



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Local Financial Impact Review—Issued October 18, 2017

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## Supporting Student and Community Success: Updating the Structure and Finance of Massachusetts Regional School Districts





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October 18, 2017

His Excellency, Charles D. Baker, Governor  
The Honorable Karyn E. Polito, Lieutenant Governor  
The Honorable Stanley C. Rosenberg, President of the Senate  
The Honorable Robert A. DeLeo, Speaker of the House  
Honorable Members of the General Court

Dear Colleagues:

Massachusetts was the first state in the nation to recognize public education as a right for its children, and granted its communities the responsibility for providing this service. Over the generations, the Commonwealth and its communities have developed a range of models to meet this goal. It is my privilege to submit this study of the ways in which state regulation and financing of Massachusetts' regional school districts (RSDs) affect the ability of these districts to operate successfully and efficiently to fulfill this mandate while adapting to changing circumstances. This study offers several recommendations for ways that the state can improve its support for academic RSDs—and help them to be more innovative, efficient, and better able to respond to the needs and expectations of the students, families, educators, and communities they already serve so well.

RSDs face many of the same financial issues as municipal school districts but also confront a number of challenges that are specific to the regional model. The continued strength and viability of these vital institutions will depend not only on the support they receive from their member communities, but on a proactive, creative, and supportive approach to regulation and funding at the state level. This study also addresses some of the financial, administrative, and demographic factors at the municipal level that drive the need to examine district structures.

I would like to offer my sincere appreciation to the dozens of state, municipal, and RSD officials across the state who assisted Office of the State Auditor (OSA) staff in the development of this study. I am also grateful to the staff of the Massachusetts Department of Elementary and Secondary Education and the Division of Local Services of the Massachusetts Department of Revenue for the significant data and analysis they offer about our communities and our schools.

This report has been undertaken pursuant to Section 6B of Chapter 11 of the Massachusetts General Laws, which grants OSA's Division of Local Mandates (DLM) authority to review any law or regulation that has a significant financial impact on local government, including school districts. Copies of the report are available on OSA's website, [www.mass.gov/auditor](http://www.mass.gov/auditor), or by calling DLM at (617) 727-0025.

Please do not hesitate to reach out to my office with any questions or comments. As always, thank you for your continued support of our shared effort to improve the success, accountability, transparency, and efficiency of Massachusetts state government.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SMBump', written in a cursive style.

Suzanne M. Bump

Auditor of the Commonwealth

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## LIST OF ABBREVIATIONS

BHRSD	Berkshire Hills Regional School District
DESE	Department of Elementary and Secondary Education
CMR	Code of Massachusetts Regulations
DLM	Division of Local Mandates
DOR	Massachusetts Department of Revenue
GDRSD	Groton-Dunstable Regional School District
MARS	Massachusetts Association of Regional Schools
MSBA	Massachusetts School Building Authority
NSS	net school spending
PPI	Progress and Performance Index
RAN	revenue anticipation note
RSD	regional school district
RTA	regional transportation authority
WRSD	Wachusett Regional School District

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## **ABOUT THE DIVISION OF LOCAL MANDATES**

The Division of Local Mandates (DLM) was established by Proposition 2½, an initiative to limit property tax increases, in order to determine the financial impacts of proposed or existing state laws, regulations, and rules on cities and towns. Proposition 2½ limits a city or town’s authority to raise real estate and personal property taxes. Under the strict limits on taxing authority set by Proposition 2½, cities and towns could no longer simply raise property taxes to fund state-mandated programs. Thus, DLM was created to respond to municipal petitions to determine whether a state mandate falls within the purview of the Local Mandate Law.

The Local Mandate Law, Section 27C of Chapter 29 of the Massachusetts General Laws, generally provides that post-1980 laws, regulations, or rules that impose service or cost obligations on cities, towns, regional school districts, or educational collaboratives and meet certain thresholds shall be effective only if locally accepted or fully funded by the Commonwealth. Any protected party aggrieved by such a law, regulation, or rule may petition DLM for a determination of whether the law, regulation, or rule constitutes a mandate and to make a cost determination of the state funding necessary to sustain a mandate.

In 1984, the Massachusetts General Court expanded DLM’s powers of review by authorizing DLM to examine any state law or regulation that has a significant local cost impact, regardless of whether it satisfies the more technical standards under the Local Mandate Law. This statute is codified as Section 6B of Chapter 11 of the Massachusetts General Laws. As a result of this law, DLM releases reports known as “municipal impact studies” or “6B reports” examining various aspects of state law that may impact municipalities.

Through these functions, DLM works to ensure that state policy is sensitive to local fiscal realities so that cities and towns can maintain autonomy in setting municipal budget priorities.

## EXECUTIVE SUMMARY

While highly regarded throughout the country, Massachusetts elementary and secondary public school districts—municipal, regional and vocational—share significant funding challenges. Moreover, many of the state’s academic regional school districts (RSDs) face particular challenges due to factors such as changing demographics, changes in the level and sources of funding they receive from both the state and from their member communities, and issues of governance and operating structures. These 58 districts play a crucial role in public education in Massachusetts, serving approximately 107,000 students in over 170 communities.

Like all public school districts that receive Chapter 70 financial aid from the state, RSDs are struggling with the effects of a Foundation Budget formula that—according to a 2015 report of the Legislature’s Foundation Budget Review Committee—underestimates and therefore underfunds costs for increasing numbers of students receiving special education services and for growing employee benefit costs (especially health insurance). Since fiscal year 2013, the state has also under-reimbursed out-of-district transportation costs required for some homeless students under the U.S. McKinney-Vento Homeless Assistance Act. Additionally, both municipal and regional school districts—and the communities they serve—have voiced concerns that the state has underfunded tuition reimbursements for charter school students.

RSDs continue to suffer from additional budget constraints not experienced by most municipal districts. Especially in the western part of the state, RSDs must often operate over much larger geographic areas while serving relatively smaller numbers of students. This situation precludes their ability to take full advantage of economies of scale that allow for more efficient operations. As a group, regional schools receive more students than they lose through the state’s Inter-district School Choice Program; the program’s tuition cap of \$5,000 per student falls well short of the actual costs to educate students.

Many RSDs face cost concerns because of their governance structures. District budgets are planned centrally but place demands on town budgets that are developed locally; member towns with smaller tax bases—even those that contribute relatively less money and enroll fewer students—may be unwilling or unable to fund their allotted assessments. Since those assessments are based strictly on the number of enrolled students, this can mean that an RSD must sometimes cut its overall budget by a

large amount in order to achieve a small reduction in a member community's assessment. When districts grow by adding new member communities, governance arrangements can become even more complex, requiring more time from management staff, and from community volunteers serving on the school committees, to manage their annual budget processes.

But by far the largest cost concerns for RSDs fall into two categories. The first is transportation: unlike municipal districts, RSDs are required to provide bus transportation for pupils in all grades—and must usually do so over much greater distances. As an incentive to regionalize, the Commonwealth promised in 1949 to provide 100% reimbursement for RSD transportation costs—subject to appropriation—but has consistently fallen short of fulfilling that commitment.

A second large category for cost concerns is declining student enrollments: in some RSDs, enrollment has declined because of changes in overall population, or changes in the average population age. In other districts, enrollment declines are driven by parents choosing other options for their children's education. Although by no means universal—some RSDs have seen an increase in enrollments over the past decade—these declines have been especially acute in more rural districts, which face growing per-pupil costs and have only a limited set of options to reduce costs.

No matter the source of these financial constraints—declining enrollments, inadequate aid formulas or reimbursement levels, or problems in local governance—the net effect is that some RSDs are forced to cut curricular, extra-curricular, or co-curricular programs that are critical to the quality of education provided to their students. Foreign language electives, Advanced Placement preparation classes, sports, technology or textbook upgrades, and other highly desirable programs are eliminated, placed on hold or subject to significant fees. Despite the best intentions and efforts of school managers and school committee members, these funding problems have a direct effect on the education options and attainments of regional district students at every grade level.

Using extensive datasets compiled by the Department of Elementary and Secondary Education and the Department of Revenue—combined with extensive stakeholder interviews and closer studies of three RSDs with differing demographic and structural characteristics—the Division of Local Mandates has undertaken a study that focuses on an analysis of RSD-specific challenges and the steps that the Commonwealth might take to improve the financial viability and stability of RSDs.

Here is a summary of this study’s findings and recommendations:

<b>Finding 1</b> <b>Page 34</b>	Structural issues in the funding of regional school districts effectively discourage further regionalization.
<b>Recommendations</b> <b>Page 35</b>	<ol style="list-style-type: none"> <li>1. The Commonwealth must provide regionalization incentives in amounts that allay and overcome the understandable reluctance at the municipal level to share control over schools with RSD member communities. One source for incentives for regionalization has been school building funding plans offered by the Massachusetts School Building Authority (MSBA). Legislative proposals at the state level for “rural school aid” or “sparsity aid” that would complement Chapter 70 aid also offer a pathway to providing incentives that recognize the unique issues that regional districts must face in serving widely distributed rural populations.</li> <li>2. The Legislature should fully fund its statutory commitment to reimburse 100% of regional transportation expenses. If the Legislature remains unwilling to meet the 100% reimbursement, then it should consider setting a consistent level of reimbursement that can be used with confidence by RSDs in their budget planning. DESE should consider developing a mechanism to provide earlier and more frequent reimbursement of transportation expenditures.</li> <li>3. If the Commonwealth is concerned about the lack of incentives for RSDs to cut costs of transportation, then it should consider offering an efficiency-sharing stipend (that might, in some cases, end up being greater than 100% reimbursement).</li> <li>4. To promote greater competition for bus service contracts, the Legislature should consider eliminating G.L. c. 71, § 7C, which prohibits certain uses of regional transportation authorities (RTAs) to provide school district transportation services.</li> <li>5. The Commonwealth should consider providing specific planning grants to examine the combination of existing RSDs into larger groupings.</li> <li>6. The MSBA should provide guidance on the criteria that it uses to determine whether to seek the recapture of grant monies provided to school districts that close school facilities that have previously received MSBA funding.</li> </ol>
<b>Finding 2</b> <b>Page 37</b>	Regional agreements require periodic review and updating as financial, operating and demographic changes occur. Some agreements include provisions that may have become outdated but have been codified in law and require special legislation to amend.
<b>Recommendation</b> <b>Page 38</b>	RSDs should review their agreements every five years. Agreements that contain provisions that require legislative action should be resolved so the normal process of district-based approval and DESE concurrence can move forward.
<b>Finding 3</b> <b>Page 38</b>	Enrollment-based annual assessments for member communities can cause conflict, inequities, and budget delays within RSDs.

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<p><b>Recommendations</b> Page 39</p>	<ol style="list-style-type: none"> <li>1. For RSDs with three or more members, the Legislature should act to simplify the budget adoption process to allow RSDs to approve their budgets based on population rather than on the nominal number of member towns. (In two-town districts, budget adoption would continue to require the approval of both member communities.)</li> <li>2. The Legislature should empower DESE to work with a willing district, and provide necessary funding, to fashion a pilot program (real or virtual) that would result in a single tax rate across all member towns in an RSD, including an examination of providing the RSD with independent taxation authority.</li> </ol>
<p><b>Finding 4</b> Page 40</p>	<p>Implementation of the Foundation Budget Review Commission recommendations will have a positive impact for RSDs.</p>
<p><b>Recommendations</b> Page 40</p>	<ol style="list-style-type: none"> <li>1. Implement the Foundation Budget Review Commission recommendations for changes to the Foundation Budget and accompanying Chapter 70 assistance. Additionally, the Legislature should adopt the language in Senate Bill S 217 to establish a commission on RSD funding.</li> <li>2. Consider revision of relevant provisions of state statutes affecting education cost reimbursements. Some of these provisions have been folded into the Foundation Budget / Chapter 70 formula and some are no longer funded in the same manner as in the past. Provisions suggested for revision include: <ul style="list-style-type: none"> <li>• <b>Educator evaluation:</b> Massachusetts General Law Chapter 71, Section 38</li> <li>• <b>Foster children and students in state care:</b> Massachusetts General Law Chapter 76, Section 7</li> <li>• <b>Reimbursement aid for education of children on a military base:</b> Massachusetts General Law Chapter 71, Section 95</li> </ul> </li> </ol>
<p><b>Finding 5</b> Page 41</p>	<p>The current systems for inter-district choice and “tuition-in” stipends contribute to disparities in per-pupil reimbursements for RSDs.</p>
<p><b>Recommendation</b> Page 42</p>	<p>The Legislature should work with DESE on revising the arrangement for inter-district choice reimbursement and tuition-in. As much as possible, tuition-in communities should be encouraged to join regional districts.</p>

## SITUATIONAL ANALYSIS

### Purpose of the Study

Since colonial times, Massachusetts has recognized the foundational value of educating its young citizens. The Supreme Judicial Court held in McDuffy v. Secretary of Education that the constitutional language in Part II, Clause 5, Section 2 of the Massachusetts Constitution imposes a duty on the Commonwealth, specifically the executive and legislative branches, to provide an education for all the children in the Commonwealth in order “to prepare them to participate as free citizens of a free State and to meet the needs and interests of a republican government, namely the Commonwealth of Massachusetts.”<sup>1</sup> This commitment has been restated at various times in recent history with the modification of Massachusetts General Law Chapter 69, Section 1, which states that “a paramount goal of the commonwealth [is] to provide a public education system of sufficient quality to extend to all children . . . the opportunity to reach their full potential and to lead lives as participants in the political and social life of the commonwealth and as contributors to its economy.” The purposes of this study are to:

1. Identify those aspects of state law, regulation and policy pertaining to the Commonwealth’s non-vocational regional public school districts that may conflict with that goal; and
2. Make recommendations for changes designed to enhance the Commonwealth’s efforts to support and improve the availability, quality, and cost-effectiveness of elementary and secondary education throughout Massachusetts.

### Regional School Districts: An Introduction

Massachusetts state law provides cities and towns several different options for “regionalizing” public education across municipal boundaries. At various points in state history, relevant state statutes have been amended in order to encourage consolidation of districts. During the 19<sup>th</sup> century, despite the fact that the state held fewer than 360 municipalities, the number of public school districts across the state had reached a peak of 2,250.<sup>2</sup> Actions, including a law in 1882 to empower municipalities to control and fund schools, decreased the number of school districts in the Commonwealth to 355. With the enactment of the Regional Schools Act of 1949, there was a small increase in the number of districts to

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1. McDuffy v. Sec’y of the Exec. Office of Educ., 415 Mass. 545, 606 (1993).

2. Cronin, Joseph M., “A Case Study of School District Consolidation,” *School Administrator Magazine*, May 2010 <http://www.aasa.org/SchoolAdministratorArticle.aspx?id=13220>

390, as some municipalities retained their kindergarten-through-grade-6 (K–6) districts but created new grade 7–12 or 9–12 regional school districts (RSDs). In 1974, however, the Legislature made changes in Massachusetts General Law Chapter 71 that provided significant financial incentives for consolidation; by 2009 there were 329 districts (not including charter school districts).<sup>3</sup> Of this number, there were 30 vocational-technical and agricultural districts and 299 academic districts of various combinations. For fiscal year 2017, the numbers include 58 regional school systems.<sup>4</sup>

As in all states, Massachusetts' local government is based on a grant of limited sovereignty by the state to its municipalities. The Commonwealth's 351 cities and towns have independent authority to tax and spend within the constraints of Massachusetts law and their own chosen governmental structures. Typically, communities operate their own municipal services such as public safety, public works, library, senior center, planning/permitting, and veterans' affairs, among others. Most towns also choose to operate their local schools through a municipal school district. However, in order to achieve economies of scale and capture operating efficiencies, some communities join in regional arrangements to deliver specific municipal services. A number of Massachusetts communities have developed inter-jurisdictional agreements to share veterans' services, property assessment functions, and public safety operations. In recent years, these efforts have been encouraged by regionalization grants and technical assistance offered by the administrations of Governor Deval L. Patrick and Governor Charles D. Baker. Governor Baker's Community Compact program facilitates some of those efforts. When taking these actions, the communities are sharing sovereignty as well as service delivery with their neighboring or cooperating municipalities.

Far and away the most common form of cooperative arrangement among municipalities is the regional school district. It is also among the most fully regulated and structured under state law, with formal, standardized processes that communities must follow in order to establish and operate a regional district.<sup>5</sup> The relationship between state regulation and public education is especially direct in Massachusetts because there are few intervening institutions of government between municipalities and the Commonwealth; county governments have rarely provided educational services in

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3. (Carleton, Lynch and O'Donnell 2017)

4. (Special Commission 2017)

5. (Carleton, Lynch and O'Donnell 2017)

Massachusetts and were largely abolished in the 1990s.<sup>6,7</sup> Yet, while the state is specific about how to establish regional districts, it plays almost no role in determining whether to establish them: it is left to the municipalities themselves to decide whether they wish to regionalize, how to alter the composition of existing districts, or how member communities should coordinate with one another. RSDs are typically governed by committees elected from all of the participating communities, which have authority over the district school budget but no independent taxing authority. This means that regional districts must return each year to the governments of their individual member communities to obtain approval of their budget allocations. State aid, largely in the form of Chapter 70 funds<sup>8</sup> and school transportation reimbursements, flows directly to the RSDs, which are also charged for the tuition payments incurred when district students enroll in charter schools or inter-district school choice programs.

Fiscal and demographic challenges for regional schools in Massachusetts have been previously documented in a 2009 research brief from the Department of Elementary and Secondary Education (DESE)<sup>9</sup> and in the 2011 report from a legislatively mandated Special Commission on School District Collaboration and Regionalization.<sup>10</sup> One purpose of this 6B study from the Division of Local Mandates (DLM) of the Office of State Auditor Suzanne M. Bump is to review those observations and bring them up to date with additional research and analysis. To do this, DLM has examined detailed data from DESE, conducted interviews with stakeholders in the education community, reviewed pertinent reports from a variety of sources, and evaluated research from education advocates and consultants such as Chip Elitzer (Great Barrington) and Julie Kelley (Rutland) and developed three case studies of specific RSDs across the state.<sup>11</sup> Because of important differences in the specific mix of issues faced by differing types of regional district—vocational, charter, and academic—and in the interest of maintaining a manageable scope, DLM has limited its review to an examination of four subcategories of the academic regional school district: K–12, regional elementary, regional secondary, and superintendent union districts. (This

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6. Massachusetts differs from many states in having counties with little or no administrative authority or taxing power. Unlike such states as Florida, Georgia, Maryland, Nevada, Oregon, South Carolina, and others, Massachusetts has no county-operated school districts. Massachusetts has no “unincorporated areas,” which require county-level services and inspire larger regional school districts in other states such as Pennsylvania or Ohio.

7. (Pennsylvania 1949) and (Ohio 2003)

8. Chapter 70 is the provision of Massachusetts General Law that allows for aid to school districts. This aid was implemented during the “Education Reform” of the early 1990s, in part to lessen the inequity found by the Supreme Judicial Court in the *McDuffy* decision. [http://www.doe.mass.edu/lawsregs/litigation/mcduffy\\_hancock.html](http://www.doe.mass.edu/lawsregs/litigation/mcduffy_hancock.html)

9. (Carleton, Lynch and O'Donnell 2017)

10. (Special Commission 2017)

11. For more information on which districts were selected, see the “Regional School District Snapshots” section.

study also does not address issues unique to communities that operate no schools of their own but “tuition-in” their students to nearby districts.)

## Issues Overview

### 1. Declining Enrollments

Public schools everywhere compete with other critical priorities for governmental spending, but the imposition of local property tax restrictions in the early 1980s created additional pressure on municipal budget planning across Massachusetts.<sup>12</sup> One outlet for that pressure comes in the form of state aid to local education. State aid flows to K–12 education in a variety of ways, with the largest component distributed through Chapter 70 monies appropriated by the Legislature on an annual basis. Under Chapter 70, DESE undertakes a sophisticated calculation of a “Foundation Budget” for each municipality. That calculation is based on student enrollments in each community, general assumptions about student needs in various grades, and a community’s economic ability to pay for public education.<sup>13</sup>

For the Commonwealth as a whole, statistics compiled annually by DESE show a small decline in student enrollment (1.6%) from the 2006–2007 school year to the 2015–2016 school year. During the same period, RSDs have seen an overall decline in enrollment (-10.48%) which is significantly greater than the overall decline for municipal districts (-2.74%); meanwhile, there has been modest growth in vocational-technical school enrollments and increases in charter school enrollments over the same period. (Summary numbers are in Table 1 below, with detailed numbers available in Appendix C.) As might be expected, there are wide variations in the experiences of individual districts, which face different demographic challenges that result in fluctuating increases and decreases in student enrollment.

**Table 1. Massachusetts School Enrollment Comparison\***

Categories	2006–2007	2015–2016	% Change
<b>Municipal Districts</b>	796,648	774,803	-2.74%
<b>Regional School Districts</b>	120,168	107,579	-10.48%
<b>Vocational Technical</b>	27,192	29,271	7.65%
<b>Charter Schools</b>	23,591	40,298	70.82%

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12. Approved by state voters in 1980 and codified by the state Legislature in 1981, Proposition 2½ not only placed limits on the ability of municipal governments to raise property tax rates, but also limited the state’s ability to impose unfunded mandates. DLM was also established within the Office of the State Auditor as a consequence of Proposition 2½.

13. (M. D. Education, Foundation Budget 2017)

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<b>Total</b>	<u>967,599</u>	<u>951,951</u>	<u>-1.62%</u>
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\* The category totals for both years are off slightly due to some manipulation of numbers to allocate 2006–2007 enrollment from the municipal districts to the regionals that were formed after that year but before 2015–2016. The totals are also missing a few students overall (such as students in virtual schools) but the trends are consistent.

For most districts, a decline in enrollment at rates greater than the state average has led to stagnation and, in terms of inflation adjusted dollars, an overall decline in the value of state aid. For example, the Groton-Dunstable District—which had the steepest decline in numbers of enrolled students among our case study districts—saw its Chapter 70 aid remain largely unchanged from fiscal year 2007 through fiscal year 2016. Berkshire Hills also saw declines in enrollment and no change in aid over the period. (The state Legislature has offered a level of protection to districts with stagnant or declining enrollment through a “hold harmless” clause in the calculation of school aid.) By contrast, Wachusett—which saw modest growth in enrollment during the same period—had an increase in Chapter 70 aid of over 50% during the same period, from \$16.1 million to \$25.4 million.

### Alternate Strategies for Managing Transportation Costs

RSDs must provide transportation services for all grades and for all special education students. In spread-out, rural districts, costs can add up quickly—and can be harder to control when only one bidder vies for a bus contract. Since the state currently reimburses RSDs for roughly 73% of “yellow bus” transportation expenses, both the state and the RSDs have strong incentives to control costs.

Some RSDs have used professional, nonprofit consulting services to assist in the design of bus routes and schedules. But in the summer of 2017, a new approach emerged as a potential tool for reducing costs for school bus and van services. Developed by a team of faculty and graduate students at the MIT Sloan School of Management’s Operations Research Center in response to a competitive challenge issued by the Boston Public Schools, the new optimization tool uses data on where students live, what kind of transportation they need, when they have to be at school, and average travel times. All of this data is processed using an algorithm that generates thousands of potential routing scenarios and then optimizes the successful solution to develop a schedule that offers the greatest efficiency for the district as a whole. In Boston, this data-driven approach has resulted in a projected 18% reduction in the required number of buses, a 40% reduction in daily miles traveled, and a 37% reduction in driving time.

Team leader Professor Dimitris Bertsimas says the same model offers considerable promise for RSDs, noting that “the benefits may not be as big [in a more rural district] but will still be significant.” He and his team are currently working to develop their new methods into an affordable software package that can be applied in school districts of any size and configuration.

Enrollment declines also impede efforts to maintain school quality while achieving economies of scale. As discussed in our “Statistical Analysis” section, there is a strong negative correlation between district enrollment and in-district, per-pupil expenditures. This means that as RSDs’ enrollments grow, their per-pupil expenditure on in-district expenses decline. The same analysis shows that this is not the case for municipal districts. The Massachusetts Association of Regional Schools (MARS) suggests that a minimum district enrollment of 1,500 students is necessary to achieve reasonable economies of scale.<sup>14</sup> Data in this study (see statistics in Appendix C’s Table C3) suggests that the “sweet spot” for optimizing economies of scale lies somewhere between 1,806—the 2016 average for RSD enrollments—and 3,286, which is average enrollment for municipal districts. Beyond 3,200 students, opportunities for economies of scale approach their limit.

Pressures on local education spending are further compounded by the underfunding of several other types of aid and cost reimbursement.

## ***2. State Reimbursement for Transportation***

- Massachusetts law entitles RSDs to 100% reimbursement for school transportation expenses (informally referred to as “yellow bus” expenditures), but the actual amount is subject to annual appropriation by the legislature.<sup>15</sup> There

### **State Reimbursement for Special Education Transportation: An Abandoned Commitment to All Districts, Including RSDs**

While the state is required by statute to reimburse RSDs for all transportation costs, the underfunding of regional district transportation costs is further compounded by the fact that DESE has not included special education transportation costs as eligible for reimbursement.<sup>1</sup> DESE has excluded special education transportation expenses because, for many years, these costs were reimbursed for *all* school districts through line-item 7035-0004<sup>2</sup> in the state budget.<sup>3</sup> However, this line-item has not been funded since FY 2003. In part because of this established, but currently unfunded, source of reimbursement, DESE has concluded that it lacks the authority to reimburse regional special education transportation costs through G.L. c. 71, § 16C. Consequently, it should be noted that when this study indicates that 73% of regional school transportation costs were reimbursed in FY 2016, this refers only to 73% of *regular day* transportation costs and excludes special education transportation expenses. The overall reimbursement level would be considerably lower if in-district special education transportation expenses were included.

1. G.L. c. 71, § 16C.
2. It should be noted that line-item 7035-0004 provided funding for several programs, including special education transportation costs.
3. Letter from Jay Sullivan, Assoc. Comm’n of Dist. and School Finance, Dep’t. of Elementary and Secondary Educ., to Sophia Apostola, Senior Legal Counsel, Div. of Local Mandates Office of the State Auditor (Aug. 30, 2017) (on file with DLM).

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14. MARS staff interview

15. Massachusetts G.L. c. 71, § 16C

have been significant annual fluctuations in the level of state funding from the legislature for these costs. The last time RSDs received 100% reimbursement was over 15 years ago; in fiscal year 2016, the reimbursement rate was 73%. (More statistics are available in Appendix C's Table C5.) DESE officials and some school business officers have noted that sharing the cost for transportation gives RSDs an incentive to manage their transportation budgets more efficiently, but since some basic transportation costs, including those related to special education and after-school programming, are not eligible for reimbursement, RSDs already have incentives to watch overall costs closely. In fiscal year 2016, RSDs experienced a collective shortfall of \$14.4 million in this category.<sup>16</sup>

- In past studies, DLM has discussed the impact of transportation requirements imposed on public school districts by the federal government's 1987 McKinney-Vento Homeless Assistance Act, which the State Auditor determined in 2011 to be an unfunded mandate eligible for full reimbursement from the state.<sup>17</sup> Like regular regional transportation reimbursements, McKinney-Vento reimbursements are subject to legislative appropriation, and they too fluctuate from year to year without ever being fully funded. In fiscal year 2016, the shortfall in this category was more than \$686,000.

The resulting uncertainty from year to year about the level of transportation cost reimbursement makes budget planning difficult for RSDs—and the ongoing failure to fully reimburse costs is a perennial sore spot with RSD member communities, some of which have threatened to reject RSD appropriations in protest of the continuing shortfalls in promised or mandated aid.<sup>18</sup>

### ***3. Special Needs, Charter School Tuition Reimbursement, and Chapter 70 Formula Funding Challenges***

In addition to the shortfalls in transportation reimbursements, RSDs face funding shortfalls in a number of other areas. These financial constraints are not exclusive to RSDs and are shared by all Massachusetts districts. However, they play a significant role in the overall funding challenges faced by most RSDs:

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16. DESE interview

17. Determined by the State Auditor in 2011 to be an unfunded state mandate under the terms of subject to the Local Mandate Law, G.L. c. 29, § 27C. <http://www.mass.gov/auditor/docs/dlm-mandate/2012/020712-mckinney-vent-letter.pdf>

18. RSD Bus Manager Interview Notes

- RSDs and other districts face high and growing costs for out-of-district placements for some students with special needs. Starting in fiscal year 2004, the state began the Special Education Circuit Breaker, which provides partial reimbursement for these costs once they exceed four times the district's per pupil Foundation Budget figure. Currently, this reimbursement is not funded at the full amount.<sup>19</sup>
- In addition, districts lose Chapter 70 aid to charter schools for transferring students. This transfer of students and funds can result in the loss of significant aid to education without a corresponding reduction in fixed or variable costs in the districts underwriting the transfers. As is the case with transportation expenses for the highest-cost special needs students, the legislature also is not fully funding a statutory reimbursement model designed to cushion the financial impacts experienced by school districts in the early years of a student's transfer from a traditional public school to a charter school. In fiscal year 2016, the charter school reimbursement shortfall for all RSDs totaled \$1.88 million.
- Finally, the Legislature's Foundation Budget Review Commission has described how the current school-funding formula shortchanges districts due to outdated assumptions about spending on special education, as well as the rising costs of health insurance as part of teacher and staff compensation.<sup>20</sup> While there are no solid estimates of the financial impact of the deficiencies in the formula on RSDs, it should total well into the tens of millions of dollars per year.

Combining the numbers from Sections 2 and 3 above, the statutory shortfalls impacting RSDs totaled nearly \$17 million in fiscal year 2016. Details by district are shown in Appendix C's Table C6. The work of the Foundation Budget Review Commission highlights an additional and significantly larger gap.

#### ***4. Governance Structures and Consolidation***

Discussions with stakeholders in the public education community suggest that there are also significant political and statutory challenges to further regionalization of schools. As mentioned above, the model of institutional sovereignty for regional schools has resulted in governance systems that differ from municipal districts and, in some cases, create unintended roadblocks to further regionalization and to

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19. <http://www.doe.mass.edu/finance/circuitbreaker/finance.html>

20. (Commission 2017)

the efficient operation of existing RSDs. A review of regional district agreements<sup>21</sup> suggests that communities are usually willing to cede some control over secondary schools (for grades 7–12 or 9–12) but are consistently more protective about maintaining control and location of elementary schools at the municipal level. This pattern is consistent whether communities regionalize solely at the high school level or craft agreements for K–12 districts that require RSDs to preserve local elementary schools in all or most member towns, even as enrollments dwindle.

The closing of neighborhood elementary schools remains a difficult and controversial issue. Additionally, while money can be saved through consolidation, it often adds transportation time for students and new costs for districts. Even though there is no direct research on the topic of student performance and the amount of student time spent in daily bus travel, several studies indicate that lengthy bus journeys can have an impact on student learning—perhaps due in part to some students having to rise at an earlier hour, and to possible health effects of exposure to vehicle fumes.<sup>22</sup> The rise in transportation costs (as shown in Appendix C) and the gap in state reimbursements (as previously discussed) also reduce the financial benefit of consolidating schools.

### ***5. Other Changes in State Aid and Oversight***

Prior to the passage of education reform in the 1990s, there were other types of state aid intended to encourage regionalization.<sup>23</sup> To this day, the state continues to provide “bonus aid” to newly formed RSDs for their first five years of operation. This remains an important consideration because G.L. c. 71, § 42B requires that school personnel whose positions were superseded by the establishment of a regional school district must be placed on a district salary schedule, and that the compensation received will not be less than the compensation the employee received while previously employed in the municipal district. Therefore, newly formed regional districts must align district-wide teacher pay at the level set by the most generous participating community; the bonus aid helps with that transition. There are also ongoing state benefits for RSD building projects. With the absence of earlier forms of assistance, some momentum was lost in regionalization efforts. However, the state has engaged in other efforts to encourage planning and execution of regionalization agreements. In fact, from 2009 through 2010 the state issued 22 grants to examine the start of regionalization or its expansion among school districts.

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21. For example, the Wachusett Regional School Agreement dated 2017, as well as agreements for Ayer-Shirley, Acton-Boxborough and Manchester-Essex.

22. (Nguyen-Hoang 2017)

23. (Carleton, Lynch and O'Donnell 2017)

There is also positive involvement by the Massachusetts School Building Authority (MSBA) to encourage regionalization. For example, in the case of Harwich and Chatham (Monomoy RSD), the MSBA played an important role encouraging two adjacent towns to combine their proposed high school building projects. By agreeing to regionalize their 8–12 education programs, the towns received an additional six percentage points of school building reimbursement and saved the cost of an additional second secondary school in the area. A similar pattern was repeated with Somerset-Berkley High School as its officials contemplated school construction and then regionalization.<sup>24</sup> The MSBA’s involvement offers a positive set of incentives from a state-level funding agency that helps districts understand the relative advantages of different approaches. However, without more incentives and positive guidance of this type, stakeholders doubt that much additional regionalization will occur. Among smaller districts there is a fear that DESE will again seek authority to dictate consolidation in an effort to force districts with declining enrollments to regionalize.<sup>25</sup>

DESE performs some oversight of districts today. The “district reviews” are prepared annually by the Office of District Reviews and Monitoring and are organized into five “accountability and assistance” levels, with Level 1 as the highest ranking.<sup>26</sup> DESE prepares two types of report: one is a targeted review for those districts at a Level 2 rating. Districts in Level 3 or 4 participate in a more intensive comprehensive review. The goal is to help those districts with performance issues receive coaching and technical assistance. While the reports are oriented toward instructional and curriculum evaluations, they also look at district governance. In the case of the Whitman-Hanson RSD review from 2014, for example, DESE commented on the budget process and the relationships between the regional school committee and the town leadership. Ironically, that report points to the challenges the district has in raising its per-pupil spending on education but does not comment on any of the state-created limitations discussed above.<sup>27</sup>

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24. <http://www.mass.gov/edu/docs/ese/accountability/district-reports/nolevel/somerset-district-review-report-2016.pdf>

25. See list of stakeholder interviewees in Appendix A.

26. All Massachusetts districts and schools with sufficient data are classified into one of five accountability and assistance levels, with the highest-performing in Level 1 and lowest-performing in Level 5. In general, a district is classified into the level of its lowest-performing school, unless the district was classified into Level 4 or 5 as a result of action by the Board of Elementary and Secondary Education. Massachusetts uses the Progress and Performance Index (PPI) to assess the improvement of each district and school toward its own targets. The PPI combines information about narrowing proficiency gaps, growth, and graduation and dropout rates into a single number.

27. (M. D. Education, Whitman-Hanson District Review n.d.)

For this study, DLM has looked for other potential RSD governance issues by performing an analysis of the Proposition 2½ override database compiled by the Massachusetts Department of Revenue’s (DOR’s) Division of Local Services, which includes over 5,900 records going back to 1988. DLM sorted all of the entries based on identifying language related wholly or in part to “education” or “schools.” The list was further narrowed to include only operating overrides. The result was a narrower list of 1,462 such votes since 1988. Of those, roughly half were related to 101 communities that are members of regional school districts, while the remainder were spread out over 167 municipalities with their own local school districts. This data indicates that communities within RSDs have resorted to proposed overrides with significantly greater frequency than municipalities that are not RSD members. The pattern is even more pronounced if the focus is narrowed to overrides proposed since 2001. Of the 615 operating override votes in that more recent period, RSD member communities represented 52%, or 325.

When asked why this might be the case, stakeholders have pointed to an important difference in budget process between RSDs and municipal districts: in municipal districts, the typical approach is for the chief executive<sup>28</sup> to come up with the budget projections for the next fiscal year and to work with other community leadership (school committee, select board, and finance committee) to allocate available funds among the various town functions. Given the authority of the chief executive in each type of community, this approach to budgeting usually results in a relatively straightforward process of projection and negotiation. In RSDs, however, the system is different: the regional school committee, working with the superintendent, determines the RSD budget without reference to competition for funds from municipal services. The committee then decides how to allocate the resulting budget amount among the district’s member communities. The school committee votes (composition and weighting can vary from district to district), and a majority approves the budget. This approach gives more authority to RSDs over their budgets (though not over their revenue sources) but it can often result in deep conflict over resource allocation for non-educational services within member municipalities. This drives communities to the ballot box for more frequent relief from the property tax limits of Proposition 2½.

The complex system for calculating Foundation Budgets and Chapter 70 school aid is just one component in the overall process of determining state and local shares in funding public schools. For

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28. Depending on the form of government the chief executive for a municipality can be a mayor, town manager, town administrator, or board of selectmen. [http://profiles.doe.mass.edu/state\\_report/accountability.aspx](http://profiles.doe.mass.edu/state_report/accountability.aspx)

RSDs, there is another step: the assignment of a local assessment to each of the individual member communities. While the Chapter 70 aid formula is calculated in part by “ability to pay” based on community income and property values, the local assessment for RSD member communities—the actual amount that each member municipality must contribute annually to the district budget—is driven by the relative student enrollment numbers for each member community. Because each member community has a different tax rate, this process can (and does) lead to situations in which taxpayers in the same RSD but in different member towns may own similarly priced homes but end up paying significantly different amounts to support their community schools. In the case studies below and the “Findings and Policy Recommendations” section, we discuss this issue further, as well as describing an alternative approach: levying a unified single tax rate across all member communities within the same RSD.

### ***6. Additional Concerns in Regions with Declining Populations***

Due to limited municipal tax bases, increases in the average age of residents and marked declines in overall population, some RSD member communities (notably towns in more rural area of central and western Massachusetts) are facing urgent issues regarding enrollment, school capacity, and consolidation. In recent years, there have been comprehensive efforts to examine broader regionalization efforts at the county level in Hampshire and Franklin Counties. A fall 2016 report examining the opportunities for further regionalization in Berkshire County describes the dual challenges of falling enrollments and rising costs. The report points to growth in resource-intensive student populations, as well as rising expenses related to compensation and benefits. The report also indicates low expectations for broader regionalization while identifying a need for actions to conserve resources. The follow-up in Berkshire County involves efforts to examine ways to share more resources across district boundaries and, eventually, to further consolidate current school districts. Berkshire County has now completed two studies to examine the potential combination of existing regional and municipal schools into one or more “super districts” in order to achieve economies of scale.<sup>29</sup> The proposal to close the Heath Elementary School in the Mohawk Trail RSD shows the challenges faced by districts with declining populations of school-aged children. In that case, resolution of issues presented by the regional agreement and conflicting local sentiments required special legislation.<sup>30</sup>

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29. (Levine 2016)

30. <http://www.recorder.com/Heath-Annual-Town-Meeting-9713323>

RSDs must not only worry about the logistical issues in closing schools, but must also consider whether closures will incur financial penalties. If an RSD has received a grant from the MSBA or its predecessor to build a school facility, an RSD may be required to pay back part of its grant funding. The MSBA's legal authority to recapture its financial assistance in this way stems from Massachusetts General Law 70B, Section 15. The MSBA's regulations state that it may choose to recapture a portion of the financial assistance if an authorized project is sold, leased, or removed from service but has not met the 50-year service requirement.<sup>31</sup> However, the MSBA stated that it uses a 20-year service life requirement as opposed to the regulatory 50-year service requirement. Nevertheless, the MSBA does not provide school districts with any criteria to determine whether it will choose to recapture or forgive a school district for closing a facility before the end of its useful life. The MSBA requires a school district to notify it in writing about the district's plan to close a school facility, and only after MSBA receives a request will it make a determination.<sup>32</sup>

## ***7. Increasing Transportation Costs***

Not only is the Commonwealth underfunding its statutory commitment to 100% reimbursement of most RSD transportation expenses,<sup>33</sup> but, at the same time, the statewide total for all types of RSD transportation costs (including "yellow bus," special education, and out-of-district) has been rising in recent years (approximately 10% between 2010 and 2016). However, the rate of increase has varied widely among individual RSDs; due to declining enrollments, some districts have seen lower total expenses even as per-pupil costs have gone up. In interviews, RSD business officers cited the absence of multiple bids on transportation contracts (often only one bid is received) as a common and recurring issue. In an effort to develop more competitive bidding, Gateway RSD, for example, is eliminating a requirement that bidders have a garage facility within the district. Since 1991, the Lower Pioneer Valley Educational Collaborative has helped managed transportation costs by providing nonprofit bus service for its seven member districts, which include the Hampden-Wilbraham and Southwick-Tolland RSDs.<sup>34</sup>

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31. 963 C.M.R. 2.21(2).

32. 964 C.M.R. 2.21 (1).

33. See the "State Reimbursement for Transportation" section.

34. RSD Bus Manager Interview Notes

## **8. Summary**

There is a wide and diverse range of fiscal challenges facing the Commonwealth's RSDs and their member communities. While some of the concerns, including state aid to education, cost reimbursements, and enrollment declines, are general, others are more specific to particular districts and geographic regions. Small and declining enrollments are a source of nearly universal concern for western Massachusetts RSDs; governance structures and budget cooperation are primary issues there and elsewhere in the state.

While the mix of budget constraints is different for each RSD, the effect is the same: unable to reduce many of their fixed, mandated operating costs (transportation, employee pension and health insurance costs, special education costs, etc.), districts must resort to reducing curriculum support and enrichment programs, the adoption of new textbooks, the provision of elective courses, after-school activities, and fine arts curricula.<sup>35</sup>

In the following section we discuss the legal framework and challenges for RSDs. We conduct some additional statistical analysis showing deficiencies in various state programs and offer more details on enrollment and per-pupil expenditures. We then provide input from the districts themselves as a result of structured interviews with school district officials, school committee members, and municipal leaders.

## **Legal Framework**

### **1. Historical Origin of Regional Schools**

Since the mid-1800s, Massachusetts has authorized the formation of regional schools. In 1848, Massachusetts gave two adjacent towns the authority to form a regional high school.<sup>36</sup> In 1888, Massachusetts expanded school regionalization allowing two or more towns, meeting certain criteria, to jointly employ a superintendent of schools.<sup>37</sup> However, it was not until 1949 that Massachusetts developed a robust statutory framework to authorize and regulate the formation, governance, legal status, and powers of regional school districts.<sup>38</sup>

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35. For example, see the Wachusett Regional School District snapshot.

36. St. 1848, c. 431.

37. St. 1888, c. 431.

38. St. 1949, c. 638.

## ***2. Formation of a Regional School District***

Regional school districts are formed through the joint efforts of municipalities.<sup>39</sup> The state's purpose in authorizing RSDs is to provide a mechanism for municipalities to jointly provide educational services where doing so on an individual level would be burdensome or would reduce the amount or quality of educational services provided.<sup>40</sup>

The procedures for forming and regulating regional school districts are described in statute. In determining whether to form an RSD, interested municipalities must create an RSD planning board.<sup>41</sup> The RSD planning board comprises the municipal RSD planning committees.<sup>42</sup> The RSD planning board's purpose is to study the fiscal and educational benefits of forming an RSD.<sup>43</sup>

If an RSD planning board recommends that an RSD should be established, it must develop a proposed agreement setting forth

1. the number, composition, method of selecting, and terms of office for regional school committee members;
2. the towns or general area of the proposed RSD;
3. the type of regional district school or schools to be formed;
4. how expenses will be allocated among members;
5. how school transportation will be provided;
6. terms by which municipalities may be admitted to or separated from the district;
7. the method by which the RSD agreement can be amended;
8. procedures for preparation and adoption of an annual budget; and
9. any other matters deemed necessary.<sup>44</sup>

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39. Statutorily, only towns are authorized to form regional school districts. The Supreme Judicial Court held that the Legislature can extend the benefits of school regionalization to cities. Opinion of the Justices to the Senate, 386 Mass. 1201, 1217, n. 9 (1982).

40. Rep. A.G., Pub. Doc. No. 12 at 126 (1962), *available at* <http://archives.lib.state.ma.us/bitstream/handle/2452/43652/ocm01756784-1962.pdf?sequence=1&isAllowed=y>.

41. G.L. c. 71, § 14.

42. G.L. c. 71 § 14.

43. G.L. c. 71, § 14A.

44. G.L. c. 71, § 14B.

Once the agreement is drafted, the RSD planning board must submit copies of the agreement to the Department of Education and the board of selectmen or town council in each of the prospective member towns.<sup>45</sup> Once the selectmen or council receives the agreement, the selectmen or council must present the matter at town meeting or other legislative body.<sup>46</sup> The RSD will be deemed established if a majority of the voters in the towns votes to approve it.<sup>47</sup>

### ***3. Power and Authority***

An RSD is a body politic and corporate, with all the powers conferred by law on a municipal school committee.<sup>48</sup> In addition to those powers, RSDs also have the power to adopt a name and corporate seal, sue and be sued, acquire property, incur debt for statutorily specified purposes, issue bonds and notes, receive and disperse funds for district purposes, assess member towns, receive grants or gifts, engage legal counsel, submit an annual report to member communities, employ a superintendent of schools, and adopt an annual budget.<sup>49</sup> However, RSDs do not have any taxing authority and rely solely on the Commonwealth and their member communities for revenue.

### ***4. Modifications and Changes to Regional School Agreements and Membership***

When an RSD is considering modifying the membership of the region, it must obtain the Commissioner of Education's approval.<sup>50</sup> DESE will convene a reorganization needs conference to consider the long-range education plan for the district, including, but not limited to, expected educational benefits, current and projected enrollments, an inventory of existing educational facilities (current and proposed), construction efficiencies, the administrative structure, fiscal benefits, geographical and physical characteristics, and transportation economies.<sup>51</sup>

Modification of regional school agreements, including the withdrawal or addition of a member community, changes in member assessments, the method by which the district provides transportation, and so forth, are determined by the regional agreement. Modifications to the agreement must comply

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45. G.L. c. 71, § 14B.

46. G.L. c. 71, § 15.

47. G.L. c. 71, § 15.

48. G.L. c. 71, § 16.

49. G.L. c. 71, § 16.

50. 603 CMR 41.02 and 41.03.

51. 603 CMR 41.02(2).

with the provisions laid out in the regional agreement (some may require unanimous assent of member communities) and receive the approval of the Commissioner of Education.<sup>52</sup>

### ***5. Statutory Encouragement and Discouragement of Regionalization***

Some elements of the current statutory and regulatory structure encourage municipalities to regionalize their education systems; other aspects discourage regionalization initiatives. In order to form an RSD, municipalities must give up some autonomy. This power shift occurs in several ways. One example is budget adoption; the regional school committee proposes the budget and notifies the member municipalities of their share of expenses.<sup>53</sup> While municipalities retain some control over the budgetary process (in that the final budget requires approval by two-thirds of the member municipalities through their legislative bodies), a member municipality may still be obligated to pay for budgetary expenditures with which it disagrees once two-thirds of an RSD's member towns have approved the district budget,<sup>54</sup> Moreover, once a municipality becomes a member of an RSD, it cannot simply withdraw from the district should it desire to do so; it must comply with the terms of the regional agreement and receive permission from the Department of Education.<sup>55</sup> Most, if not all, regional agreements also require unanimous approval for the withdrawal of a member community, which in practice makes it nearly impossible for a municipality to withdraw from an RSD once it has joined.

As mentioned in the previous section, regional schools are obligated to provide transportation to students in kindergarten through grade 12, while municipal school districts are only required to provide transportation to students in kindergarten through grade 6. Inconsistent funding of the regional school transportation reimbursement discourages some municipalities from joining or forming an RSD because the fiscal uncertainty makes budgeting difficult. (On the other hand, the fact that RSDs must pay a portion of their own transportation costs has driven some districts, especially those in western Massachusetts with declining enrollments, to remain vigilant about opportunities to manage transportation costs through more efficient vehicle and route management.)<sup>56</sup>

The state encourages the formation of regional districts by offering small incentives to regionalize. The state provides recently formed RSDs (those formed after 1993) with regional bonus aid for the five fiscal

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52. G.L. c. 71, § 14B and 603 CMR 41.03(4).

53. G.L. c. 71, § 16B.

54. G.L. c. 71, § 16B.

55. G.L. c. 71, § 14B(f); 603 CMR 41.03(2)(a).

56. RSD Bus Manager Interview Notes

years following the establishment of the RSD.<sup>57</sup> Regional bonus aid starts out at \$50 per foundation enrollment and decreases \$10 per year in each subsequent year until it reaches zero.<sup>58</sup>

## **6. Superintendency Unions**

While technically not RSDs, superintendency unions offer a governance model that allows two or more towns to share a superintendent and central office staff.<sup>59</sup> Superintendency unions are governed by a joint union school committee comprising three members from each of the member school committees.<sup>60</sup> The joint union school committee determines the annual cost of the superintendent and central office staff and apportions the costs among the member communities.<sup>61</sup> A town may only end its participation in a superintendency union in order to form an “innovation school” district<sup>62</sup> and must do so by a majority vote of the school committee.<sup>63</sup> There are currently 16 superintendency unions that serve 50 municipalities and 15 regional school districts.<sup>64</sup> The superintendency unions that coincide with RSDs tend to provide administration of elementary schools as opposed to secondary grades.

## **Statistical Analysis**

As mentioned above, overall enrollment in Massachusetts public schools has declined over the decade ending with the 2015–2016 school year. Statewide the number drifted down 1.62%, from 967,599 in the school year ending 2007 to 951,951 in the school year ending 2016. These totals represent students in the full variety of municipal, regional, vocational and charter schools operated under state education requirements. By contrast the state’s 58 academic RSDs have seen a decline in enrollment of 10.5%. The numbers shown in Appendix C required some manipulation, as there were new districts and changes in district memberships during this period. For recently formed districts, such as Monomoy or Somerset-Berkley, we used the combined enrollments of the two communities for comparison across the decade. Enrollment trends and totals vary from district to district. The decline in enrollments in western

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57. G.L. c. 71, § 16D(g).

58. G.L. c. 71, § 16D(g).

59. G.L. c. 71, § 61.

60. G.L. c. 71, § 63.

61. G.L. c. 71, § 63.

62. Dep’t of Elementary and Secondary Education, School Redesign: Innovation Schools, *available at* <http://www.doe.mass.edu/redesign/innovation/>

63. G.L. c. 71, § 61.

64. Dep’t of Elementary and Secondary Education, Towns and Regional School Districts that Employ the Same Superintendent, *available at* <http://www.doe.mass.edu/finance/regional/list-unions.xlsx>

Massachusetts, particularly in Berkshire and Franklin Counties, means that even geographically large RSDs are serving diminishing numbers of students.

RSDs at or below the average size of a regional district tend to have higher per-pupil expenditures. As pointed out above, this means that optimum economies of scale are not being realized in most regional schools. RSDs such as Berkshire Hills at 1,300 students, Central Berkshire at 1,625, Southern Berkshire at 764, Gateway at 874 and Gill-Montague at 947 are examples of small-enrollment districts. The data in Appendix C shows enrollment and per-pupil expenditure for in-district services. The correlation run against the RSD data showed a strong negative relationship between per-pupil expenditure and enrollment: the larger the enrollment, the lower the per-pupil costs. No such correlation exists for municipal districts, which enjoy a higher average enrollment than do RSDs.

Transportation costs and reimbursements play an important role in the fiscal health of RSDs. Appendix C includes a table showing the changes in costs from 2010 to 2016. Some changes are outside the trends. For example, Acton Boxborough further integrated from secondary-only to full K–12, so they experienced higher transportation costs for the added number of students (displacing costs that were previously the responsibility of the member municipalities). Wachusett changed how it was calculating certain costs during this period, which drove down its expenses. Other districts have seen changes as a function of enrollment and also when the contracts for “yellow bus” and special education transport expire and are re-bid.

## **Regional School District Snapshots**

### ***1. Introduction***

The Commonwealth’s RSDs vary widely in physical size, type and size of enrollments, governance agreements and distribution of decision-making authority, local funding structures, wealth of member communities, and a host of other metrics. Some fiscal and operating challenges (and their solutions) are widely shared among RSDs; others can be unique and specific.

In order to better understand the interplay of demographic, economic, political, and logistical factors in defining issues and opportunities for RSDs, and in order to develop common themes and solutions that may be applicable to multiple RSDs across Massachusetts, this study augments statewide statistical analysis with snapshots of three specific RSDs that present significantly differing profiles.

One of these districts, Groton-Dunstable Regional School District (GDRSD), was selected in part because of a 2016 request from district officials to the Office of the State Auditor for a review of major financial factors affecting RSDs, including

- underfunded transportation reimbursement payments;
- costs for educating students whose families live on tax-exempt property; and
- unanticipated midyear cuts to already appropriated state aid, rescinded by sitting governors as emergency budget-balancing measures under Section 9C of Chapter 29 of the Massachusetts General Laws.<sup>65</sup>

GDRSD is also a good example of a consolidated two-community RSD that operates local schools for pre-kindergarten through grade 4 in both municipalities plus a regional middle school and regional high school for grades 5–12.

Another district, Wachusett Regional School District (WRSD), was selected in part because the Office of the State Auditor had already developed some familiarity with its financial circumstances. In 2014, at the request of WRSD officials, the Auditor conducted “an attestation review of WRSD’s cash activity and cash flow trends for the period July 1, 2010 through June 30, 2013, to determine whether the district could have operated without using revenue anticipation notes (RANs) to finance some of its operations.” The Auditor found that in the period of fiscal years 2011 through 2013, “WRSD could have operated without issuing annual RANs and saved \$476,722 in interest and other costs associated with using RANs during the period covered by our review, if it had received its community assessment funding earlier in the fiscal year.”<sup>66</sup> The study has led to proposals now under consideration by member communities to vary the timing and increase the frequency of assessment payments to the district.<sup>67</sup> Wachusett is a good example of a K–12 RSD serving three or more communities (in this case, five: Holden, Paxton, Princeton, Rutland, and Sterling) with a large and growing enrollment.

The third district selected for a closer examination was Berkshire Hills Regional School District (comprising the towns of Great Barrington, Stockbridge, and West Stockbridge), which exemplifies many of the characteristics of geographically expansive western districts with smaller enrollments. Berkshire Hills is also noteworthy in that it shares its superintendent and several key central office staffers with

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65. Kristan Rodriguez et al to State Auditor Suzanne Bump, November 21, 2016

66. <http://www.mass.gov/auditor/docs/audits/2014/2014213215c.pdf>

67. <http://www.thelandmark.com/articles/changes-proposed-to-the-regional-agreement>

the adjacent Shaker Mountain School Union servicing the towns of Richmond, Hancock, and New Ashford.

In addition to data compiled by the districts and reported to DESE and DOR, these snapshots are based on interviews conducted with a range of officials and stakeholders from each district, including superintendents, business officers, school committee members, and town officials.<sup>68</sup>

## 2. RSD Snapshot: Groton-Dunstable Regional School District

<b>Year Established:</b> 1967	<b>Communities Served:</b> Towns of Groton and Dunstable
<b>Grades Served:</b> K–12	<b>Schools (Name, Location):</b> <ul style="list-style-type: none"> <li>• Boutwell Early Childhood Center (Groton)</li> <li>• Florence Roche Elementary School (Groton)</li> <li>• Swallow Union Elementary School (Dunstable)</li> <li>• Groton-Dunstable Regional Middle School (Groton)</li> <li>• Groton-Dunstable Regional High School (Groton)</li> </ul>
<b>Facilities Owned:</b> Groton-Dunstable Regional High School	<b>Facilities Leased:</b> All facilities, except the high school, leased from respective towns
<b>Total enrollment in 2006–07:</b> 2,937	<b>Total enrollment in 2016–17:</b> 2,380
<b>Total Budget FY 2017:</b> \$33 M	<b>Total Chapter 70 State Aid, FY 2017:</b> \$10.7 M
<b>Total Regional Transportation Reimbursement, FY 2016:</b> \$742 K, 73%	<b>Total McKinney Vento Reim, FY 2016:</b> \$12,938
<b>Total Transportation Budget:</b> FY 2010: \$924 K, FY 2016: \$1.016 MM	
<b>Type of Governance (size and weighting of school committee):</b> <ul style="list-style-type: none"> <li>• 5 Members from Groton, 1.25 votes each</li> <li>• 2 Members from Dunstable, 1.0 votes each</li> </ul>	<b>Last Year Governance Agreement Amended (including description of changes made):</b> 2016; major changes (see <a href="http://gdrsd.org/wp-content/uploads/RAAC-Amendment-B1-2-9-16.pdf">http://gdrsd.org/wp-content/uploads/RAAC-Amendment-B1-2-9-16.pdf</a> )
<b>School-Related Proposition 2½ Override Votes in Member Communities by Year:</b> <ul style="list-style-type: none"> <li>• Dunstable: 1991, 1991, 1992, 1994, 2003 and 2017</li> <li>• Groton: 1994, 1999, 2004, 2004, 2007, 2009, 2017 and 2017</li> </ul>	

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68. See Appendix A

**Issues and Observations:**

Groton-Dunstable Regional School District is a midsize district overall, but with large disparities in size (population and tax base) between the two member communities. The district has suffered a significant decline in enrollment as parents have opted for other choices for their children. The town of Groton supplies a large majority of the district’s students, population, and property wealth. The district has been hard-pressed to meet the educational demands of the member communities, leading to frequent Proposition 2½ override attempts.

Unplanned fluctuations in assessments leave the communities in a difficult position with respect to municipal finances. For example, in the 2016-2017 school year, Dunstable added 13 students to the district’s total enrollment, while Groton’s contribution declined by 8, causing a significant increase in the Dunstable assessment. In the past year, there has been a transition in leadership, with a new Superintendent starting July 2017. The district has benefitted from a collaborative budget process during this last cycle, but prior years were cited as marked by conflict. Budget collaboration is an important theme across districts and one that is encouraged by DESE.

According to the analysis of the ratio between dollars spent on regional schools and total taxable property there is a significant disparity between the amounts of RSD support given through the tax rates of the two towns.<sup>69</sup> As shown in Appendix C, the totals vary, from \$6.15 per thousand in Groton and \$11.72 per thousand in Dunstable. A unified, single rate would be at \$7.46 per thousand.<sup>70</sup> This creates tension between the communities and harms cooperation, as the assessments are based on enrollment rather than ability to pay. Further, assessments can vary significantly for a small town like Dunstable based on small changes in enrollments. They are also hurt in the area of school aid, as the income in the town can change significantly due to an occasional large swing in the income of one or more families whose revenues vary from year to year.

**DOR Income Per Capita for Dunstable**

Year	Mean Income
2018	\$52,508
2017	\$86,980
2016	\$48,918
2015	\$60,690

While these measures may be smoothed through rolling averages, the Commonwealth’s interests might best be served by a formula that uses median family income rather than average family income.

Concerned with the issues surrounding regional school finance, Dunstable has examined the possibility of leaving the district. Under Massachusetts General Law this is a difficult process, as it requires the assent of all communities. Some leaders in Dunstable are still interested in the possibility.

The district also faces an unusual but not unique situation in which some of the students attending district schools are the children of faculty who live on the campuses of two private schools in the town of Groton. Neither the parents of these children nor the tax-exempt school campuses on which they reside make any contribution to local property tax revenues. While the enrollment of these students does result in a modest increase in Chapter 70 aid from the state, the lack of property tax receipts from the parents or their tax-exempt employers increases the financial burden on the rest of the district’s taxpayers.<sup>71</sup>

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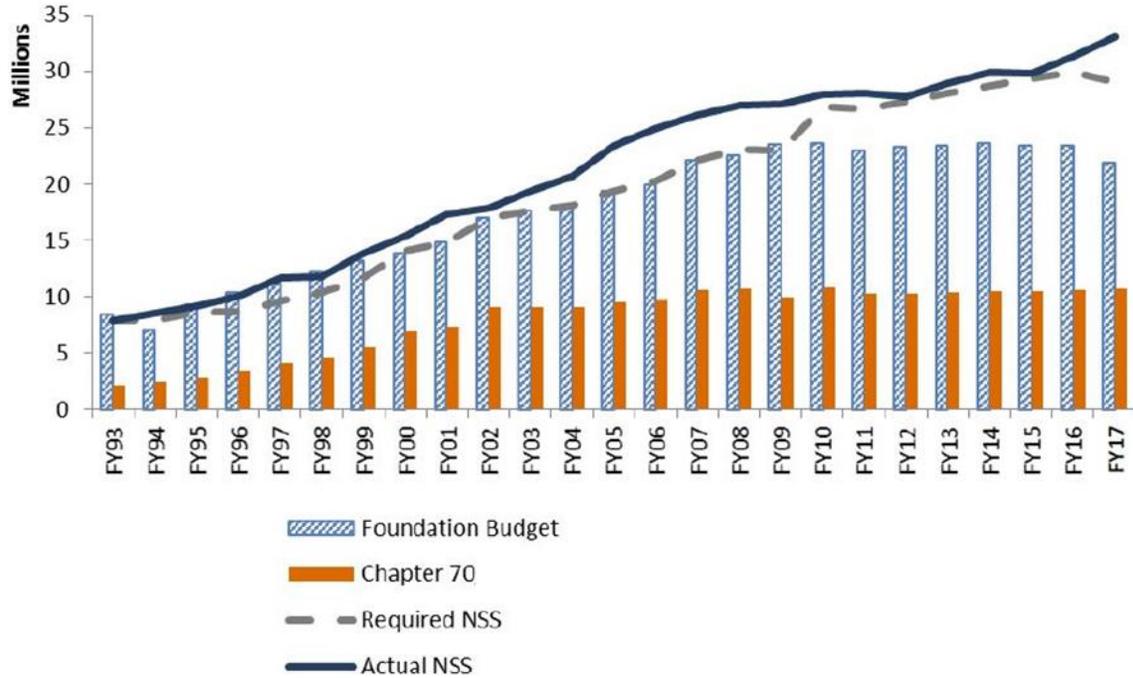
69. (Elitzer 2017)

70. See Finding III, below.

71. Rodriguez et al to Auditor Bump, op. cit. In the 2015-16 academic year, 23 GDRSD students fell into this category

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The chart below shows the change over time of the district’s Foundation Budget, Chapter 70 aid, required net school spending (NSS), and actual NSS from DESE district profiles. Actual spending has increased while Chapter 70 aid has stagnated during the period.



Source: Data from the 2017 DESE Chapter 70 Profile

### 3. RSD Snapshot: Berkshire Hills Regional School District

<b>Year Established:</b> 1965	<b>Communities Served:</b> Towns of Great Barrington, Stockbridge, and West Stockbridge
<b>Grades Served:</b> K–12	<b>Schools (Name, Location):</b> <ul style="list-style-type: none"> <li>• Muddy Brook Elementary School</li> <li>• Monument Valley Regional Middle School</li> <li>• Monument Mountain Regional High School</li> </ul> (All RSD schools are located in Great Barrington)
<b>Facilities Owned:</b> All owned by RSD	<b>Facilities Leased:</b> None
<b>Total Enrollment in 2006–07:</b> 1,149	<b>Total Enrollment in 2016–17:</b> 1,063
<b>Total Budget FY 2017:</b> \$20.7 M	<b>Total Chapter 70 State Aid, FY 2017:</b> \$2.8 M
<b>Total Regional Transportation Reimbursement, FY 2016:</b> \$627 K, 73%	<b>Total McKinney Vento Reim, FY 2016:</b> \$0
<b>Total Transportation Budget:</b> FY 2010: \$945 K, FY 2016: \$859 K	
<b>Type of Governance (size and weighting of school committee):</b> <ul style="list-style-type: none"> <li>• 5 Members from Great Barrington</li> <li>• 3 Members from West Stockbridge</li> <li>• 2 Members from Stockbridge</li> </ul> District-wide voting; all votes weighted equally	<b>Last Year Governance Agreement Amended (including description of changes made):</b> 2017, 1990
<b>School-Related Proposition 2½ Override Votes in Member Communities by Year:</b> <ul style="list-style-type: none"> <li>• Great Barrington: 1991</li> <li>• Stockbridge: 1991</li> <li>• West Stockbridge: 1989, 1990, 1990, 1991 and 1991</li> </ul>	
<p><b>Issues and Observations:</b></p> <p>The Berkshire Hills Regional School District (BHRSD) is typical of the western Massachusetts districts with declining enrollments due to population and demographic shifts. These declines mean that state aid is flat despite rising costs. This puts pressure on the budgets of the district and the underlying communities.</p> <p>The structure of BHRSD is complex, as the Superintendent simultaneously holds the position of Superintendent for the Shaker Mountain School Union just to the north of BHRSD. Additionally, BHRSD receives students from other communities that “tuition-in” to the district. While these students make up for some of the decline in enrollment, and while central office costs can be shared among a broader group of communities, neither the Shaker Mountain</p>	

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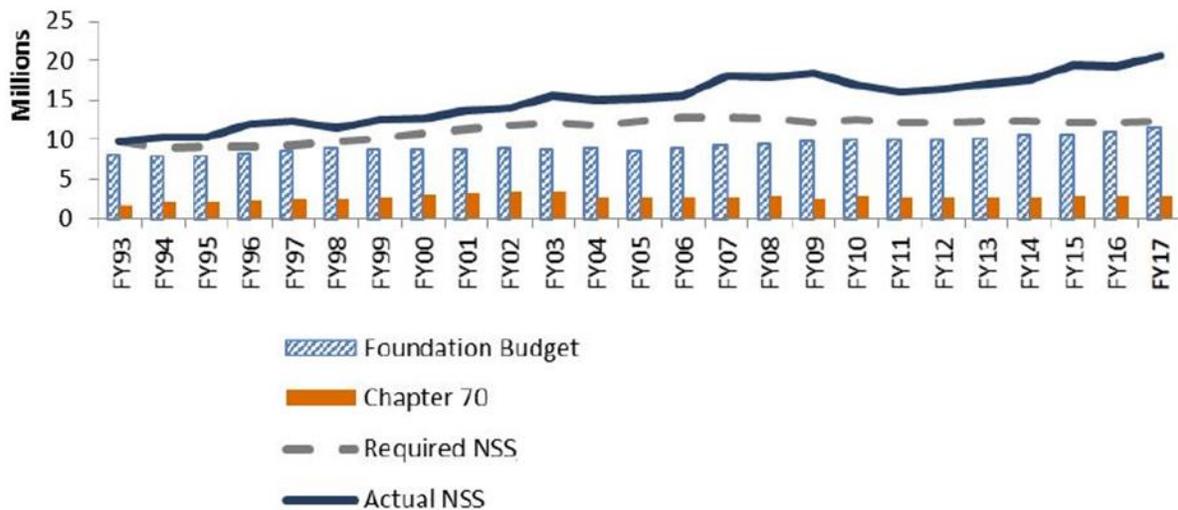
communities nor the tuition-in communities make contributions on the scale of a district’s member towns. Another nagging financial issue for the district is the loss of year-round residents as some new purchases are for second homes. (It disadvantages the communities in the Foundation Budget/Chapter 70 calculations to have higher property values but lower enrollments.)

The relative contribution of students and assessments varies among the communities. Great Barrington has the overwhelming majority of students in the district. The analysis from Chip Elitzer shows that there is a significant variation in tax assessment between communities to support the RSD.

Great Barrington is at \$10.43, West Stockbridge at \$8.10, and Stockbridge at \$3.57. A single, uniform rate would be \$7.86 per thousand. As with other districts, the disparities in tax impact cause conflict in budget and capital improvement discussions. The Superintendent has had difficulty getting agreement on a high school renovation project. However, the district has taken an important step forward in agreeing to allocate capital project assessments according to the property tax base rather than the relative enrollments from individual towns.

BHRSD has other features typical of many districts in less urban areas. There is limited access to municipal water infrastructure, so the district maintains its own water and septic systems. All schools and district administrative offices are in the largest of its member towns, Great Barrington, which provides support resources such as building inspections, health inspections, fire, police, and emergency planning services to district facilities. Stockbridge provides help with the police detail in the afternoon; Great Barrington handles it in the morning.

Data on BHRSD’s Chapter 70 aid shows a typical pattern for an RSD. Due to declining enrollment, the district has a relatively constant Foundation Budget and Chapter 70 aid. However, rising costs (more than the Proposition 2½ limit) show a rising amount of actual NSS.



Source: Data from the 2017 DESE Chapter 70 Profile

#### 4. RSD Snapshot: Wachusett Regional School District

<b>Year Established:</b> 1950	<b>Communities Served:</b> Towns of Holden, Paxton, Princeton, Rutland, and Sterling
<b>Grades Served:</b> K–12	<b>Schools (Name, Location):</b> <ul style="list-style-type: none"> <li>• Early Childhood Center (Holden)</li> <li>• Central Tree Middle School (Rutland)</li> <li>• Chocksett Middle School (Sterling)</li> <li>• Davis Hill Elementary School (Holden)</li> <li>• Dawson Elementary School (Holden)</li> <li>• Mayo Elementary School (Holden)</li> <li>• Glenwood Elementary School (Rutland)</li> <li>• Houghton Elementary School (Sterling)</li> <li>• Naquag Elementary School (Rutland)</li> <li>• Mountview Middle School (Holden)</li> <li>• Paxton Center School (K-8, Paxton)</li> <li>• Thomas Prince School (K-8, Princeton)</li> <li>• Wachusett Regional High School (Holden)</li> </ul>
<b>Facilities Owned:</b> Wachusett Regional High School, Early Childhood Center	<b>Facilities Leased:</b> All facilities leased from communities except high school and early childhood center
<b>Total Enrollment in 2006–07:</b> 6,961	<b>Total Enrollment in 2016–17:</b> 7,100
<b>Total Budget, FY 2017:</b> \$78.2 M	<b>Total Chapter 70 State Aid, FY 2017:</b> \$26.4 M
<b>Total Regional Transportation Reimbursement, FY 2016:</b> \$ 2.4 M, 73%	<b>Total McKinney Vento Reim, FY 2016:</b> \$34,686
<b>Total Transportation Budget:</b> FY 2010: \$4 M, FY 2016: \$3.3 M	
<b>Type of Governance (size and weighting of school committee):</b> <ul style="list-style-type: none"> <li>• 10 Members from Holden</li> <li>• 2 Members from Paxton</li> <li>• 4 Members from Sterling</li> <li>• 2 Members from Princeton</li> <li>• 4 Members from Rutland</li> </ul>	<b>Last Year Governance Agreement Amended (including description of changes made):</b> 2017; major changes (see <a href="http://www.wrsd.net/0516Agreement_Final.pdf">http://www.wrsd.net/0516Agreement_Final.pdf</a> )

**School-Related Proposition 2½ Override Votes in Member Communities by Year:**

- Holden: 1991, 1991, 1992, 1992, 1993, 1994 1994, 1995, 2004, 2004 and 2004
- Paxton: 1990, 1990, 1993, 1994, 1994, 1994, 2004, 2014, 2015, 2016, 2017
- Princeton: None
- Rutland: 1990, 1992, 1995, 2013
- Sterling: 1994, 1994, 1995, 1998

**Issues and Observations:**

WRSD was one of the earliest districts formed after the passage of Chapter 638 of the Acts of 1949, which helped inaugurate the modern formation of regional schools. For a long period, the district consisted of secondary grade levels only, but it now supports the full range of PK–12 education. When the district formed, it had a much smaller number of households and school-age children. Substantial population growth has made it the largest RSD in the Commonwealth, with over 7,000 students enrolled across 11 schools. Over the past decade, it has seen growth in enrollment of 1.9 %.

While the district has grown, the resources available for education have not kept pace with expenses. WRSD has one of the lowest levels of in-district per pupil expenditures in the Commonwealth. In part this is due to economies of scale, but, despite WRSD’s relatively large student population, the district and its member communities face many of the same economic and governance challenges as other RSDs across the state. Some of its member towns have larger enrollments and higher wealth and income characteristics than others. The district has had difficulty achieving consensus around the expansion of local revenues dedicated to education. While some towns with larger tax bases would be willing to spend more, member communities have negotiated budgets that result in lessened resources for the RSD. The result is fewer curriculum support resources, such as department chairs or curriculum coaches, than are found in many other school districts of similar size and complexity. Recently, the district added a deputy superintendent to support those functions. Wachusett is a good example of a multi-community district that requires an extraordinary amount of effort and resources to coordinate financial issues.

Even though Wachusett is one of the largest RSDs, it has faced enrollment declines in individual schools. For instance, the Thomas Prince School in Princeton had declining enrollment. To slow the loss of students, the WRSD made STEAM the school’s focus, which boosted enrollment temporarily due to an influx of choice students. However, this is not a permanent solution. Schools with declining enrollment cost significant resources to maintain and may not be the best use of limited financial resources.

As is usually the case for districts in this category, WRSD tries to collaborate with its communities on the budget process. The Superintendent convenes a district-wide stakeholder discussion in the fall to kick-off the budget process and holds monthly meetings with town administrators and committees during the year to discuss financial and operating issues. In interviews, policymakers at the district and community levels point to the same budget stressors found in other areas of the Commonwealth: school transportation, special education costs, and health insurance for teachers and staff. These costs are rising at a faster rate than either municipal or state revenues, putting pressure on expenditures for curriculum and instruction. For example, the leadership of the district expresses concern at the age of curriculum design and textbooks for science and math. Despite this, the district has difficulty getting the communities to agree on a budget. It is typical that the new fiscal year begins without an approved budget.

In recent years, the district has adjusted its cash flow management in order to save funds. It has increased the

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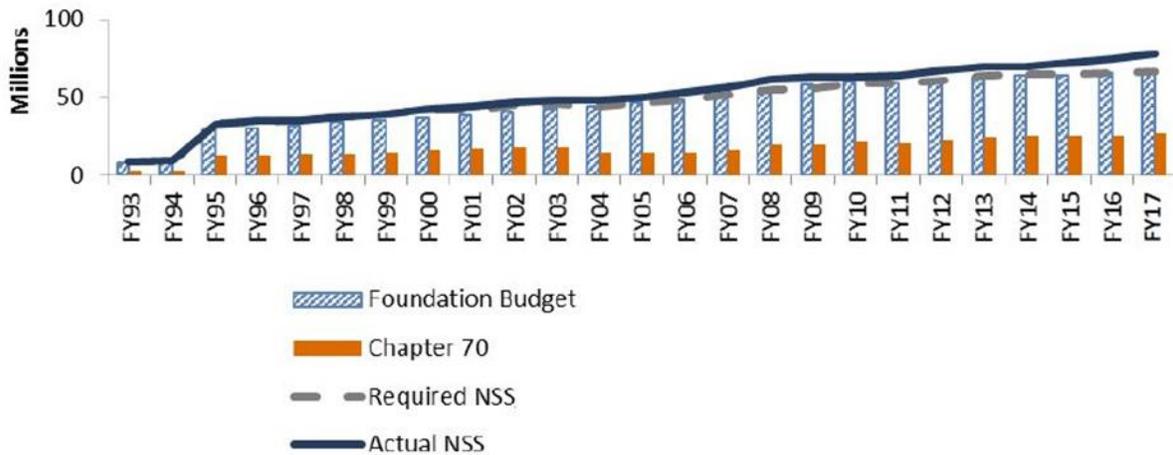
number of payments from municipalities during the year, which has saved \$250,000 in borrowing costs. The state has also moved to monthly payments of “Cherry Sheet”<sup>72</sup> funds that include Chapter 70 aid, which has contributed to improved cash flow. Like other RSDs, Wachusett also remains concerned about the lack of competition for school transportation contracts. In the most recent bidder’s conference, several firms attended, yet only one submitted a bid.

Applying the same tax rate apportionment methodology as was done by Elitzer for all districts, WRSD shows a more narrow range of per-community property rate tax impacts, clustered around a flat rate of \$12.23 based on 2017 numbers.

Town	The Calculated 2017 Education Tax Rate
Holden	\$12.53
Paxton	\$12.77
Princeton	\$10.00
Rutland	\$13.74
Sterling	\$11.18

As is frequently the case, the communities with higher property wealth but fewer children currently pay the lowest rate.

Actual NSS has a slight upward trend, greater than Chapter 70 increases.



Source: Data from the 2017 DESE Chapter 70 Profile

<sup>72</sup>. The Cherry Sheet “is the official notification from the Commissioner of Revenue of the upcoming fiscal year’s state aid and assessments to cities, towns, and regional school districts.”  
<http://www.mass.gov/dor/docs/dls/cherry/cherrysheetmanual.pdf>

## **FINDINGS AND POLICY RECOMMENDATIONS**

### **1. Structural issues in the funding of regional school districts effectively discourage further regionalization.**

Communities pick regional partners for several reasons, not the least of which is geographic proximity. But proximity does not assure uniformity: there may be marked differences between neighboring communities in terms of demographics, resources, or the priority placed on public education, making the discussion of district budgets or changes to regional agreements more difficult. Throughout the Division of Local Mandates' (DLM's) interviews with stakeholders, a major and recurring issue was that critical differences between member communities on spending and programming priorities had strained relationships across the district. Loss of municipal sovereignty—both perceived and real—by regional school district (RSD) membership often provokes efforts to protect local resources. One manifestation of concern about the loss of local control is the number of agreements that mandate the preservation of local elementary schools in each community in the district—even when enrollments at these schools reach critically low levels, causing fixed costs per pupil to soar. These requirements can place additional budgetary strains on an entire regional district already lacking resources to support essential investments in student achievement for all students in all schools.

This is one of several problems driven by the fact that many regional and municipal districts, particularly in the western part of the state, have small and declining enrollments. Because of their small size and constrained budgets, these districts have difficulty finding and affording superintendents and other central office staff. Yet central administration is a fixed cost that cannot easily be scaled back simply because a district has a small number of students. Even existing regional districts or superintendency unions may face daunting obstacles to further consolidation in order to achieve cost-effective economies of scale and to maintain the quality of academic programming and services. And in weighing further consolidation within existing RSDs—or the desirability of further regionalization across district boundaries—districts and their member communities must consider the financial impact of potential downsides, including increased distances and costs of transportation; additional complexity of district administration and governance through the addition of more towns; and the fair distribution of ongoing capital expenses and pension liabilities. Consolidation and expanded regionalization can be effective

tools for cost management and improved delivery of academic services, but they require significant planning to make new combinations successful for the students as well as the communities.

The overall budgetary and management complexity of regional districts is not a trivial issue. Districts that include multiple communities place added stress on central office staff, who are required to maintain multiple sets of fiscal and operational relationships and to work with large (sometimes unwieldy) governing bodies. Communities that, prior to joining an RSD, have assumed additional bonded debt to fund ongoing capital costs for recently-built facilities are carrying a financial burden that other district members may be reluctant to absorb.

Resource constraints, conflicts among municipal members, and a widespread perception at the local level that state policymakers are unaware of local budget issues have all combined to make the subject of RSD transportation reimbursement very sensitive for the residents and elected representatives of member towns. (While municipally-based districts do not get the same type of reimbursement, there are also fewer requirements for providing transportation to students.) Town governments frequently point to the gap between actual transportation costs and annual reimbursements (which totaled over \$14 million in 2016) as an example of the way that the state ignores its statutory obligations to support local budgets, and instead pushes municipalities to make ever-deeper cuts in their budgets—or to seek support for Proposition 2½ overrides from skeptical voters.

## Recommendations

1. If policymakers want to realize the full cost savings of potential regionalization—at both the state and local levels—the Commonwealth must provide a deeper set of incentives. The current aid formula, which calls for a sliding scale of payments over the first five years after the formation of a new district (\$50 per student down to \$0), is insufficient to encourage further movement toward reducing the number of school districts in rural areas with declining school-age populations. Because regionalization requires communities to cede some control over their local schools to a regional entity, incentives must be provided in amounts that allay and overcome the understandable reluctance at the municipal level to make the trade-off between control and efficiency. Stronger incentives would generate positive leverage to encourage larger combinations. In recent years—and as mentioned in this study in the “Special Needs, Charter School Tuition Reimbursement, and Chapter 70 Formula Funding Challenges” section—one source of positive incentives for

regionalization has been school building funding plans offered by the Massachusetts School Building Authority (MSBA). In addition, there are legislative proposals at the state level for “rural school aid” or “sparsity aid” that would complement Chapter 70 aid in order to encourage the health and growth of RSDs. These proposals offer a pathway to providing incentives that recognize the unique issues that regional districts must face in serving widely distributed rural populations.

2. The Legislature should fully fund its statutory commitment to reimburse 100% of regional transportation expenses. This is one of the top issues for all RSD stakeholders—and a major sore spot for RSD-member towns faced with growing annual assessments for education costs. The regional school transportation reimbursement is subject to appropriation under current law; in recent years, the Legislature has funded the reimbursement at 58% in 2010, 60% in 2012, and 73% in 2016. We should keep in mind that these numbers do not include any reimbursement for in-district special education transportation, which is a significant and growing portion of overall school transportation spending. We discuss the legal issues separately, but the 73% reimbursement rate for fiscal year 2016 is actually lower once districts account for the total spend. If the Legislature remains unwilling to meet the 100% reimbursement, then it should at least consider modifying existing statutes to set a consistent level of reimbursement that can be used with confidence by RSDs in their budget planning. This is a critical consideration for district and town officials alike, as budget planning starts in the fall of the school year and transportation numbers are not known until well into the state’s budget discussions in the spring. Further, the Legislature should work with the Department of Elementary and Secondary Education (DESE) on a mechanism to provide earlier and more frequent reimbursement of transportation expenditures. For example, DESE could consider making monthly or quarterly payments based on the most recent certified costs and then make adjustments in the final payments once immediately prior-year costs are certified.
3. If the Commonwealth is concerned about the lack of incentives for RSDs to cut costs of transportation, then it should consider offering an efficiency-sharing stipend (that might, in some cases, end up being greater than 100% reimbursement) that would allow RSDs to capture some of the cost savings from more efficient planning and operation. This efficiency stipend could be paired with a DESE review of contracts and with the provision of technical support directly from DESE or through the professional organizations that currently provide services by contract.

4. Among the transportation cost concerns for RSDs is the lack of competition for bus contracts for regular day (“yellow bus”) services, as well as the steadily mounting cost for special education transportation. The Legislature should examine the elimination of G.L. c. 71, § 7C, which prohibits certain uses of regional transportation authorities (RTAs) to provide school district transportation services. This would free the RSDs and RTAs to collaborate on plans to provide safe and efficient transportation alternatives that lessen the financial impact on the both the districts and the Commonwealth. Further examination and evaluation at the state level should occur on the model currently in place through the Lower Pioneer Valley Education Collaborative, which provides special education transportation on a nonprofit basis for some districts. Overall, the lack of bidders on school transportation contracts requires a deeper analysis by the appropriate state officials.
5. The Commonwealth should consider providing specific planning grants to examine the combination of existing RSDs into larger groupings. These studies should involve issues such as proper administrative resources to handle a larger number of communities in the district, transportation planning for remote students, and streamlined but accountable governance structures.
6. The MSBA should provide guidance on the criteria that it uses to determine whether to seek the recapture of grant monies provided to school districts that close school facilities that have previously received MSBA funding. Currently, a school district must notify the MSBA that it intends to close a school facility that received funding and wait for the MSBA to determine whether it will recapture its grants. The ambiguity in the process discourages many school districts from seeking MSBA permission to close a school facility and can place financial pressures on school districts.

## **2. Regional agreements require periodic review.**

The current operating model for Massachusetts RSDs extends back to 1950. Only one existing RSD predates the Regional Schools Act of 1949; 57 districts have been formed since the passage of that law. Districts review their agreements when major issues occur such as school-closing proposals, but it is not uncommon for decades to pass between changes to agreements. The Massachusetts Association of Regional Schools (MARS) offers guidance on the review process. Some agreements include provisions that may have become outmoded over time but have been codified in law and require special legislation to amend.

## Recommendation

RSDs should review their agreements every five years. Berkshire Hills RSD just completed the approval process for an agreement that was last reviewed in 1990 and, prior to that, 1979. The Mohawk Trail RSD recently required special legislation to confirm changes to its agreement that included the right to close a school with low enrollment. Agreements that contain provisions that require legislative action should be resolved so the normal process of district-based approval and DESE concurrence can move forward. This will smooth the process for changes requiring quick action.

### **3. Enrollment-based assessments cause conflict, inequities, and budget approval delays within RSDs.**

The structure of regional districts requires cooperation between officials in member communities, the RSD superintendent and the district-level school committee on issues related to budgeting. Each community debates the district budget, and the process for acceptance requires two-thirds of the communities to approve the recommended school committee budget. (Wachusett, which routinely has difficulty getting four out of its five communities to agree to the budget, is a good example of an RSD in which the budget process is perennially cumbersome and controversial.) The sticking point is that, in many of the districts, the budget process results in assessments that are imposed on each town based on that community's percentage of the district's overall enrollment.

The flow of funds into an RSD includes money from Chapter 70 aid, regional transportation reimbursements, the Special Education Circuit Breaker, and other state-based mechanisms. Additionally, RSDs receive periodic cash flows as member communities make their assessment payments. When all these funding sources are taken into account, there are often significant disparities among communities in the same district as measured by the contribution that average homeowners must make through their property taxes to the schools. (As discussed above, calculating the contribution of Great Barrington and Stockbridge to the Berkshire Hills RSD and dividing into the Equalized Value<sup>73</sup> for each community results in a starkly disparate tax rate between the two communities.)

The current system of allocating member community assessments based on enrollment creates an added layer of complexity in the budget process for Massachusetts RSDs. This model does not exist in

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73. Equalized Value (EQV) is a term used by the Department of Revenue to describe the full and fair value of all property in the Commonwealth as of a certain date.

most other states that host regional schools. For example, Pennsylvania, through its Public School Code of 1949, put in place a system of sovereignty for school districts that provides for a uniform district school tax rate for all member communities that is assessed and collected separately from the municipal property tax rate in each member town.

## Recommendations

1. The Legislature should act to simplify the budget adoption process to allow RSDs to approve their budgets based on population rather than on the nominal number of member towns. Currently a single town or small number of towns can block the adoption of a budget. (While this approach would remove bottlenecks that currently impede the budgeting process, the downside is that in two-town districts, the larger community could set the budget. In such cases, however, exceptions could be made to require budget adoption by both member communities.)
2. The Legislature should empower DESE to work with a willing district, and provide necessary funding, to fashion a pilot program (real or virtual) that would result in a single tax rate across all member towns in an RSD, including an examination of providing the RSD with independent taxation authority. The pilot would need to account for the Proposition 2½ restrictions by splitting taxation caps between the municipalities and the RSD. Calculation of the foundation budget and Chapter 70 Aid for the district would need to be altered to treat the district as a whole rather than as a set of individual communities. The pilot program would also have to sort out several other issues in order to provide a smooth transition for the change in tax rates. For example, residents of some member communities would see a property tax reduction and others an increase, while the overall amount collected in district-wide assessments would remain constant in the base year and only grow by 2.5% in subsequent years. Subsequent financial decision-making would then occur on a district-wide basis. For example, if there were to be a debt exclusion vote, it would potentially need to be district-wide. The plan would need to account for other complexities, such as which entities actually hold title to school buildings, which provide building maintenance, and how the district receives support services such as snow removal, water, sewer, and groundskeeping. Finally, the pilot would need to provide a model for the selection of regional district school committee members that preserved the principle of “one person, one vote” and ensured that the body is representative of the diversity in member communities.

This will not be an easy challenge but it would help to lessen conflict and allow superintendents and central office staff to spend more time on the core education function and less time on managing differences over community contribution to budgets. At the same time, it would improve democratic accountability of school districts and their governing bodies, and potentially enhance the role of school committee members. Such a pilot program could be used to test these structures for further proliferation through the Commonwealth's RSDs and to study impacts such as educational experience for students, collaboration among communities, and ease of the budgetary process. Ultimately, the goal would be to strengthen and streamline institutional structures so that they can further the mission of providing a quality education for students in regional schools.

#### **4. Implementation of the Foundation Budget Review Commission recommendations will have a positive impact for RSDs.**

RSDs, as well as municipal districts, are experiencing a decline in real resources for the education of the Commonwealth's children. Among the frequently cited items stressing local budgets are transportation, health insurance, and special education costs. In fact, the Foundation Budget Review Commission study stated that "in particular, the actual costs of health insurance and special education have far surpassed the assumptions built into the formula for calculating the foundation budget." Implementation of the commission's recommendations can provide significant relief of current budget pressures on RSDs.

#### **Recommendations**

1. Implement the Foundation Budget Review Commission recommendations for changes to the Foundation Budget and accompanying Chapter 70 assistance. Additionally, the Legislature should adopt the language in Senate Bill 217 to establish a commission on RSD funding.<sup>74</sup> This proposed legislation offers an important opportunity to examine issues related to the finance of RSDs as highlighted in this study.
2. Consider revision of relevant provisions of state statutes affecting education cost reimbursements. Some of these provisions have been folded into the Foundation Budget / Chapter 70 formula and some are no longer funded in the same manner as in the past. (We have already commented on regional transportation reimbursements, above.) Provisions suggested for revision include:

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74. S. 217, A Resolve Establishing a Commission on Regional School District Foundation Budgets, <https://malegislature.gov/Bills/190/S217.pdf>

- **Educator evaluation:** Massachusetts General Law Chapter 71, Section 38
- **Foster children and students in state care:** Massachusetts General Law Chapter 76, Section 7
- **Reimbursement aid for education of children on a military base:** Massachusetts General Law Chapter 71, Section 95

## **5. The current systems for inter-district choice and “tuition-in” stipends contribute to disparities in per-pupil reimbursements for RSDs.**

Currently, students may choose to transfer between school districts in Massachusetts based on the receiving district opting into school choice. Districts like Wachusett, which no longer accept new choice students because of capacity, have historically gained more students than they have lost due to the state’s school choice system. The same pattern holds for the Berkshire Hills and Groton-Dunstable districts. The reimbursement rate on students accepted into the receiving district has not been raised for many years and is capped at \$5,000. This is significantly below the actual per-student reimbursement calculation for Wachusett (\$7,494), Groton-Dunstable (\$9,574), and Berkshire Hills (\$13,079), as well as all other districts in the state. While the Commonwealth does not want to do anything to encourage waste of resources on competition between districts, state policy should not discourage the movement of students pursuing important educational opportunities based on tight resources within the districts due to inadequate reimbursement.

Some Massachusetts towns that are not members of current RSDs do not maintain their own schools for part or all of the K–12 range. They have permission from DESE to send their students to other districts in a process known as “tuition-in.” The reimbursement for that process is negotiated between communities, which can cause issues when some communities negotiate agreements to send students to schools at a rate that, over time, becomes significantly lower than the rate paid by full members of the regional district. The costs and reimbursement levels for choice and tuition-in students can also differ sharply from those for charter schools and vocational schools. It is time for the Commonwealth to examine the reconciliation of the various reimbursement rates for students choosing schools outside their home districts.

## **Recommendation**

The Legislature should work with DESE on revising the formulas for inter-district choice reimbursement and tuition-in. As much as possible, tuition-in communities should be encouraged to join regional districts.

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## APPENDIX A

We want to offer our sincere appreciation to the following organizations and individuals that provided information, sat for interviews, and generally shared their views on the challenges and opportunities for regional school districts in Massachusetts.

- The Honorable Anne Gobi, State Senator
- The Honorable Adam Hinds, State Senator
- The Honorable Kimberly Ferguson, State Representative
- Jay Sullivan, Massachusetts Department of Elementary and Secondary Education
- Christine Lynch, Massachusetts Department of Elementary and Secondary Education
- Mary Jane Handy, Massachusetts Department of Revenue
- Glenn Koocher, Massachusetts Association of School Committees
- Jenifer Handy, Massachusetts Association of School Committees
- Mike Gilbert, Massachusetts Association of School Committees
- Perry Davis, Massachusetts Association of Regional Schools
- Steve Hemmen, Massachusetts Association of Regional Schools
- Barbara Ripa, Massachusetts Association of Regional Schools
- Dr. Darryll McCall, Superintendent, Wachusett Regional School District
- Joe Scanlon, Director of Business and Finance, Wachusett Regional School District
- Dr. Bill Ryan, Interim Superintendent, Groton-Dunstable Regional School District
- Dr. Peter Dillon, Superintendent, Berkshire Hills Regional School Committee
- Sharon Harrison, Business Manager, Berkshire Hills Regional School Committee
- Dr. Beth Regulbuto, Superintendent, Southern Berkshire Regional School District
- Carol Riches, Town Administrator, Paxton, MA
- Tracy Hutton, Town Administrator, Dunstable, MA
- Jennifer Tabakin, Town Manager, Great Barrington, MA

- Ken Mills, School Committee Chair (Holden), Wachusett Regional School District
- Susan Hitchcock, School Committee (Sterling), Wachusett Regional School District
- Jennifer McKenzie, School Committee, Groton-Dunstable Regional School District
- Stephanie Fisk, Business and Finance Officer, Gateway Regional School District
- Joanne Blier, Director of Business and Operations, Gill-Montague Regional School District
- Michael Knight, Director of Business and Finance, Groton-Dunstable Regional Schools
- Susan Bunnell, Board of Selectmen, Wilbraham, MA
- Chip Elitzer, Great Barrington, MA
- Julie Kelley, Rutland, MA

## **APPENDIX B**

### **Research Instrument**

In many of the interviews conducted by the team, we asked the following questions of participants. The questions were narrowed for members of school committees and town governments.

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#### ***Office of the State Auditor/Division of Local Mandates***

#### ***Regional School District (RSD) Fiscal Impact Study - School Superintendents Version***

(This questionnaire provides guidelines for in-depth interviews. Please note that many of the questions refer to detailed information about school finances. We encourage participating superintendents to consult with their CFO's in order to obtain this information prior to our interviews. We also encourage and welcome advance submission of all financial and statistical data, which may be sent to our Policy Analyst at [thomas.champion@sao.state.ma.us](mailto:thomas.champion@sao.state.ma.us).)

District Name:

Superintendent Name:

Postal address:

Telephone:

Email:

1. How long have you worked with your RSD?
2. How many municipalities are part of your RSD, and what are their names?
3. How many schools does your RSD operate?
4. What is your current total enrollment?
5. Are your enrollments constant, rising or falling over time?
6. What factors do you think account for changes in your RSD's enrollment numbers?
7. Since and including the 2006-2007 school year, have any member communities held Prop 2½ overrides to meet RSD-related expenses?

8. If yes, which communities in which years and what were the outcomes?
9. When a community votes against an override, how is the budgeting issue resolved. Have there been different solutions in different years?
10. Since and including the 2006-7 school year, has your RSD increased staffing or programmatic offerings?
11. If “yes,” what increases did your RSD make and when did they occur?
12. How were these increases paid for?
13. Since and including the 2006-7 school year, has your RSD had to make permanent or semi-permanent staffing or program cuts?
14. If “yes,” what were these cuts, and when did they occur?
15. What percentage of your district’s total annual budget is covered by Ch. 70 aid and transportation reimbursements? How has that percent changed between the 2006-7 school year and the 16-17 school year?
16. Are there specific types of competitive state or federal grants for which you regularly apply? (Please list.) What is your RSD’s success rate in obtaining these grants? What percentage of your RSD’s annual budget is paid for by state and federal grants (NOT including Ch.70 aid)?
17. What are the major factors in the increase of your district’s annual budget? For each factor, describe the impact over the last ten years and the impact it has had as a percentage of overall cost.
18. Since and including the 2006-2007 school year, has the number of students requiring district-provided transportation increased or decreased? By how much? To what do you attribute the change?
19. During the same period, by what amount has the gross cost for transportation increased for your district? By what amount has the net cost (after state reimbursement) increased? To what factors do you attribute that change?
20. Has your district rebid its transportation services contract in the 06-07 to 16-17 period? How many times? Has there been a change in the number of bidders?
21. In the same period, has your district attempted to close or replace an existing facility or open a new facility? Please describe each instance and the outcome. Are there any state regulations or laws that make the process difficult? Did any of the facilities receive funding through the MSBA?
22. Have any member communities attempted to end, or change the terms of, their membership status within your RSD? Please describe any such effort and its outcome.
23. During this period, has your district been required to engage in short-term borrowing to meet operating and cash-flow requirements? If yes, how many times has this occurred and what interest charges have been incurred?

24. How many times in the 06-07 to 16-17 period has your district been affected by Ch.9C cuts? What were these cuts and what steps did your district take to absorb them?
25. From your perspective, what are the key current financial issues affecting your RSD?
26. Which issues do you think (RSD) shares in common with other RSDs in the state and which do you think are particular to your district's circumstances?
27. Who are the most significant actors/stakeholders (including district officials, local government officials, parent or teacher representatives, etc.) when it comes to determining fiscal strategy for your district?
28. Over the past ten years, do you think the relationships among your district's member communities have strengthened, weakened or remained about the same. What are the key factors driving those relationships?
29. Based on current trends, do you foresee a need to change the structure or composition of your district's within the next decade? If so, what form should that change take—and why is that change your preferred solution?
30. Does your district have additional capacity for student enrollment?
31. Do you believe your district central office could handle more responsibility for schools and students as currently structured?
32. Are there state laws, regulations, or rules that inhibit your ability to perform more efficiently? If so, please provide examples.
33. What positive and negative impacts have inter-district choice and charter schools had on your RSD?
34. If your RSD has lost more than an incidental number of students and Ch. 70 aid to receiving inter-district choice school districts and/or charter schools, what do you believe are the reasons for these inter-district choice/charter student and tuition losses?
35. What specific changes to the Ch.70 aid formula would you like to see implemented in order to more accurately reflect the fiscal realities of your RSD?

## APPENDIX C

### Statistical Profile of Regional School Districts

*Table C1. In-District and Total Per-Pupil Expenditures, FY 2016*

District	In-District FTE Pupils	Out-of-District FTE Pupils	Total FTE Pupils	Total In-District Expenditures	Total Expenditures
Acton-Boxborough	5,606	141	5,746	\$13,396	\$14,745
Adams-Cheshire	1,335	161	1,496	\$13,816	\$13,483
Amherst-Pelham	1,378	190	1,567	\$20,285	\$20,504
Ashburnham- Westminster	2,350	85	2,435	\$12,609	\$12,691
Athol-Royalston	1,404	398	1,802	\$14,640	\$14,028
Ayer Shirley	1,682	270	1,953	\$13,405	\$14,090
Berkshire Hills	1,293	128	1,421	\$18,820	\$18,486
Berlin-Boylston	564	62	627	\$13,670	\$14,779
Blackstone-Millville	1,730	114	1,843	\$12,916	\$13,330
Bridgewater-Raynham	5,234	238	5,473	\$12,379	\$13,175
Central Berkshire	1,629	190	1,819	\$16,363	\$15,484
Chesterfield-Goshen	152	15	167	\$15,622	\$14,765
Concord-Carlisle	1,281	54	1,335	\$19,091	\$21,585
Dennis-Yarmouth	3,033	544	3,577	\$16,906	\$16,499
Dighton-Rehoboth	2,869	59	2,927	\$13,048	\$13,695
Dover-Sherborn	1,169	41	1,210	\$18,827	\$18,999
Dudley-Charlton	3,989	104	4,093	\$11,157	\$11,750
Farmington River	117	153	270	\$30,389	\$18,540
Freetown-Lakeville	2,805	103	2,908	\$11,837	\$12,646
Frontier	618	98	716	\$17,045	\$17,436
Gateway	861	88	949	\$17,551	\$17,381
Gill-Montague	922	326	1,248	\$18,790	\$16,418
Groton-Dunstable	2,474	107	2,581	\$13,600	\$14,247
Hamilton-Wenham	1,792	48	1,841	\$15,813	\$16,785
Hampden-Wilbraham	3,117	68	3,185	\$13,732	\$14,482
Hampshire	743	93	836	\$17,151	\$16,533

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<b>Hawlemont</b>	101	25	126	\$18,299	\$15,958
<b>King Philip</b>	2,132	77	2,209	\$12,583	\$14,342
<b>Lincoln-Sudbury</b>	1,571	62	1,634	\$16,679	\$19,282
<b>Manchester Essex</b>	1,433	31	1,464	\$15,764	\$16,327
<b>Martha's Vineyard</b>	654	53	707	\$29,396	\$29,898
<b>Masconomet</b>	1,904	50	1,954	\$15,481	\$16,694
<b>Mendon-Upton</b>	2,262	110	2,371	\$14,083	\$15,033
<b>Mohawk Trail</b>	1,013	133	1,146	\$17,525	\$17,171
<b>Monomoy</b>	1,896	284	2,181	\$16,804	\$16,135
<b>Mount Greylock</b>	547	48	595	\$18,023	\$18,372
<b>Narragansett</b>	1,356	176	1,532	\$12,590	\$12,807
<b>Nashoba</b>	3,395	148	3,543	\$14,451	\$14,838
<b>Nauset</b>	1,502	134	1,636	\$18,753	\$19,436
<b>New Salem-Wendell</b>	159	14	172	\$15,709	\$15,352
<b>North Middlesex</b>	3,152	236	3,388	\$13,488	\$14,385
<b>Northboro-Southboro</b>	1,424	39	1,463	\$15,543	\$15,843
<b>Old Rochester</b>	1,226	11	1,237	\$14,966	\$14,912
<b>Pentucket</b>	2,519	94	2,613	\$13,993	\$14,805
<b>Pioneer Valley</b>	847	70	916		
<b>Quabbin</b>	2,360	189	2,549	\$13,932	\$14,578
<b>Quaboag</b>	1,407	102	1,509	\$12,368	\$12,210
<b>Ralph C Mahar</b>	802	95	897	\$14,261	\$15,765
<b>Silver Lake</b>	1,875	50	1,925	\$14,530	\$14,406
<b>Somerset Berkley</b>	946	24	969	\$14,249	\$15,520
<b>Southern Berkshire</b>	748	118	867	\$21,629	\$19,711
<b>Southwick-Tolland-Granville</b>	1,584	122	1,706	\$13,534	\$13,956
<b>Spencer-East Brookfield</b>	1,550	265	1,815	\$13,663	\$13,945
<b>Tantasqua</b>	1,775	48	1,823	\$13,708	\$13,481
<b>Triton</b>	2,605	174	2,780	\$15,139	\$15,802
<b>Up-Island</b>	380	55	436	\$27,440	\$26,914
<b>Wachusett</b>	7,308	234	7,542	\$11,222	\$11,896
<b>Whitman-Hanson</b>	4,044	94	4,138	\$11,210	\$11,815
<b>Average</b>	1,838	125	1,963		

**Table C2. Enrollment Changes over a Decade from DESE Profiles  
2016 School Year Enrollments Compared to 2007 Enrollments**

District Name	District Total FY 2016	2006–07 to 2015–16 Change	% Change over 10-Year Period
Acton-Boxborough	5,622	(361)	(6.03%)
Adams-Cheshire	1,361	(291)	(17.6%)
Amherst-Pelham	1,376	(481)	(25.9%)
Ashburnham-Westminster	2,350	(122)	(4.9%)
Athol-Royalston	1,425	(529)	(27.1%)
Ayer-Shirley	1,695	40	2.4%
Berkshire Hills	1,307	(162)	(11.0%)
Berlin-Boylston	561	73	15.0%
Blackstone-Millville	1,738	(415)	(19.3%)
Bridgewater-Raynham	5,288	(593)	(10.1%)
Chesterfield-Goshen	155	(17)	(9.9%)
Central Berkshire	1,625	(519)	(24.2%)
Concord-Carlisle	1,290	34	2.7%
Dennis-Yarmouth	3,084	(719)	(18.9%)
Dighton-Rehoboth	2,910	(476)	(14.1%)
Dover-Sherborn	1,184	101	9.3%
Dudley-Charlton	3,984	(397)	(9.1%)
Nauset	1,506	(156)	(9.4%)
Farmington River	123	(25)	(16.9%)
Freetown-Lakeville	2,835	910	47.3%
Frontier	613	(101)	(14.1%)
Gateway	874	(463)	(34.6%)
Groton-Dunstable	2,399	(538)	(18.3%)
Gill-Montague	947	(232)	(19.7%)
Hamilton-Wenham	1,828	(335)	(15.5%)
Hampden-Wilbraham	3,138	(628)	(16.7%)
Hampshire	751	(63)	(7.7%)
Hawlemont	102	(15)	(12.8%)
King Philip	2,130	98	4.8%

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<b>Lincoln-Sudbury</b>	1,602	(11)	(0.7%)
<b>Manchester Essex</b>	1,443	128	9.7%
<b>Martha's Vineyard</b>	655	(136)	(17.2%)
<b>Masconomet</b>	1,927	(223)	(10.4%)
<b>Mendon-Upton</b>	2,291	(580)	(20.2%)
<b>Monomoy</b>	1,931	51	2.7%
<b>Mount Greylock</b>	546	(86)	(13.6%)
<b>Mohawk Trail</b>	1,005	(266)	(20.9%)
<b>Narragansett</b>	1,358	(368)	(21.3%)
<b>Nashoba</b>	3,428	133	4.0%
<b>New Salem-Wendell</b>	161	2	1.3%
<b>Northboro-Southboro</b>	1,457	65	4.7%
<b>North Middlesex</b>	3,197	(1,261)	(28.3%)
<b>Old Rochester</b>	1,230	(8)	(0.6%)
<b>Pentucket</b>	2,553	(810)	(24.1%)
<b>Pioneer Valley</b>	889	(223)	(20.1%)
<b>Quabbin</b>	2,395	(826)	(25.6%)
<b>Ralph C Mahar</b>	799	52	7.0%
<b>Silver Lake</b>	1,899	69	3.8%
<b>Somerset Berkley</b>	957	(8)	(0.8%)
<b>Southern Berkshire</b>	764	(96)	(11.2%)
<b>Southwick-Tolland-Granville</b>	1,625	(279)	(14.7%)
<b>Spencer-East Brookfield</b>	1,581	(650)	(29.1%)
<b>Tantasqua</b>	1,798	(82)	(4.4%)
<b>Triton</b>	2,692	(585)	(17.9%)
<b>Up-Island Regional</b>	377	48	14.6%
<b>Wachusett</b>	7,343	135	1.9%
<b>Quaboag</b>	1,411	(84)	(5.6%)
<b>Whitman-Hanson</b>	4,064	(308)	(7.0%)
<b>Total</b>	<u>107,579</u>	<u>(12,589)</u>	<u>(10.5%)</u>

**Table C3. Pearson Correlation Coefficients for Municipal and Regional School Districts**

**Municipal Correlations**

		Total In-District Expenditures	In-District FTE Pupils
<b>Total In-District Expenditures</b>	Pearson Correlation	1	(.056)
	Sig. (2-tailed)		.396
	N	232	232
<b>In-District FTE Pupils</b>	Pearson Correlation	(.056)	1
	Sig. (2-tailed)	.396	
	N	232	232

**Regional School District Correlations**

		Total In-District Expenditures	In-District FTE Pupils
<b>Total In-District Expenditures</b>	Pearson Correlation	1	(.526*)
	Sig. (2-tailed)		.000
	N	55	55
<b>In-District FTE Pupils</b>	Pearson Correlation	(.526**)	1
	Sig. (2-tailed)	.000	
	N	55	56

\* Correlation is significant at the 0.01 level (2-tailed).

While there is a small effect based on enrollment for municipal districts, there is no significant correlation between enrollment and per-pupil expenditures. However, for regional school districts (RSDs), there is a strong negative correlation that is significant. Accordingly, RSDs exhibit economies of scale that may not yet be at their full potential, while such economies generally do not exist for municipal districts. The average municipal district and regional district has 3,286 and 1,806 students respectively. This leads us to believe that the peak enrollment for economies exists somewhere between those numbers.

**Table C4. Education-Related Override Votes**

**Education-Related Override Votes since 2001**

	Municipal School District (MUNI = 107)			Regional School District (RSD = 73)			Total		
	LOSS	WIN	Total	LOSS	WIN	Total	LOSS	WIN	Total
<b>Overrides</b>	115	175	290	141	184	325	256	359	615

Source: Massachusetts Department of Revenue

**Education-Related Override Votes since 1988**

	Municipal School District (MUNI = 167)			Regional School District (RSD = 101)			Total		
	LOSS	WIN	Total	LOSS	WIN	Total	LOSS	WIN	Total
<b>Overrides</b>	372	361	733	383	346	729	755	707	1,462

Source: Massachusetts Department of Revenue

Note on methodology: We examined the complete Department of Revenue database of override votes from 1988 forward. We narrowed the instances to those that explicitly described an education function. We also eliminated any capital expense votes (debt exclusions and others) to concentrate on operating requests. While the communities that are part of regional school districts are a small part of the state, they consistently represent half of the education-related overrides.

**Table C5. DESE Statistics on RSD Transportation Expenses and Reimbursements\***

Regional School District†	2010		2012		2016		Difference	
	Expense	Reimb.	Expense	Reimb.	Expense	Reimb.	Cost over Period	Cost %
Acton-Boxborough	\$1,081,797	\$ 625,225	\$1,224,229	\$739,687	\$1,958,222	\$1,430,719	\$876,425	81.0%
Adams-Cheshire	618,021	357,185	370,485	223,849	336,400	245,781	\$(281,621)	-45.6%
Amherst-Pelham	930,396	537,723	941,405	568,803	1,011,485	739,012	\$81,089	8.7%
Ashburnham-Westminster	1,173,328	678,125	1,117,815	675,391	1,185,125	865,877	\$11,797	1.0%
Athol-Royalston	693,492	400,804	715,146	432,096	595,824	435,322	\$(97,668)	-14.1%
Berkshire Hills	945,401	546,395	907,314	548,205	859,131	627,699	\$(86,270)	-9.1%
Berlin-Boylston	203,932	117,863	178,033	107,568	192,220	140,440	\$(11,712)	-5.7%
Blackstone-Millville	523,753	302,703	518,565	313,320	676,549	494,301	\$152,796	29.2%
Bridgewater-Raynham	1,933,155	1,117,266	2,244,718	1,356,273	2,370,641	1,732,041	\$437,486	22.6%
Chesterfield-Goshen	100,436	58,047	65,320	39,467	118,557	86,620	\$18,121	18.0%
Central Berkshire	1,326,697	766,765	1,306,231	789,233	1,332,211	973,342	\$5,514	0.4%
Concord-Carlisle	465,566	269,074	546,747	330,348	781,969	571,323	\$316,403	68.0%
Dennis-Yarmouth	1,477,959	854,187	1,479,594	893,980	1,954,822	1,428,234	\$476,863	32.3%
Dighton-Rehoboth	968,557	559,778	1,174,754	709,794	1,239,759	905,794	\$271,202	28.0%
Dover-Sherborn	521,288	301,279	553,381	334,356	438,596	320,448	\$(82,692)	-15.9%
Dudley-Charlton	2,278,799	1,317,031	2,280,696	1,378,011	2,440,378	1,782,992	\$161,579	7.1%
Nauset	716,293	413,982	868,077	524,498	910,052	664,903	\$193,759	27.1%
Farmington River	303,581	175,455	343,952	207,818	368,150	268,978	\$64,569	21.3%

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<b>Freetown-Lakeville</b>	1,012,250	585,030	1,476,654	892,204	1,807,652	1,320,709	\$795,402	78.6%
<b>Frontier</b>	195,361	112,909	276,747	167,212	271,952	198,694	\$76,591	39.2%
<b>Gateway</b>	1,149,258	664,214	960,286	580,211	800,836	585,108	\$(348,422)	-30.3%
<b>Groton-Dunstable</b>	924,564	534,352	886,540	535,653	1,016,591	742,743	\$92,027	10.0%
<b>Gill-Montague</b>	329,477	190,421	331,730	200,433	471,062	344,168	\$141,585	43.0%
<b>Hamilton-Wenham</b>	545,359	315,190	456,770	275,983	479,840	350,581	\$(65,519)	-12.0%
<b>Hampden-Wilbraham</b>	1,712,881	989,960	1,651,046	997,573	1,949,684	1,424,481	\$236,803	13.8%
<b>Hampshire</b>	686,098	396,531	503,091	303,971	766,198	559,801	\$80,100	11.7%
<b>Hawlemont</b>	68,154	39,390	54,771	33,093	82,364	60,177	\$14,210	20.8%
<b>King Philip</b>	544,810	314,873	654,334	395,353	746,762	545,600	\$201,952	37.1%
<b>Lincoln-Sudbury</b>	427,171	246,884	450,661	272,292	478,438	349,557	\$51,267	12.0%
<b>Manchester Essex Regional</b>	205,915	119,009	208,420	125,929	210,927	154,108	\$5,012	2.4%
<b>Martha's Vineyard</b>	388,156	224,335	675,559	408,177	382,833	279,706	\$(5,323)	-1.4%
<b>Masconomet</b>	802,432	463,766	625,661	378,028	617,288	451,004	\$(185,144)	-23.1%
<b>Mendon-Upton</b>	1,027,296	593,726	1,103,542	666,767	1,171,738	856,097	\$144,442	14.1%
<b>Mount Greylock</b>	248,766	143,774	402,590	243,247	368,667	269,356	\$119,901	48.2%
<b>Mohawk Trail</b>	1,002,897	579,625	689,996	416,900	969,390	708,257	\$(33,507)	-3.3%
<b>Narragansett</b>	522,776	302,139	331,363	200,212	430,063	314,213	\$(92,713)	-17.7%
<b>Nashoba</b>	1,311,193	757,804	1,333,102	805,469	1,412,404	1,031,932	\$101,211	7.7%
<b>Northboro-Southboro</b>	940,507	543,566	908,544	548,948	1,109,092	810,326	\$168,585	17.9%
<b>North Middlesex</b>	1,280,747	740,208	1,483,756	896,495	1,336,965	976,815	\$56,218	4.4%
<b>Old Rochester</b>	676,895	391,212	595,663	359,904	627,056	458,140	\$(49,839)	-7.4%

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<b>Pentucket</b>	752,017	434,628	738,956	446,482	799,384	584,047	\$47,367	6.3%
<b>Pioneer Valley</b>	595,417	344,121	614,352	371,195	821,319	600,073	\$225,902	37.9%
<b>Quabbin</b>	1,129,999	653,083	1,137,805	687,469	1,227,638	896,939	\$97,639	8.6%
<b>Ralph C Mahar</b>	711,040	410,946	640,787	387,168	726,912	531,097	\$15,872	2.2%
<b>Silver Lake</b>	700,116	404,632	676,118	408,515	715,117	522,480	\$15,001	2.1%
<b>Southern Berkshire</b>	746,958	431,705	751,049	453,789	777,695	568,200	\$30,737	4.1%
<b>Southwick-Tolland-Granville</b>	882,943	510,297	1,032,763	624,002	1,262,158	922,159	\$379,215	42.9%
<b>Spencer-East Brookfield</b>	715,226	413,365	684,105	413,341	779,080	569,212	\$63,854	8.9%
<b>Tantasqua</b>	780,263	450,953	836,706	505,543	1,023,487	747,781	\$243,224	31.2%
<b>Triton</b>	1,191,968	688,898	1,080,987	653,139	1,018,167	743,894	\$(173,801)	-14.6%
<b>Up-Island</b>	222,953	128,856	303,960	183,655	192,623	140,734	\$(30,330)	-13.6%
<b>Wachusett</b>	4,009,634	2,317,368	3,687,908	2,228,258	3,342,610	2,442,182	\$(667,024)	-16.6%
<b>Quaboag</b>	676,274	390,853	718,537	434,145	875,838	639,906	\$199,564	29.5%
<b>Whitman-Hanson</b>	1,029,915	595,240	947,135	572,265	911,760	666,151	\$(118,155)	-11.5%
<b>Total</b>	<u>\$46,410,136</u>	<u>\$26,822,750</u>	<u>\$46,748,456</u>	<u>\$28,245,717</u>	<u>\$50,751,680</u>	<u>\$37,080,255</u>		
<b>Reimb/Expense</b>		58%		60%		73%		

\* Please note that this analysis uses DESE data from <http://www.doe.mass.edu/finance/transportation/>.

† For consistency purposes, we left out the newer districts that formed after FY 2010.

**Table C6. Deficiencies in Reimbursement Accounts and Comparison with  
Required Net School Spending**

DESE Chapter 70 FY 2016 Regional School District Summary	RSD Transportation Reimb. Loss	Homeless Student Transportation Reimb. Loss	Charter School Tuition Reimb. Deficiency	Inter-District Choice Net Tuition Gain/Loss
Acton-Boxborough	\$(527,503)	\$ 0	\$(36,174)	\$125,136
Adams-Cheshire	(242,977)	0	(111,893)	(186,852)
Amherst-Pelham	(272,473)	(8,797)	(110,396)	211,023
Ashburnham- Westminster	(319,248)	(9,888)	(13,627)	740,305
Athol-Royalston	(160,502)	(34,123)	(4,552)	(1,857,259)
Ayer-Shirley	(116,228)	(37,411)	(58,565)	85,789
Berkshire Hills	(231,432)	0	(769)	682,742
Berlin-Boylston	(51,780)	0	(58,707)	375,957
Blackstone-Millville	(182,248)	0	(69)	(261,175)
Bridgewater-Raynham	(638,600)	(56,420)	(26,087)	(748,113)
Chesterfield-Goshen	(31,937)	0	0	92,753
Central Berkshire	(358,869)	0	(10,652)	69,574
Concord-Carlisle	(375,950)	0	(24,537)	(12,742)
Dennis-Yarmouth	(526,588)	(60,557)	(152,581)	(1,349,811)
Dighton-Rehoboth	(333,965)	(39,449)	(13,419)	(83,966)
Dover-Sherborn	(118,148)	0	(5,576)	(33,203)
Dudley-Charlton	(657,386)	(3,631)	(2,518)	492,472
Nauset	(245,149)	(9,156)	(87,828)	1,361,553
Farmington River	(99,172)	0	0	(161,795)
Freetown-Lakeville	(486,943)	(24,155)	(27,569)	67,451
Frontier	(73,258)	0	(47,976)	720,335
Gateway	(215,728)	(5,677)	(18,808)	(179,667)
Groton-Dunstable	(273,848)	(12,938)	(20,474)	109,587
Gill-Montague	(126,894)	(18,774)	(130,025)	(692,401)
Hamilton-Wenham	(129,259)	0	0	417,743
Hampden-Wilbraham	(525,203)	(7,500)	(22,640)	640,436
Hampshire	(206,397)	0	(33,075)	406,124
Hawlemont	(22,187)	(6,887)	(361)	(34,215)
King Philip	(201,162)	(15,719)	(1,516)	(115,903)
Lincoln-Sudbury	(128,881)	0	(5,461)	(15,500)
Manchester Essex	(56,819)	0	(6,614)	404,910

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<b>Martha's Vineyard</b>	(103,127)	0	(65,287)	(17,852)
<b>Masconomet</b>	(166,284)	0	(3,115)	(16,700)
<b>Mendon-Upton</b>	(315,641)	0	(29,899)	484,454
<b>Monomoy</b>	(136,963)	(17,879)	(95,999)	360,275
<b>Mount Greylock</b>	(99,311)	0	(51,648)	222,133
<b>Mohawk Trail</b>	(261,133)	(5,122)	(64,903)	(71,448)
<b>Narragansett</b>	(115,850)	(18,189)	(15,363)	294,619
<b>Nashoba</b>	(380,472)	(49,692)	(41,457)	289,423
<b>New Salem-Wendell</b>	(62,002)	0	0	69,988
<b>Northboro-Southboro</b>	(298,766)	(7,340)	(56,687)	(97,558)
<b>North Middlesex</b>	(360,150)	(41,417)	(46,464)	(32,163)
<b>Old Rochester</b>	(168,916)	(4,873)	(7,980)	333,612
<b>Pentucket</b>	(215,337)	(21,134)	(17,167)	415,236
<b>Pioneer Valley</b>	(221,246)	0	(22,291)	476,674
<b>Quabbin</b>	(330,699)	(15,008)	(57,068)	1,144,420
<b>Ralph C Mahar</b>	(195,815)	(8,026)	(27,487)	1,121,338
<b>Silver Lake</b>	(192,637)	(14,017)	(50,768)	(44,856)
<b>Somerset Berkley</b>	(69,059)	(7,516)	(1,560)	258,727
<b>Southern Berkshire</b>	(209,495)	0	(4,110)	114,567
<b>Southwick-Tolland-Granville</b>	(339,999)	(6,898)	(13,065)	409,867
<b>Spencer-East Brookfield</b>	(209,868)	(13,715)	(8,086)	(888,293)
<b>Tantasqua</b>	(275,706)	0	0	769,365
<b>Triton</b>	(274,273)	(27,777)	(66,226)	144,680
<b>Up-Island Regional</b>	(51,889)	0	(46,060)	322,218
<b>Wachusett</b>	(900,428)	(34,686)	(12,251)	350,657
<b>Quaboag</b>	(235,932)	(12,257)	(153)	480,229
<b>Whitman-Hanson</b>	(245,609)	(30,278)	(43,080)	87,823
<b>Sum</b>	<u>\$(14,373,341)</u>	<u>\$(686,906)</u>	<u>\$(1,880,641)</u>	<u>\$8,252,723</u>
<b>Count</b>	58	58	58	58
<b>Average</b>	\$(247,816)	\$(11,843)	\$(32,425)	\$142,288
<b>Median</b>	\$(215,532)	\$(6,893)	\$(21,382)	\$119,852
<b>Minimum</b>	\$(900,428)	\$(60,557)	\$(152,581)	\$(1,857,259)
<b>Maximum</b>	\$(22,187)	\$0	\$0	\$1,361,553

**Table C7A. Wachusett RSD Flat Rate Calculation**

The tables that follow include calculations done by Chip Elitzer of Great Barrington, who did a study of the disparity among communities in the same district regarding their contribution to the school budget (net of state aid). Elitzer did the calculation by first compiling the Assessed Property Value statistics based on Equalized Valuation (EQV) from the Department of Revenue. He then divided into that the community assessment, calculating a school tax rate for each community. For example, Holden has an EQV of \$1.976 billion in property value and an assessment of \$24.786 million, yielding a rate of \$12.53 solely for schools. Given the district total of \$4.621 billion and a district-wide \$56.539 million, there would be a district-wide rate of \$12.23 per thousand, which is less than the Holden assessment. Other communities would see an increase. Tables C7A, C7B, and C7C reflect the calculations for their RSDs.

**Apportionment FY 2017 Pro Forma Impact of  
Assessed Value Allocation (\$000)**

	FY 2016 Assessed Property Value†	% Paid Above/Below Unified Rate	Actual	Flat Budget	Change from Actual
<b>Holden</b>	\$1,976,440	2.44%	\$24,768	\$24,179	\$(589)
			43.81%	42.76%	
		tax rate*	\$12.53	\$12.23	
<b>Paxton</b>	\$458,470	4.36%	\$5,853	\$5,609	\$(245)
			10.35%	9.92%	
		tax rate*	\$12.77	\$12.23	
<b>Princeton</b>	\$447,856	-18.29%	\$4,477	\$5,479	\$1,002
			7.92%	9.69%	
		tax rate*	\$10.00	\$12.23	
<b>Rutland</b>	\$783,667	12.28%	\$10,764	\$9,587	\$(1,177)
			19.04%	16.96%	
		tax rate*	\$13.74	\$12.23	
<b>Sterling</b>	\$955,209	-8.63%	\$10,677	\$11,686	\$1,009
			18.88%	20.67%	
		tax rate*	\$11.18	\$12.23	
<b>Total</b>	\$4,621,642		<u>\$56,539</u>	<u>\$56,539</u>	<u>\$0</u>
			<u>100%</u>	<u>100%</u>	
<b>Highest rate / lowest rate:</b>			1.37		

† Basis for FY 2017 assessment.

\* Per \$1,000 of assessed property value to support the district. "Tax rate" numbers are shown in dollars, not thousands of dollars.

**Table C7B. Groton-Dunstable RSD Flat Rate Calculation**

**Apportionment FY 2017 Pro Forma Impact of  
Assessed Value Allocation (\$000)**

	FY 2016 Assessed Property Value†	% Paid Above/Below Unified Rate	Actual	Flat Budget	Change from Actual
<b>Groton</b>	\$1,547,028	-17.64%	\$9,507	\$11,544	\$2,036
			62.91%	76.38%	
		tax rate*	\$6.15	\$7.46	
<b>Dunstable</b>	\$478,410	57.05%	\$5,606	\$3,570	\$(2,036)
			37.09%	23.62%	
		tax rate*	\$11.72	\$7.46	
<b>Total</b>	\$2,025,439		<u>\$15,113</u>	<u>\$15,113</u>	<u>\$0</u>
			<u>100%</u>	<u>100%</u>	
<b>Highest rate / lowest rate:</b>			1.91		

† Basis for FY 2017 assessment.

\* Per \$1,000 of assessed property value to support the district. "Tax rate" numbers are shown in dollars, not thousands of dollars.

**Table C7C. Berkshire Hills RSD Flat Rate Calculation**

**Apportionment FY 2017 Pro Forma Impact of  
Assessed Value Allocation (\$000)**

	FY 2016 Assessed Property Value†	% Paid Above/Below Unified Rate	Actual	Flat Budget	Change from Actual
<b>Great Barrington</b>	\$1,386,205	32.67%	\$14,463	\$10,902	\$(3,561)
			70.53%	53.16%	
		tax rate*	\$10.43	\$7.86	
<b>Stockbridge</b>	\$849,886	-54.58%	\$3,036	\$6,684	\$3,648
			14.81%	32.59%	
			\$3.57	\$7.86	
<b>West Stockbridge</b>	\$371,379	2.96%	\$3,007	\$2,921	\$(86)
			14.66%	14.24%	
		tax rate*	\$8.10	\$7.86	
<b>Total</b>	<u>\$2,607,470</u>		<u>\$20,506</u>	<u>\$20,506</u>	<u>\$0</u>
			<u>100%</u>	<u>100%</u>	
<b>Highest rate / lowest rate:</b>			2.92		

† Basis for FY 2017 assessment.

\* Per \$1,000 of assessed property value to support the district. "Tax rate" numbers are shown in dollars, not thousands of dollars.