in popularity in Boston with students vying for a limited number of seats.

By 2010, demand for charter seats among Boston residents, combined with the national education reform environment and a ballot question seeking to increase access to charter schools, led to the passage of The Achievement Gap Act (Ch.12, Acts of 2010). The Act, approved in response to the Federal Race to the Top competition, allows the state to grant more charter schools, up to 18% of net school spending, for school districts in the lowest 20% of statewide performance. Boston's charter spending as a percent of net school spending is allowed to increase one percentage point per year until it reaches 18% in fiscal 2017. Boston also operates six Horace Mann in-district charter schools, which are BPS schools with charter school flexibilities that operate within the BPS budget with varying levels of fidelity to the Boston Teacher Union (BTU) contract.

In 2013, the Research Bureau [reported](#) that Boston had effectively reached its Commonwealth charter seat cap through 2017. Boston's maximum charter seat cap was set at 11,132, based on a Department of Elementary and Secondary Education (DESE) net school spending and charter tuition projection analysis released in April 2013. However, since then the growth in net school spending has increased the number of seats allowed under the cap. In February, DESE increased the number of seats authorized for Boston to 11,915, which will be filled

with students as charter schools expand over the next few school years. This number will be adjusted in April when DESE will release more accurate projections in preparation for the upcoming school year.

Boston area charter schools are widely considered to be the best in the country. A [2013 study](#) by Stanford University's Center for Research on Education outcomes (CREDO) found that Boston charter schools outperformed Boston area public schools as well as charter schools in other urban districts. The study also found "the advantage in learning in Boston charter schools equates to more than twelve months of additional learning in reading and thirteen months more progress in math." As a result of the quality of charter schools, the Department of Elementary and Secondary Education currently estimates there are about 34,000 students on charter school [wait lists](#) across the state. This total also includes students on wait lists for in-district Horace Mann charter schools.

There are presently three main efforts underway to raise or eliminate the charter school cap. Prominent Boston lawyers have filed a suit on behalf of five Boston students who were not accepted by charter schools, stating that the charter cap unfairly denies their constitutional right to an adequate education. Another push is being made through a ballot question in the 2016 election to allow for the creation of up to 12 charter schools per year. These seats would not be subject to the funding cap and priority would be given to underperforming districts such as Boston. Finally, there are various bills being introduced in the legislature to raise charter caps and provide other education reform tools in the lowest performing school districts. As the state debates lifting the cap, it is crucial to fully understand charter school financing and the impact of charter expansion on funding for the BPS.

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## Education Financing in Massachusetts

The key to understanding charter school financing is to understand how Chapter 70 funds for education are allocated to school districts across the state, and the intended purpose of these funds.

One of the goals of Chapter 70 aid is to promote fiscal equity across school districts, so that adequate education is provided to all students irrespective of the wealth of their home district. In order to do this, the state determines a required local contribution, which calculates how much of the foundation budget will be funded by a district's own resources and how much will be funded through state Chapter 70 aid.

The state allocation of local aid for education for each school district is based on the "foundation budget" as established by the Education Reform Act of 1993. Under this Act, the state calculates the needs of each district's students, or "foundation enrollment," in order to calculate a "foundation budget" that represents what the state has deemed the threshold to adequately educate the district's student population.

The state next examines the wealth of a community to determine its ability to fund its foundation budget from own-source revenues. After that determination of local contribution, the state calculates its legal obligation to provide additional aid to a district to reach foundation level, known as "foundation aid." After establishing the foundation aid level, the state determines the actual Chapter 70 aid total based on both foundation aid and other elements such as an annual minimum per pupil increase.

**Foundation Enrollment** – The foundation enrollment comprises all students for whom a district is financially responsible as of October 1<sup>st</sup> of each fiscal year. This includes BPS students and resident students attending Commonwealth charter schools, as well as students attending other districts through school choice or special education schools

outside of the district. This total does not include Boston resident students attending METCO, private or parochial schools. For the 2015-2016 school year, the BPS has a foundation enrollment of 64,196 students, a number that includes 9,260 students attending Boston charter schools.

**Foundation Budget** – School districts submit student specific data to the state, which allows the state to determine the student needs of each district. The state determines foundation budget base rates for 10 student categories that take into account grade level, vocational programs, and English Language status. The budget also includes additional increments to account for special populations such as low-income and special education students. Special education enrollment is based on an assumed percentage, not an actual head count that is used with all other student groups. The base rates for each student category are established using assumed expenditures needed to provide an adequate education across 11 different spending categories, such as administration, staffing needs, and employee benefits.

Using the base rates, DESE calculates a total foundation budget for each community. In the 2015-2016 school year, Boston has a foundation budget of \$805.6 million, which is the baseline funding for adequate education for all Boston resident students including all those attending a BPS or Commonwealth Charter school.

**Required Local Contributions** – Since 2007, the required local contribution has been calculated based on the aggregate wealth of a community, taking into account both aggregate property values and aggregate personal income. Due to Boston's high aggregate property value (\$110.8 billion) and aggregate personal income (\$25.3 billion), Boston is considered a wealthy district and has a target aid share under the formula of 17.5%, the lowest amount allowed by law, a distinction shared by 41% of districts statewide. Boston's targeted local

contribution for fiscal 2016 is \$664.6 million, 82.5% of the foundation budget. However, the required local contribution is calculated by taking the previous year's contribution (\$627.5 million) and increasing it by a "revenue growth factor" (4.77%) set by the Department of Revenue. In fiscal 2016 Boston's required local contribution is \$657.4 million. When a district's required contribution, as calculated and adjusted by the revenue growth factor, is significantly above or below their targeted contribution additional, adjustments are made to a community's contribution. In fiscal 2016 this did not affect Boston.

**Actual Chapter 70 Aid** – The difference between the required local contribution and the foundation budget is supported by "foundation aid," which is the core element of the Chapter 70 aid program. In fiscal 2016, foundation aid is 69.7% of Boston's Chapter 70 aid revenue. Boston has not been eligible for increases in Chapter 70 though foundation aid since its prior year Chapter 70 aid is already greater than the difference between its foundation budget and the required local contribution. However, due to the presence of "base aid," meaning no district is allowed to receive less in Chapter 70 aid than the previous year's distribution, and the common distribution of per pupil minimum aid increases, Boston has received small increases in Chapter 70 aid. As a result, while Boston's foundation Chapter 70 aid requirement was \$148.2 million, actual Chapter 70 aid was \$212.6 million in fiscal 2016.

**Net School Spending (NSS)** – Required net school spending is the combination of total Chapter 70 aid and the required local contribution. If a district does not meet its required net school spending, it may be penalized with reduced Chapter 70 aid. Many districts, including Boston, spend above the required level. This total is referred to as "actual net school spending." As seen in Table 1, in fiscal 2016, Boston's budgeted (actual) net school spending is \$157.6 million above the required net school spending for the current school year.

Actual net school spending is a key factor in charter expansion. In Boston, charter tuition may represent 18% of actual net school spending, meaning that as the amount Boston spends on education increases, the number of charter seats authorized for Boston will increase as well.

Table 1  
**FY16 Net School Spending (NSS)**

	<b>FY16</b>
Enrollment (BPS and Charter)	64,196
Foundation Budget	\$805,600,563
Required District Contribution	\$657,393,838
Chapter 70 Aid	\$212,596,335
Required NSS	\$869,990,173
Budgeted (Actual) NSS	\$1,027,548,133
Budget over Required NSS	\$157,557,960

**Commonwealth Charter vs. BPS Funding**

The foundation budget and Chapter 70 aid calculations do not factor in where the students attend a public school; it simply calculates a total level of spending needed for all students for whom Boston is fiscally responsible, including BPS and charter school students. However, resources are allocated to these two systems through different mechanisms. A Commonwealth charter school relies on the charter tuition assessment for all of its general operating revenue, while the BPS relies on an appropriation from the City of Boston for its General Fund revenue.

**Boston Public Schools Funding** – The Boston Public Schools is a revenue dependent district, meaning that its entire General Fund budget is supported by an annual appropriation from the City. The funding sources for the City's appropriation are Chapter 70 aid and the City's own-source revenues. The trend over the past eighteen years, from fiscal 1998 to fiscal 2016, has been that the BPS annual budget is built on receiving an appropriation based on approximately 35% of the City's total General Fund expenditures, despite a shift of resident students to charter schools. As seen in Table 2, the BPS budget

has grown every year since fiscal 2011, despite a sharp increase in the charter tuition assessment over this period.

Table 2  
**BPS Budget FY11-FY16**

\$ in Millions

Fiscal Year	BPS Expenditures	Change over Prior Year	% Change
FY11	\$821.4	\$3.6	0.4%
FY12	\$831.3	\$10.0	1.2%
FY13	\$881.2	\$49.9	6.0%
FY14	\$937.9	\$56.7	6.4%
FY15	\$974.9	\$37.0	3.9%
FY16	\$1,013.5	\$38.6	4.0%

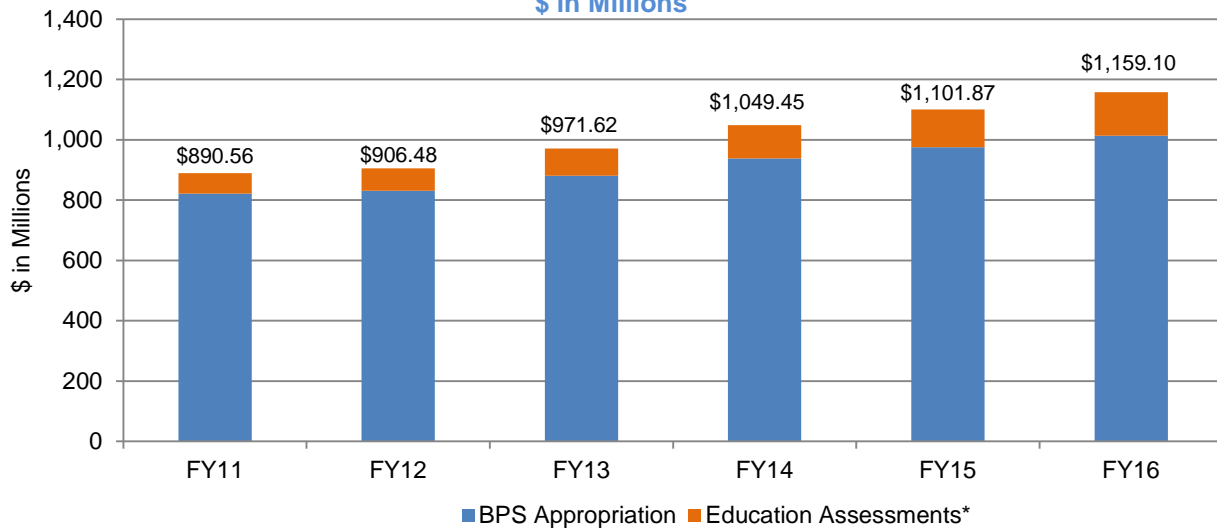
**Commonwealth Charter School Funding** – Charter schools are funded through the charter tuition assessment. The charter school formula calculates each charter school’s foundation budget per pupil tuition rate based on the foundation budget for the Boston resident students attending a charter school. This assessment is then increased by the amount the City is spending in support of education over the foundation budget. Together, with an

additional \$893 per pupil for facilities, this amount is due from Boston for the education of its students who are attending a charter school and is paid by the City in the form of a state assessment.

The charter tuition assessment is deducted from state aid flowing to Boston. The assessment represents a diversion of state school aid from Boston to the charter schools representing the full tuition for a student under the Chapter 70 formula, including both the state and local shares. The charter per-pupil rate is intended to reflect district funding for BPS students based on three components: 1) the charter school foundation budget, whose components are no different than the district’s 2) a percentage representing the City’s per-pupil spending beyond the foundation budget; and 3) a component reflecting a facilities spending rate (facilities spending is not a part of the Chapter 70 formula).

The Chapter 70 formula ensures that Boston students, in aggregate, are receiving their fair share of state aid towards education. However, as an accounting matter, state aid is used to pay 100% of the tuition of charter students. Therefore, larger portions of this state education funding are being

Figure 1  
**Total Education Spending FY11-FY16**  
 \$ in Millions



\*Includes Charter Assessment as well as smaller assessments for Special Education and School Choice



delivered to Commonwealth charter schools than the BPS, which relies more heavily on City funds than Chapter 70 aid.

The growth of charter spending rapidly outpaces the growth in BPS spending, due to the expanding share of Boston students attending charter schools. Any increase in the charter cap will likely result in a smaller share of Boston residents attending BPS schools. From fiscal 2011 through the current fiscal 2016 budget, the charter assessment has grown by \$76.1 million or 111.4%, compared to BPS budget growth of \$192.1 million or 23.4%. Charter enrollment over that same period has grown by 3,987 students or 75.6%, while BPS enrollment has decreased by 343 students or 0.6%.

### Financial Impact

The perception exists that the BPS has been negatively affected by the expanding charter tuition assessment. However, as explained previously, the BPS expenditures have grown consistently despite growing charter costs due to the City’s budget practice that holds the BPS relatively harmless from the loss of General Fund revenue. As a result there is no direct financial impact on the Boston Public Schools budget, though there are indirect impacts that will be discussed later in this report.

Table 3  
General Fund vs. BPS Budget

\$ in Millions

Fiscal Year	BPS Budget	General Fund (GF)	BPS as % of GF
FY11	\$821.4	\$2,341.8*	35.1%
FY12	\$831.3	\$2,402.4	34.6%
FY13	\$881.2	\$2,496.1	35.3%
FY14	\$937.9	\$2,644.9	35.5%
FY15	\$974.9	\$2,773.1	35.2%
FY16	\$1,013.5	\$2,857.1	35.5%

\*Net one-time pension payment of \$82 million

**City Covers Tuition Loss** – The rapid growth of Boston’s charter school tuition assessment in combination with the trend of funding the BPS at 35% of General Fund expenditures, has reduced funding for other city departments. It is important to differentiate between the BPS budget and the impact of growing charter tuition assessment on the City’s overall General Fund budget. To date, the City has treated the charter tuition assessment as a state assessment, a separate line item in the City’s budget. Increases in this assessment have not been tied to any direct decrease in the BPS appropriation. Rather the increase in the charter tuition assessment has reduced the available state aid for city operations and that loss has been spread across other departments.

Table 4  
Departmental Expenditures, FY11-FY16  
\$ in Millions

Fiscal Year	BPS*	Public Safety	All other Departments
FY11	\$737.39	\$453.8	\$398.98
FY12	744.70	469.98	391.37
FY13	782.84	479.85	413.45
FY14	840.88	521.88	429.58
FY15	876.08	548.55	454.22
FY16	921.10	537.23	449.72
<b>FY11-FY16 Change</b>	<b>\$183.71</b>	<b>\$83.43</b>	<b>\$50.73</b>
<b>% Change</b>	<b>24.9%</b>	<b>18.4%</b>	<b>12.7%</b>

\*Net of health insurance costs

From fiscal 2011 to fiscal 2016, School Department General Fund spending, less health insurance (which is not include in any other departmental budget), increased by \$183.7 million or 24.9%, while the charter school assessment has increased by \$76.1 million or 111.4%. Over this same period, the spending on public safety (Police and Fire) increased by \$83.4 million or 18.4%, but all other departments experienced an aggregate increase of only \$50.7 million or 12.7%, showing the majority of

the financial impact of charter expansion has been felt more by the City’s other departments.

**Charter Tuition Reimbursement** – To help mitigate the impact of the loss of students to charter schools and give time to right-size the district, the state designed a reimbursement mechanism which returns to the City 100% of the increased tuition payments in the first year in which they occur and 25% of this amount in each of the next five years. As a result, over six years, the City will be owed 225% of the tuition paid for a student attending a charter school. This amount is above the state aid originally received for these students through the Chapter 70 formula.

In addition to the tuition reimbursement, the formula also calls for full reimbursement of the facilities aspect of the charter tuition assessment, which is intended to support charter school facilities as charter schools are not eligible for Massachusetts School Building Authority funds.

current fiscal 2016 state budget only provides funding for the first year of the reimbursement formula and is short \$16.2 million. As a result, over the last two years, the City has had a total shortfall of \$28.3 million in charter reimbursements.

The Governor’s proposed budget for fiscal 2017 includes changes to the charter reimbursement formula, which partially reimburse municipalities for tuition lost to charter schools. The plan reduces the reimbursement formula from six years to three years, with full reimbursements for tuition lost in the first year, 50% in year two, and 25% in year three. Year two and year three reimbursements would be limited to districts, like Boston, that send more than 9% of net school spending to charter schools. By reducing the statewide obligation, it is likely the City will receive more than it receives under the current formula, which calls for six years of reimbursements, but provides actual funding for only the first year of reimbursements in FY16.

**Net Chapter 70 Aid** – The concept of “net Chapter 70 aid,” which combines Chapter 70 aid with the charter tuition assessment and the charter school reimbursement, has become a common measure in the debate surrounding the expansion of charter seats for Boston resident students. However, since the City’s budget practice has kept the BPS budget at a constant percentage of expenditures, the decline in “net Chapter 70” has not had a direct impact on the BPS appropriation. Rather, “net Chapter 70” has declined as a percentage of the BPS budget as more Chapter 70 funds are diverted to charter schools and the City allocates increased own-source revenues to the BPS.

Table 5  
**"Net Chapter 70" Aid FY11-FY16**

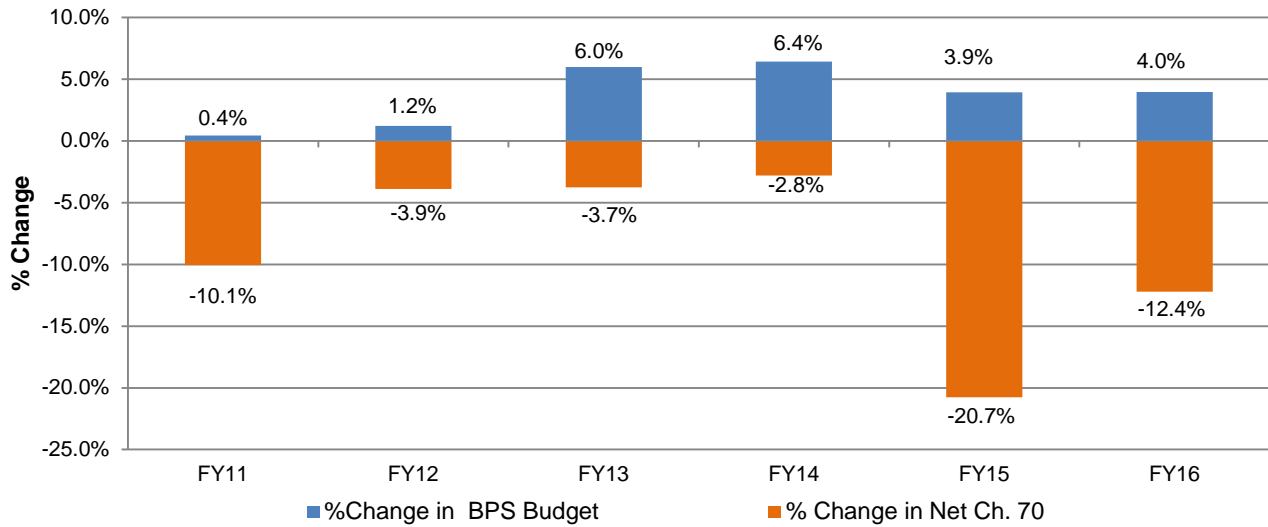
\$ in millions

Account	FY11	FY16	Change FY11- FY16	% Change
Ch. 70 Aid	\$204.32	\$212.60	\$8.28	4.1%
Charter Assessment	(\$68.29)	(\$144.37)	(\$76.08)	111.4%
Charter Reimbursement	\$13.24	\$24.97	\$11.73	88.6%
<b>Net Ch. 70</b>	<b>\$149.26</b>	<b>\$93.19</b>	<b>(\$56.07)</b>	<b>-37.6%</b>

The charter reimbursement is subject to appropriation, and from fiscal 2005 to fiscal 2012, the Commonwealth appropriated 100% of its obligation. The state paid 96.8% of its obligation to Boston in fiscal 2013 and 97.9% in fiscal 2014. However, in fiscal 2015 only 63.5% of Boston’s obligation was funded, which represented a revenue loss of \$12.2 million for the City. The

In fiscal 2016, “net Chapter 70” aid available for operations totaled \$93.2 million, which represents 43.8% of the total Chapter 70 aid received by Boston of \$212.6 million. The balance of \$119.4 million is distributed to Commonwealth charter schools attended by Boston resident students. However, as noted, Boston appropriates \$157.6 million over the required amount for the BPS. Thus,

Figure 2  
Change Over Prior Year in BPS and "Net Chapter 70"  
FY11-16



even though over the past five years, “net Chapter 70 aid” has decreased by \$56.1 million or 37.6%, as charter expansion has increased the charter tuition assessment, the City’s greater use of its own-source available revenues has enabled School Department spending to increase by 23.4%.

Declining “net Chapter 70 aid” has led to criticisms that charter schools are “taking away” Chapter 70 aid from the BPS system. However, this argument is flawed in two ways. First it fails to recognize how the City’s budget practice has held the BPS budget relatively harmless from the growing charter tuition assessment. Second, the very concept of “net Chapter 70” fails to recognize that the purpose of Chapter 70 aid is to ensure adequate spending on the entire foundation enrollment, giving the Boston Public Schools no greater claim to Chapter 70 funds than Commonwealth charter schools. The charter tuition assessment is spent on Boston resident students for whom the City has an obligation to provide an adequate education, whether through the BPS or a Commonwealth charter school.

### Share of Total Educational Spending

When considered in the context of total educational spending on students for whom Boston retains financial responsibility (BPS and charter students),

enrollment has increased by 3,644 students, or 5.9%, while education spending has increased by \$268.5 million, or 30.2%, as both the BPS appropriation and charter assessment have grown. Due to the mechanism for funding charter schools, these institutions will inherently receive a much higher percentage of state revenues than their percentage of the foundation enrollment in Boston. However, the true question of equity is not defined by which system receives more state revenue, but rather if they receive a proportional share of all public education spending.

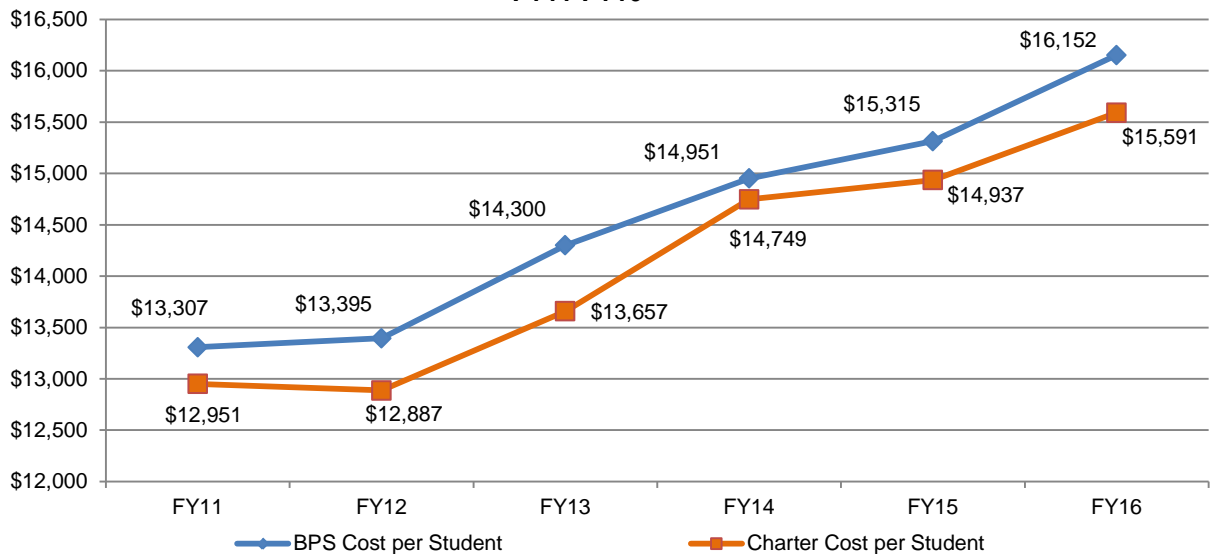
Table 6  
Total Education Spending  
FY11-FY16

Fiscal Year	BPS % Total Enrollment	BPS % Total Ed Spending *
FY11	91.5%	91.7%
FY12	90.8%	91.1%
FY13	89.6%	90.0%
FY14	88.3%	88.4%
FY15	87.2%	87.5%
FY16	86.0%	86.4%

\* Net Transportation Costs, SPED and School Choice Assessments



**Figure 3  
BPS and Charter General Fund Cost per Student\*  
FY11-FY16**



\* Net Transportation costs

As seen in table 6, when transportation is factored out of school spending (as it is expended by the BPS on BPS schools, charter schools and private schools) the BPS's share of total public spending on education closely aligns with its share of Boston students in public schools, with the BPS serving 86.0% of public school students and receiving 86.4% of public education spending in fiscal 2016.

### Spending Per Student

As BPS schools and Commonwealth charter schools are both publically financed education, the question arises as to which institution is spending more public dollars, whether state dollars or city own-source revenue, on the education of Boston resident students. The BPS has consistently spent more money per pupil than Boston's charter schools, even as the charter tuition assessment grows. As seen in Figure 3, when transportation costs are factored out of the BPS budget, the average BPS expenditure per student is \$561 more than for charter schools in the current school year. To a degree, this gap in spending should be expected as BPS schools serve a high number of English Language Learners and students with severe

special needs, which increases the average expenditure per student.

### Indirect Financial Impacts on BPS

To date, the growth of Commonwealth charter schools has not had a direct effect on the level of funding received by Boston Public Schools. However, there are two indirect cost factors: 1) the excess capacity cost associated with students attending charter schools over BPS schools; and 2) the transportation cost per pupil.

**Excess Capacity/Facilities Issues** – Spreading limited resources to classrooms not supported by adequate enrollment contributes to the annual budget strain facing the School Department. With BPS schools funded based on the weighted cost of the programmatic needs of each assigned student, class size must equal 87% of the class size maximum to support the cost of the teacher or the teacher and the paraprofessional where required. In the SY15-16 budget, 50% of BPS K-5 classrooms did not meet the 87% funding threshold, requiring the schools to transfer funds from their non-personnel budget accounts or non-instructional personnel accounts to support classroom expenses.

Alternatively, if funds cannot be transferred between accounts, the District must subsidize the school in order to maintain minimum staffing levels that ensure compliance with the BTU contract. The cost of excess capacity is unsustainable in the long-term.

In a 2015 [Special Report](#), the Research Bureau conservatively estimated that excess capacity cost the district at least \$21.5 million in fiscal 2015. At the time, the BPS reported programmatic excess capacity of 4,100 seats. Under the BPS’ weighted student funding model, the lowest cost for an individual seat is \$5,237 for a regular education third grade student. This figure was used to estimate the minimum cost of excess capacity at \$21.5 million. However, the true costs would be even higher considering that some empty seats are in classrooms that require more spending per student than third grade.

Upon taking office, the Walsh Administration commissioned McKinsey & Co. to perform an [audit](#) of the BPS, which also looked at excess capacity across the district. Unlike the 2015 BPS analysis that looked at programmatic excess capacity, meaning the number of empty seats in relation to BPS offering, the McKinsey & Co. audit looked at the physical excess capacity of the district. The audit found that the BPS has roughly 93,000 seats in the district, far more than the enrollment of 56,650. This is a result of more than half of BPS schools being under two-thirds utilized.

As a result, the BPS student per teacher average of 11.6 students is significantly below the peer average of 16.3 students. McKinsey & Co. estimated that if the BPS were to increase the student per teacher average to the peer average, it could result in a reduction in the teaching workforce of roughly 1,300 teachers, resulting in savings of between \$90 million and \$110 million. School officials have disputed McKinsey & Co.’s potential saving estimate as overly optimistic.

Excess capacity will be a continuing issue in the upcoming fiscal year, with no effort underway to close schools during fiscal 2017. However, work underway on the Facilities Master Plan seeks to create a comprehensive plan to effectively consolidate schools and programs in order to maximize the use of district resources.

**Transportation Costs** – General Fund BPS transportation costs grew from \$62.0 million in fiscal 2011 to \$98.5 million in fiscal 2016. This increase of \$35.6 million or 56.5% is due both to the increase in the total number of bus assignments and a new transportation contract. The BPS owns a fleet of more than 700 school buses that are operated by an independent vendor, Transdev (formerly Veolia Transportation), which is under contract through fiscal 2018. The City’s contract with Transdev is for management services, which include the hiring and supervision of bus drivers. Expenses beyond the management contract are the responsibility of the City and include funding any salary and benefit increases awarded to the bus drivers through collective bargaining.

Table 7  
**Transportation Service**  
**Fiscal 2016**

Type	Sites	Students*	% of Total
BPS	132	37,021	80.3%
Charter	29	7,249	15.7%
Private SPED	57	162	0.4%
Private/Parochial	42	1,665	3.6%
<b>Total</b>	<b>260</b>	<b>46,097</b>	<b>100.0%</b>

\* Receiving either yellow bus service or MBTA pass

The City is responsible for the transportation costs of all Boston resident students, including those who attend charter, private and parochial schools. Transportation services are only provided to students who live more than a mile from their elementary school, more than a mile and a half from their middle school, or more than two miles from their high school. This means the BPS must

provide transportation to 46,097 students who attend 260 schools both inside and outside the City. This year 19,848 regular education students received transportation through an MBTA pass, leaving 29,265 students who received bus service to 227 schools.

In the current school year, the BPS provides transportation to 29 charter schools that serve 7,249 charter students. These 7,249 students represent 15.7% of students being provided transportation. However, the BPS spends \$12.0 million, or 11% of the total transportation budget transporting these students. The vast majority of this cost goes to bus transportation for 4,794 charter students, while the remaining students receive MBTA passes. Charter schools do bring an added challenge to transportation planning, as all charter schools are city-wide and therefore can require longer bus routes than the BPS neighborhood based schools.

Table 8  
**Charter Transportation Spending**  
**Fiscal 2016**

<b>Service</b>	<b>#</b>	<b>Budget</b>	<b>% of Budget</b>
Bus	4,794	\$11,569,283	10.6%
MBTA	2,455	451,787	0.4%
<b>Total</b>	<b>7,249</b>	<b>\$12,021,070</b>	<b>11.0%</b>

While charter transportation cost the BPS \$12.0 million in fiscal 2016, this cost would also be incurred if a student attended a BPS school or a private/parochial school. As the City is responsible for all transportation, the true challenge of the expansion of charter seats is the need to maximize efficiencies in the transportation of all Boston resident students.

### Other Cost Drivers for the BPS

As the Research Bureau explained in its 2015 [Special Report](#), the Boston School Department faces annual budgetary challenges. However, these

challenges are not the result of a shortage in revenue, as the BPS appropriation has grown faster than other departments. Rather expenditures are growing more rapidly than the increasing BPS appropriation.

The increases in the cost of existing services are due to a number of factors, most importantly increases in personnel costs as a result of salary increases granted through collective bargaining and employee growth. In fiscal 2016 employee costs represent 76.5% of the BPS General Fund budget. In preparing the fiscal 2016 budget, level service was projected to cost \$58 million, which outpaced the appropriation increase of \$38.6 million.

- **Collective Bargaining Awards** – In October of 2012, the School Committee settled a contract agreement with the Boston Teachers Union that included the standard civilian contract salary increase of 12.6% from fiscal 2011 through fiscal 2016. With other factors, the total contract was estimated to cost \$156.3 million over six years, of which \$136.5 million was allocated for salaries.
- **Step Increases** – In addition to the salary increases, employees not at the maximum salary level also receive step increases each year on the anniversary of their start date. These increases are automatic regardless of employee performance, yet they add significantly to yearly personnel costs. The BPS fiscal 2016 budget included \$12.2 million for step increases.
- **Personnel Levels** – In the three years from January 2012 to January 2015, total city-funded employee levels increased by 943 employees or 5.8%. The School Department added 737 employees or 9.1%. This growth in School Department personnel represented 78.1% of all employee growth in this period, despite the School Department representing only 51.4% of the city-funded workforce as of January 2015.

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## Impact of Proposed Expansion

Further increases in BPS spending or efforts underway in the courts, in the legislature, and through the ballot will result in an increase in the number of charter school seats in Boston. As “net Chapter 70” revenue currently represents 43.8% of total Chapter 70 aid, substantially lifting or eliminating the charter cap would result in a scenario in which a larger share of, or potentially all of, Boston’s Chapter 70 aid is directed to Commonwealth charter schools. Chapter 70 aid to Boston is not intended to support Boston Public Schools, but rather to contribute a share of total education costs to educate all Boston resident students. Therefore, Boston will continue to meet its required levels of education spending even if all Chapter 70 is diverted to charter schools.

However, continued growth in the charter tuition assessment as a result of an increase in the charter cap would likely result in the City reconsidering its practice of appropriating 35% of General Fund expenditures to the Boston Public Schools. Any reduction in the BPS’s share of General Fund appropriations would put more pressure on the Department to restructure its budget. More charter seats would further reduce BPS enrollment and demand that the BPS eliminates excess capacity through the consolidation of classrooms and the closing of schools. This structural challenge will be more of a problem for the BPS than the reduction of available state aid.

## Conclusion

In 1993, the Commonwealth approved legislation to reform education that has been largely a success, introducing the foundation budget to ensure adequate education across districts and the MCAS assessment to ensure that all students were receiving comparable education. The law also introduced Commonwealth charter schools, which expanded parental choice while serving as a test place for new educational practices that could be shared with in-district schools. The expansion of charter seats that has followed has been a highly

contested issue, which has pitted supporters of charter schools against supporters of in-district systems. While the growth in charter schools does have a direct correlation to appropriations to the in-district system in some districts, this has not been the case in Boston. The City has continued to support the BPS despite growing charter school assessments. The true cost of charter expansion has not been a matter of revenue, but rather the struggle of eliminating excess capacity and right-sizing an urban school district.

As the Commonwealth once again debates increasing the number of charter seats allowed for Boston students, this charter funding dynamic could change. The City may not be able to afford to continue to allocate roughly 35% of General Fund expenditures to the BPS system if the charter assessment continues to grow significantly. The BPS must be prepared to adapt by addressing the hard decisions of excess capacity, school closings, and personnel levels in order to manage spending growth.

## Recommendations

***The BPS must tackle the cost of excess capacity in order to eliminate the structural challenge to its annual budget*** - In order to maximize the use of city resources and to provide a high quality education for every Boston resident student, the BPS must address the ongoing structural issues facing the system. Even without a potential increase in the charter cap in coming years, the BPS cannot avoid addressing its excess capacity problem and closing schools starting in SY2017-2018. The BPS’ fiscal 2017 planning does not consider any school closings for the next school year.

The School Department is now in the process of preparing a ten-year master school facilities plan that is expected to be completed in the first quarter of 2017. The firm of Symmes, Maini & McKee Associates has been selected to develop a strategic framework for facilities investment including school closings, which will provide a helpful guide for

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facility utilization. However, the BPS should prepare for a round of school closings by SY2017-2018, using available information from the master planning work if the plan is not finalized. Applying resources for too many school facilities is a major cause of the fiscal stress facing the BPS each year. It should be recognized that the greater savings through school closings would be the corresponding reduction of the BPS teaching and school support workforce.

***The Commonwealth should fully fund the charter tuition reimbursement, especially for low-performing districts where a higher percentage of net school spending is diverted to charter schools -*** The Governor's proposed three-year reimbursement policy should be carried forward to the House and Senate state budgets and any increase in the charter cap for Boston should be linked to full funding of the charter tuition reimbursement.

The City of Boston is one of the major beneficiaries of the charter tuition reimbursement formula, as it was designed to help school districts adapt to changing student populations. However, this reimbursement has been underfunded by the Commonwealth in recent years. Full funding of this three-year reimbursement formula will be crucial as the BPS adapts to declining enrollment.

***The BPS should continue to work with charter schools as valuable partners to increase the quality of education for Boston resident student.-*** Even with an increase in the charter cap, the BPS will remain responsible for educating the majority of Boston resident students. Ensuring that in-district schools provide high quality education for 21<sup>st</sup> century learners is of the utmost importance.

The City has been wise to embrace the Boston Compact, which encouraged the BPS to work with charter and catholic schools to identify and share best practices between the two public school systems. Ultimately, the Boston Compact keeps all

parties focused on the most important goal: providing Boston residents with the quality education they deserve.

***The State Legislature should approve legislation allowing for a unified, neighborhood-based enrollment system for BPS and Commonwealth charter schools -*** The charter compact is working towards a universal enrollment system that will increase access to charter schools seats by simplifying the application process. The compact is also examining the possibility of allowing charter schools to enroll students from specific neighborhoods instead of citywide. In addition to reducing transportation costs to the district, this change would also align charter schools more closely with student assignment through the BPS.

A unified enrollment system will bring needed stability to Boston students and parents. The current system forces families to fill out individual applications for each charter schools, as well as applying to BPS schools through the lottery process. This system is a serious disadvantage to economically disadvantaged students and English language learners, who often lack the resources to work through multiple complicated assignment processes. Quality education should be available to all and simplifying the enrolment process would be an important step towards achieving this goal and expanding access.