The “Affordable Assessment”
A History and Update
Mike Naughton, Sept. 25, 2019 [revised 10/10/2019]

The Problem Developed Over Time

- In 1993, in response to a court ruling, the Massachusetts legislature began dramatically increasing state aid to local public education. This continued through the 1990s and into the early 2000s, but then, owing both to a recession and to the belief on the part of many legislators that they had “done enough”, it began to stabilize.

- This created problems for local districts that had become accustomed to perennially rising budgets, and it was particularly problematic for districts that experienced declining enrollment. State aid was based on a district’s state-defined “foundation budget”, which was based on the number of students; if enrollment went down, the foundation budget went down, even if the costs of running the district did not.

- Gill-Montague Regional School District (GMRSD) was one of the districts experiencing this, and it responded by increasing its assessment requests to its member towns to make up the difference. Starting in 2005 (FY06), these assessment requests began rising dramatically, and Montague found itself needing to use stabilization funds to fund them. Municipal officials, led by the finance committee, began complaining that this was an unsustainable situation that must not be allowed to continue. Town and district officials began meeting to discuss what to do, but nothing was resolved and the situation continued to deteriorate.

    - In June, 2007, Montague voters rejected the district assessment request, instead adopting the finance committee’s recommendation. At a district meeting in July, the district request was defeated 71 to 186; the finance committee’s recommendation passed 132 to 130, and the school committee agreed to accept it.

    - In 2008, GMRSD hired Jeff Singleton, then on the Montague Finance Committee, to produce a “5-Year Plan”, which was delivered in October, 2008. He worked with an “oversight committee” of town and district officials. Along with providing a great deal of analysis of the existing situation, along with several possible alternative scenarios for how to resolve it, it advanced the thesis that the underlying problem was that the district’s expenses were rising faster than its revenues. This was important, because it meant that one-time infusions of cash would not lead to a long-term solution. He called this a “structural gap”, and it greatly influenced subsequent discussions.

    - In June, 2008, Montague voters again rejected the district’s assessment request. At a district meeting in September, voters rejected all proposals; at a subsequent meeting in November, they rejected the district’s request 46 to 171, with one abstention, but passed a joint selectboard/finance committee proposal 120 to 94.

The school committee subsequently rejected that result, and the state assumed fiscal control.

- In June 2009, Montague voters again rejected the district’s request. At a district meeting in September, the district’s request was amended to match the Montague finance committee’s proposal, and the amended motion passed 61 to 33. The school committee again declined to accept the result and chose to continue with the “1/12” budget set by the Commissioner of Education. The state remained in fiscal control of the district. This result was welcomed by some in the community, who felt that it was necessary to “keep the state at the table” since their help was needed to find a sustainable solution.

- During this period, the district was also dealing with DESE on resolving academic performance and governance issues.

- Relations between the district and the towns were poor. Many district officials believed that townspeople did not sufficiently value or support education, and many town officials believed that district officials did not adequately comprehend or appreciate the realities of their own and the towns’ financial situations. To simplify, the district felt that the towns “never offered enough”, and the towns felt that the district “always asked for too much”.

The Beginning of a Solution

- In early 2010, some town and district officials decided to try to do something to break what was seeming to be a never-ending impasse. Members of the selectboards and finance committees of Gill and Montague, along with school committee members and administrators, began meeting regularly with state representatives and DESE officials. This became known as the “oversight group”

- Discussions established a consensus that funding the local schools adequately and sustainably was a common problem, one shared by the towns, the district, and the state equally. All parties had an interest in having an educationally strong, financially sound school district, and no one would benefit from either a failing school system or a bankrupt community.

- The group also decided that it was too big and unwieldy to work effectively on finding a solution, and Tupper Brown, of the Gill Finance Committee, suggested forming a smaller “technical panel” to work on a proposal to bring back to the larger group. He, Jeff Singleton, Mike Naughton, and Carl Ladd, who had recently become the GMRSD superintendent, volunteered, and the panel was formed.

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The “Affordable Assessment” Idea Had Been Developing

- In 2008, around the time that Jeff Singleton was producing his five year plan, the Montague finance committee (of which he was a member) began discussing how to be more proactive in making assessment recommendations. Members felt that the existing situation was too reactive: the district proposed an assessment, and the towns voted it up or down. In recent years, there had been claims that the requests had been “unfair”, which raised the question of how one might define “fair”.

- Various ideas were proposed, including the suggestion that the towns should guarantee the district a certain annual percentage increase in the assessment. That worried some, however, because insulating the district assessment from a downturn in town revenues might cause big problems for the municipal budget. Another idea was to base assessment recommendations on perceptions of the district’s needs, but that caused some concern that town officials might be usurping the role of the school committee.

- In the end, there was general agreement that the best option was to link the assessment recommendation to the town’s ability to pay, as measured by the amount of money available for the town’s budget. This consisted mostly of revenues, such as the net tax levy, state aid, and local receipts, but it also included the free cash that was used to balance the budget. The basic principle was that if the town had funds available, that were not already earmarked for some other purpose, it should share them willingly with the district, but it should allow the district to decide how best to use them.

- By June, 2010, it was agreed to allocate 48.5% of the town’s available funds. It was also agreed that the debt assessment, as it was funded in Montague by Prop 2½ exclusions, should be treated separately. 48.5% was chosen as it was about what Montague had been willing to pay in recent years.

A Solution Was Proposed

- The technical panel adopted the concept of affordable assessments, using Montague’s calculations, and used it as a starting point. During the spring and summer of 2010, it developed and tested various scenarios, hoping to find one that showed how the affordable assessments could sustainably fund the school district.

- As part of his fiscal analyses, Jeff Singleton had created a spreadsheet that demonstrated how proceeding on the current course would lead to financial disaster. It became known as “Table A”, and the technical panel started calling proposed alternatives “Table B”.

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- In June, 2010, Montague voters again rejected the district’s assessment request, adopting instead a lower proposal recommended by the selectboard and finance committee

- In late summer, 2010, Supt. Ladd proposed a breakthrough solution to the technical panel. It had two basic components:

    - The district would accept the FY11 budget implied by Montague’s town meeting vote, and it would level-fund that budget for FY12. For the following three years, the district budget would increase by 2.50%.

    - During that five-year period, the towns would agree to provide the assessments necessary to meet those budgets. That was projected to mean contributions above the “affordable assessment” level during the first four years. In the last year, FY15, the affordable assessment was projected to be adequate, and subsequent years began showing surpluses.

- The technical panel created a Table B that showed this proposal. It met the approval of town officials, who were willing to keep using reserves over the short term because there was an end in sight, and it was accepted (though not without some objection) by the school committee.

    - It should be noted that Gill officials accepted the idea that Montague would be the driver on determining the affordable assessment amount, which considerably simplified the process. They did, however, reserve the right to go their own way in the future if Montague’s process no longer seemed to be working for Gill.

- At a district meeting on Nov. 18, 2010, town and district officials presented a united proposal, and the voters approved it unanimously.

The Compact

- Along with developing financial scenarios, the technical panel had also worked on a document that would provide a framework for the future. Table B showed a possible path to financial sustainability, but by itself it did not commit anyone to anything. The panel felt that it was important to codify the assumptions and commitments underlying Table B, and to secure the agreement of the various parties involved.

- In the end, members of the town selectboards and finance committees, along with school district officials, signed the Compact. State representatives and DESE officials declined to do so, but sent letters endorsing it.

- Generally, the main points of the Compact are:

- Providing a sustainable environment for the education of our children is a shared responsibility.

- Table B is accepted as a plan for fiscal sustainability, and the parties therefore agree that:

  - The towns will provide an “affordable” assessment that increases by approximately 3% per year, and they further agree to provide additional monies through FY14.

  - A 3% annual increase in Chapter 70 is necessary, and state officials will work to provide it.

  - The school district will work to limit the growth of its expenditures to 0% in FY12 and 2.50% annually after that.

- Any party may propose changes if they feel that assumptions are no longer valid or core projections are no longer realistic. All parties will work together to try to find consensus on viable revisions.

- But see also 5. and 7.

How Has It Worked? (Opinions)

- Overall, it seems to have worked fairly well. Although reality has not followed Table B, GMRSD has tried hard to align its assessment requests with Montague’s affordable assessments, and school assessments have been approved by town meetings with relatively little debate. This may be the more remarkable because the district has seen two new superintendents and two new business managers since the Compact was adopted.

- Perhaps the biggest disappointment is that Chapter 70 aid has not been anywhere close to projected levels. This is mainly due to the fact that the district’s foundation enrollment declined after FY11, so its Chapter 70 has been level-funded (what the state euphemistically calls “held harmless”), with only minor per capita increases annually. Happily, a recent slowing of that decline, along with long overdue changes to the foundation budget formula, have begun to change that.

  - Over the years, there has been a lot of learning on the local level about how the foundation budget formula and the Chapter 70 aid work. Several areas have received particular attention:

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- The fact that the foundation budget formula is outdated and does not adequately provide for current costs in some areas is a challenge for many districts.

- The fact that the foundation budget formula is based on enrollment means that districts that experience declining enrollment are penalized.

- The fact that the foundation budget formula assumes a standard school size penalizes low-density districts that have smaller schools.

- The way the 82.5% “cap” on local contributions shifts state aid away from poorer towns by increasing their required contributions.

There are ongoing efforts to work with our legislators to address these issues.

- On the plus side, the towns’ affordable assessments have increased faster than projected, which has helped to make up for the lack of state funding. The district has occasionally had to ask for more, and the towns have approved, but overall district requests have been pretty close to the affordable number.

- And, perhaps most importantly, the district has worked extremely hard to control increases in its expenses.

The following charts and graphs provide more detail on the past decade.

Gill-Montague Regional School District -- Oversight Group

Revenue and Budget Projections

Table B

Plan for Fiscal Stability dated October 15, 2010

	FY10	FY 11	FY 12	FY13	FY14	FY15
Chapter 70		**(4.00%)**	**2.00%**	**3.00%**	**3.00%**	**3.00%**
Transportation						
GMRSD		**Level**	**0.00%**	**2.50%**	**2.50%**	**2.50%**
Stabilization		**203,339**	**85,000**	**120,000**	**55,000**	**0**
E & D		**586,596**	**400,000**	**250,000**	**200,000**	**200,000**
Chapter 70 aid	6,304,363	5,936,062	6,054,783	6,236,427	6,423,520	6,616,225
Erving 4% Increase	528,704	530,000	551,200	573,248	596,178	620,025
Charter reimbursement Build Budgeets on $100,000	185,349	157,482	100,000	100,000	100,000	100,000
Investments	20,000	20,000	20,000	20,000	20,000	20,000
Medicaid	223,374	223,374	223,000	223,000	223,000	223,000
Fees and Other	10,000	0	10,000	10,000	10,000	10,000
Transportation (Slow increase to approx 70%)	181,598	180,802	200,000	230,000	260,000	280,000
Subtotal	7,453,388	7,047,720	7,158,983	7,392,675	7,632,697	7,869,250
Affordable Assessments (No debt)		8,366,058	8,559,588	8,844,563	9,136,587	9,435,835
Additional Town Contributions		203,339	85,000	120,000	55,000	0
Total Revenue Without E and D		15,617,117	15,803,571	16,357,237	16,824,284	17,305,085
Revenue Increase Before E and D			186,455	553,666	467,047	480,801
Excess and Deficiency		586,596	400,000	250,000	200,000	200,000
Total Revenue With E and D		**16,203,713**	**16,203,571**	**16,607,237**	**17,024,284**	**17,505,085**
Revenue Increases With E and D			-141	403,666	417,047	480,801
GMRSD Budget (less debt)		**16,203,713**	**16,203,713**	**16,608,806**	**17,024,026**	**17,449,627**
Budget Increases			0	405,093	415,220	425,601
Total Gap (Revenue minus Budget)		**0**	**-142**	**-1,568**	**258**	**55,459**
Gap between revenue and budget increases			-141	-1,427	1,827	55,200

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Updated Figures

			FY 11	FY 12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Projections vs Actual												
Projections	Chapter 70 aid		5,936,062	6,054,783	6,236,426	6,423,519	6,616,225	6,814,712	7,019,153	7,229,728	7,446,620	7,670,019
			(4.00%)	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Actuals	Chapter 70 aid		5,936,062	5,967,929	6,010,369	6,037,994	6,065,444	6,092,669	6,152,674	6,185,014	6,217,984	6,568,729
				0.54%	0.71%	0.46%	0.45%	0.45%	0.98%	0.53%	0.53%	5.64%
Projections	Assessments (No debt)		8,569,397	8,762,210	8,964,563	9,191,587	9,435,835	9,718,910	10,010,477	10,310,791	10,620,115	10,938,718
				2.25%	2.31%	2.53%	2.66%	3.00%	3.00%	3.00%	3.00%	3.00%
Actuals	Assessments (No debt)		8,569,397	8,762,210	9,060,182	9,238,895	9,591,141	9,927,145	10,293,621	10,772,099	11,232,240	11,669,848
				2.25%	3.40%	1.97%	3.81%	3.50%	3.69%	4.65%	4.27%	3.90%
Projections	GMRSD Budget (less debt)		16,203,713	16,203,713	16,608,806	17,024,026	17,449,627	17,885,868	18,333,015	18,791,340	19,261,124	19,742,652
				0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Actuals	GMRSD Budget (less debt)		16,203,713	16,224,974	16,369,160	16,769,888	17,328,068	18,191,554	18,611,410	18,959,172	18,976,254	19,729,974
				0.13%	0.89%	2.45%	3.33%	4.98%	2.31%	1.87%	0.09%	3.97%
Enrollment												
	Foundation	Gill	170	162	161	165	151	159	162	153	149	132
			15.21%	14.50%	15.17%	14.93%	13.75%	14.60%	14.85%	14.19%	13.56%	12.31%
		Montague	948	955	900	940	947	930	929	925	950	940
			84.79%	85.50%	84.83%	85.07%	86.25%	85.40%	85.15%	85.81%	86.44%	87.69%
		Total	1,118	1,117	1,061	1,105	1,098	1,089	1,091	1,078	1,099	1,072
	Attending	Gill		133	120	124	109	115	113	105	95	91
				14.94%	14.44%	13.98%	12.60%	13.94%	14.16%	13.17%	11.77%	11.64%
		Montague		757	711	763	756	710	685	692	712	691
				85.06%	85.56%	86.02%	87.40%	86.06%	85.84%	86.83%	88.23%	88.36%
		Total		890	831	887	865	825	798	797	807	782
Montague Assessments												
	Affordable (no debt)		7,051,750	7,295,125	7,518,664	7,779,023	8,151,978	8,360,271	8,732,136	9,155,656	9,612,618	10,036,290
	debt		178,577	183,715	177,758	145,918	143,645	137,227	133,485	200,904	198,542	193,916
	Total		7,230,327	7,478,840	7,696,422	7,924,941	8,295,623	8,497,498	8,865,621	9,356,560	9,811,160	10,230,206
	Actual assessments		7,401,608	7,576,183	7,850,604	7,965,557	8,293,458	8,498,343	8,852,114	9,356,560	9,811,160	10,229,737
	Difference		171,281	97,343	154,182	40,616	(2,165)	845	(13,507)	0	0	(469)

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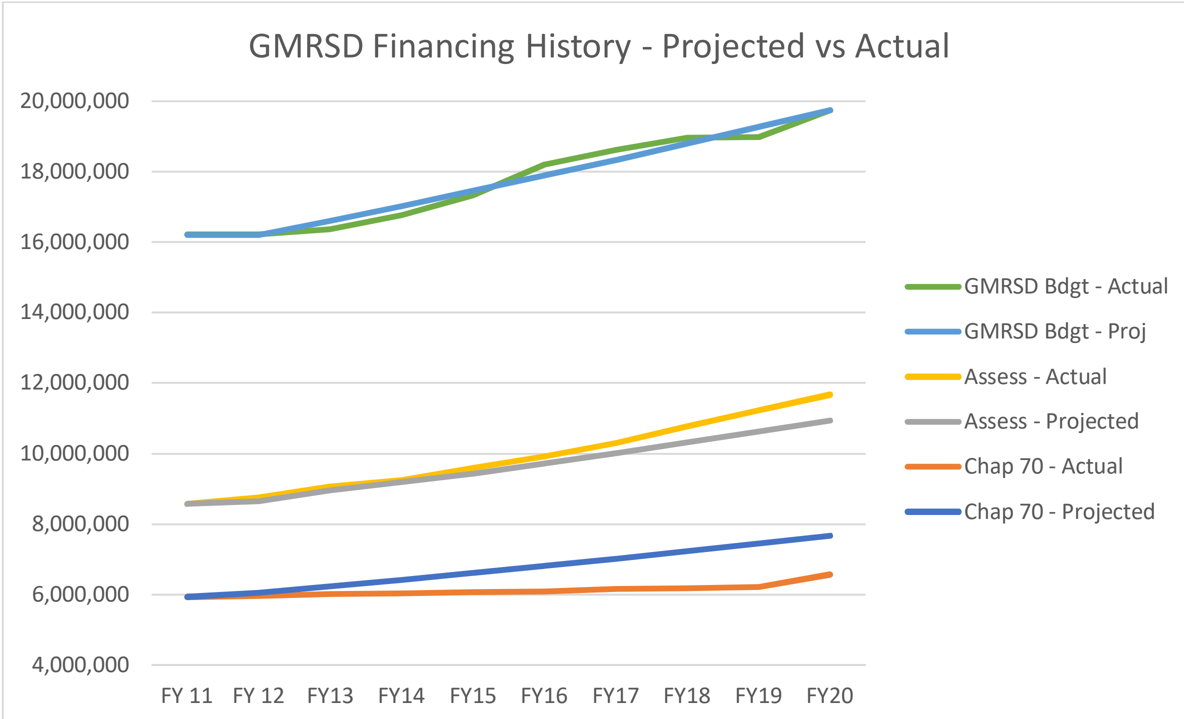

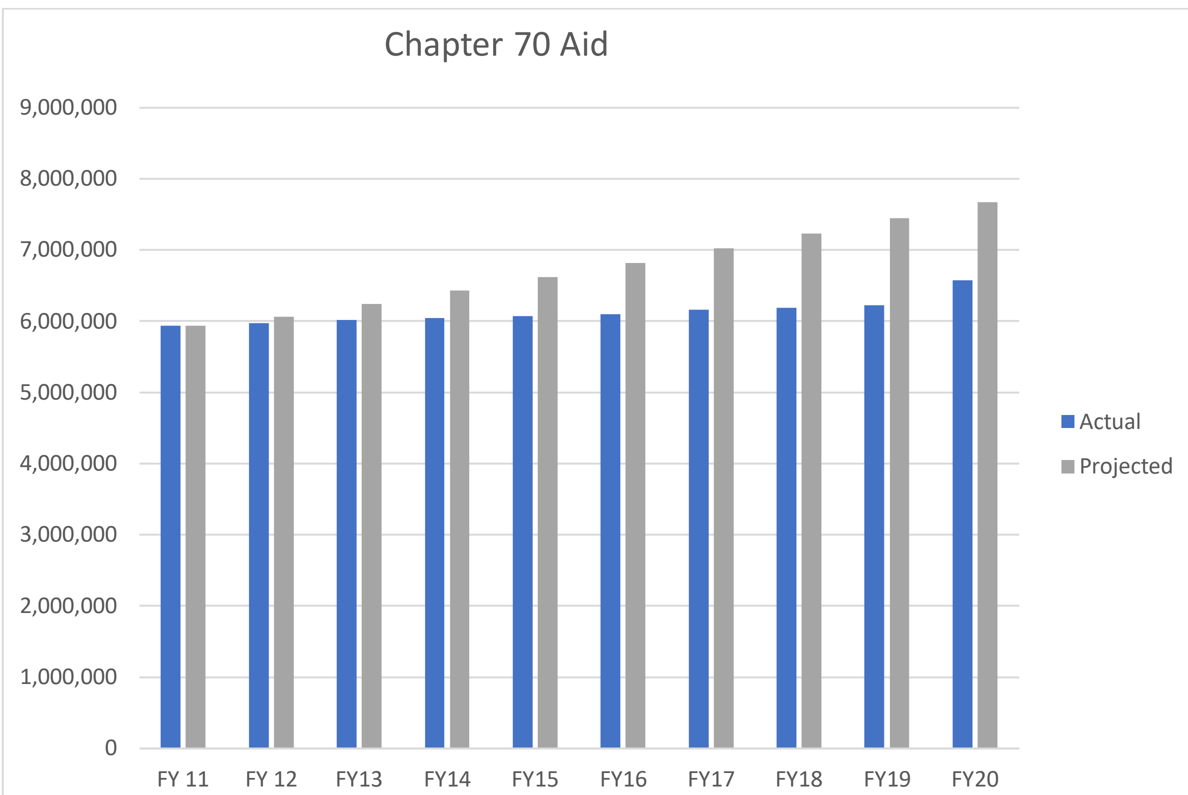

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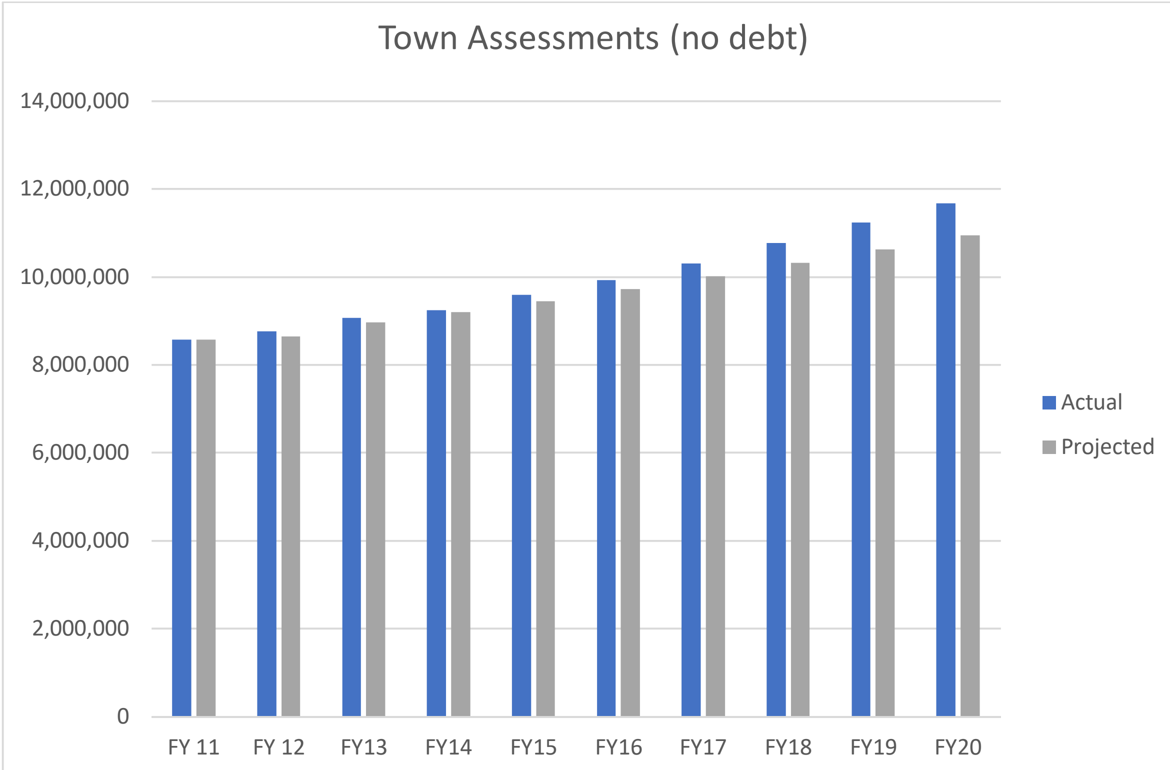

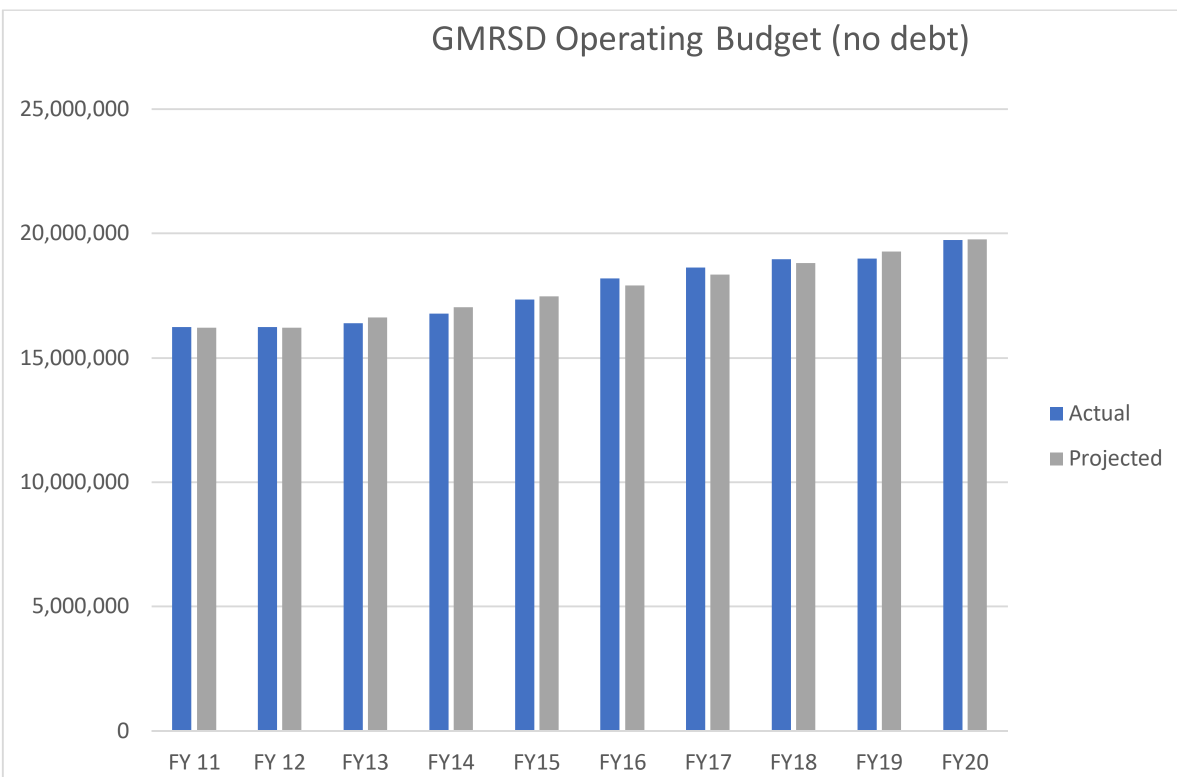

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