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Commissioner

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Hon. Michael Rodrigues, Chair, Senate Committee on Ways and Means
Hon. Aaron Michlewitz, Chair, House Committee on Ways and Means
State House
Boston, MA 02133

Dear Chair Rodrigues and Chair Michlewitz:

Pursuant to line item 7061-0008 of the Fiscal Year (FY) 2019 General Appropriations Act (St. 2018, c.154), the Department of Elementary and Secondary Education (DESE) submits its recommendations for "additional adjustments to the chapter 70 foundation budget calculation for FY2020 and beyond to continue improving the accuracy and equity of the low-income component." We took the opportunity to revisit this issue during the development of H.70, the Governor's bill to promote equity and excellence in education. We trust this report will be of use to the members of the House and Senate Committees on Ways and Means and the Joint Committee on Education as they deliberate this session.

As we describe briefly below, the Department recommends the following:

- To improve the accuracy of the measure:
 - DESE and the Executive Office of Health and Human Services (EOHHS) should continue technical enhancements to the electronic matching process that will improve identification of students living in poverty, and
 - Schools should continue to support eligible families in signing up for state assistance programs—particularly families of refugees and undocumented immigrants.
- To ensure that identification is equitable across districts, the state should maintain the income eligibility standard at 133% of the federal poverty level.

The Commonwealth determines the low-income component of foundation budgets based on the *economically disadvantaged* measure. DESE matches student names and birthdates in its Student Information Management System (SIMS) with databases maintained by EOHHS. The matching process includes the Supplemental Nutrition Assistance Program (SNAP), the Transitional Aid for Families with Dependent Children program (TAFDC), certain Medicaid programs within the broader MassHealth system, and the Department of Children and Families' foster care program. Those students who are successfully matched are identified in SIMS as *economically disadvantaged*.

Over the last few years, DESE and EOHHS staff have worked together to improve the matching process to identify as many students as possible who are living in poverty. The most recent counts reflect enhancements in the matching process, including adjustments for possible variations in information entered into different state databases. They also reflect an expanded set of MassHealth aid categories, covering a wide range of MassHealth coverage types. Earlier iterations included only a handful of such categories where EOHHS could initially make income determinations.

In addition, many districts have been proactive in encouraging and helping eligible families to apply for these programs. This has the dual benefit of providing the families with needed assistance and increasing the accuracy of our metric. Of particular note are the partnership agreements entered into by the Chelsea, Brockton, and Revere school systems with the Department of Transitional Assistance (DTA), through which districts receive administrative funding to assist in outreach and enrollment for the SNAP program. DTA hopes to enter into similar partnerships with other high poverty districts.

The table below shows the increase in the number of identified students during the first four years of this new metric:

YEAR	ECODIS #	TOTAL #	ECODIS %
FY17	312,203	940,105	33%
FY18	314,776	941,303	33%
FY19	339,256	941,411	36%
FY20	342,575	939,683	36%

Matches are conducted on four separate occasions during the year. A student matched on any one of these four occasions is counted as economically disadvantaged in the district's foundation budget .

It is important to note that the economically disadvantaged metric was developed for use in school and district funding and accountability determinations and for statistical analysis. It is *not* intended to govern students' eligibility for fee waivers and other individual benefits. Local school committees have full authority to establish and administer eligibility criteria for such benefits.

Prior to FY2017, the Commonwealth determined a student's poverty status based on their eligibility for free or reduced-price school meals, which had an income threshold of 185% of the federal poverty level. The move away from this metric was necessitated by the widespread adoption of the U.S. Department of Agriculture's community eligibility provision (CEP), which allows high poverty schools and districts to eliminate individual eligibility forms and provide free school meals to *all* students.

To ensure valid comparisons across districts, the economically disadvantaged metric uses an income eligibility standard at 133% of the federal poverty level (equivalent to the threshold for free lunches under the school lunch program). Families living under 133% of the federal poverty level are eligible for a wide range of state assistance services, and most households sign up for and receive those benefits.

Due in large part to the change in the threshold from 185% to 133%, the number of students identified as economically disadvantaged is lower than the number previously identified as low income under the school lunch program. To compensate for the lower threshold, we raised the foundation budget rates for the low income component of Chapter 70 and implemented a tiered rate structure, assigning greater weights to students in districts with higher concentrations of poverty. For the vast majority of districts, these higher rates compensated for the decrease in the low income counts. As a result, virtually all districts received as much or more in Chapter 70 aid than they would have under the old standard. The remaining districts—communities that would have been significantly and adversely impacted even after these rate changes—received transitional aid in FY2017, FY2018, and FY2019 to hold them harmless.

For FY2020 and beyond, the Governor's FY2020 budget (H.1) and companion school finance reform bill (H.70) propose:

- additional increases in the economically disadvantaged increments in the foundation budget, with progressively higher increments in the higher deciles;
- a new high needs concentration increment for districts with high concentrations of both economically disadvantaged students and English learners; and
- inclusion of the FY2019 transitional aid in FY2020 base aid.

In particular, the high needs concentration increment is targeted at districts with a significant population of immigrant families, who are often reluctant to sign up for state assistance or are not eligible based on their immigration status. If incorporated into the Chapter 70 aid formula, it can replace the temporary transition aid included in recent budgets.

Some have suggested returning the low income threshold to 185%. At this level, the EOHHS matching process would be limited to several MassHealth programs, and would not identify those families with employer-provided health insurance. As a practical matter, CEP districts would need to resume collecting income data from individual families. This would require considerable effort and resources at the school and district level, as well as additional administrative resources for DESE to oversee the process. While federal school nutrition funds can be used to support this process in non-CEP districts, they could not be used for this purpose in CEP districts. It is also likely that some families in CEP districts would choose not to provide income data as they would receive no direct benefit. (In non-CEP districts, children receive the benefit of free or reduced price school meals, and even in those districts the response rate among eligible families is less than 100%.) We believe that reinstating forms collection in CEP districts to raise the threshold would require considerable effort and yet still come up short of identifying 100% of the eligible students. Finally, using multiple systems to determine low income status would lead to variable reporting results, undermining the important measure of equity introduced to the Commonwealth's district funding system in FY2017.

Many other states include increments for low-income students in their school funding formulas, and have been similarly affected by the adoption of CEP and the resulting loss of consistent free and reduced price lunch data. Listed here is a sampling of recent research and reports on this topic:

- Policy brief from the Education Commission of the States
- R. Croninger, J.K. Rice, L. Checovich, “Alternative Indicators of Low-Income Students, School Funding Formulas and the Community Eligibility Provision of the Healthy, Hungry-Free Kids Act”, March 2016
- R. Croninger, J.K. Rice, L. Checovich, “Evaluation of the Use of Free and Reduced-Price Meal Eligibility as a Proxy for Identifying Economically Disadvantaged Students. Alternative Measures and Recommendations”, June 2015
- M. Chingos, “A Promising Alternative to Subsidized Lunch Receipt as a Measure of Student Poverty”, *EducationNext*, August 20, 2018

To date, there is no clear consensus on how to approach this issue, and the U.S. Department of Education has not issued any definitive guidance.

We appreciate the opportunity to provide this information to the Legislature. Questions concerning this report can be directed to Deputy Commissioner Jeff Wulfson at jwulfson@doe.mass.edu.

Sincerely,

Jeffrey C. Riley
Commissioner

cc: Senator Jason Lewis, Co-chair, Joint Committee on Education
Representative Alice Peisch, Co-chair, Joint Committee on Education
Secretary James Peyser, Executive Office of Education
Deputy Commissioner Jeff Wulfson, DESE