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METCO Funding:
Understanding Massachusetts' Voluntary School Desegregation Program

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Executive Summary

METCO, the Metropolitan Council for Educational Opportunity, enables over 3,000 mostly African-American and Hispanic students from Boston and Springfield to attend schools in three dozen surrounding communities. The program has been remarkably stable for decades, with enrollment rarely falling below 3,100 or rising above 3,300, and most suburban districts continue to participate each year.

For Boston and Springfield families, the program provides students access to educational opportunities in suburban districts with strong academic reputations. At the same time, in suburban districts METCO substantially reduces segregation and increases diversity; METCO students make up more than 40 percent of the African-American population in receiving districts. The impact on individual districts can be even greater—in some districts METCO students represent more than two thirds of the African-American population or more than 20 percent of the Hispanic population.

The primary funding for METCO is through a state grant. Despite recent increases, the real value of the grant has yet to recover from cuts after the recession of 2008. In FY2021, the grant averaged $7,200 per student, but districts did not receive equal per-pupil allocations. Instead, quirks in the formula, such as a "hold-harmless" provision and basing the allocation on the prior year's enrollment, result in disparities in funding: a few districts receive substantially more than average and most receive slightly less.

While most discussion of METCO funding focuses on the grant, METCO is also indirectly funded by the state's general education funding system known as Chapter 70. Because METCO students count towards enrollment in the districts they attend, suburban districts generally receive additional state aid, Springfield receives less state aid, and Boston is unaffected. State aid for these students is likely to increase in the coming years as the state incorporates changes to the Chapter 70 formula.

Calculating the additional state aid to receiving districts for the METCO students is difficult, both because the aid formula is complex and because there are different ways to determine the portion of aid that supports METCO students. Regardless of how it is calculated, the additional aid from Chapter 70 can be substantial. Most districts receive several thousand dollars of aid per pupil above and beyond the METCO grant, although the impact varies across districts. Rather than looking at average aid per student, an alternative is to consider the incremental aid from one additional student—i.e. to ask the question of how much aid a district would receive if it increased enrollment by one student. The impact of an incremental student again averages several thousand dollars but can vary from near $0 to $11,000 or more. The differences in Chapter 70 aid arise because the state aid formula is progressive and provides more aid to communities with lower wealth or income.

METCO has successfully educated thousands of students for 50 years, and several minor changes could strengthen it. We recommend that the state simplify the grant formula, incorporate current enrollment figures, and publish information about Chapter 70 funds generated by METCO students. The legislature should also provide additional funds to support late afternoon transportation and cover the special education costs of METCO students. Some of these changes, such as basing the grant on current enrollment and covering special education costs, would also make it easier to expand METCO. To expand, the legislature should provide the METCO managers additional funds to cover the immediate costs of expansion and commit to providing adequate ongoing grant support for a larger program. A relatively small investment of education funds could allow the successful program to serve additional students and their families.

Introduction

METCO, the Metropolitan Council for Educational Opportunity, was established more than 55 years ago. It enables more than 3,000 mostly African-American and Hispanic students from Boston and Springfield to attend schools in surrounding communities each year. This paper describes how METCO works, reviews its history, summarizes the demographics of participants and the districts they attend, and explores some of METCO's successes and challenges.[1] It then explains how METCO is funded, including the often-misunderstood interplay between METCO and Chapter 70, and concludes with recommendations for the program's future.

In 1965, parents in Boston organized Operation Exodus to send their children from overcrowded and predominantly African-American schools to better-resourced city schools that had available space. The successful and voluntary program, METCO, starteded the following year with funding from the Carnegie Corporation and the U.S. Department of Education to allow 220 African-American students to attend schools in seven Boston suburbs. Soon after, the legislature provided funding for any town that wished to enroll outside students for the purpose of racial integration. Within 10 years, 37 districts had agreed to host students, 33 outside Boston and four outside of Springfield. The receiving districts have mostly remained the same until today, although Framingham phased out the program in the 2000s.[2]

Each year, families in Boston and Springfield apply to participate in METCO and send their children to other districts. There are no entrance examinations for entering METCO, and students with special education needs or those with limited English proficiency are permitted to enroll.

Suburban districts prefer to bring METCO students in during the early grades, and most who enroll at a young age stay in the program for many years. For Boston, the Department of Elementary and Secondary Education (DESE) contracts management of the program to METCO, Inc., which handles the application process and offers academic counseling, tutoring, summer school, and other support services. The much smaller program in Springfield is managed by the local school district.

The number of students applying to the program generally exceeds the number who are accepted. For example, according to METCO Inc.'s 2019–2020 Annual Report, Boston had 1,381 applications that led to 335 new enrollees. On the receiving side, suburban districts decide each year how many students to accept. Because of the strong demand, enrollment is limited by the number of open seats and participants are referred by lottery. Students do not have a choice of which district they attend, although METCO officials may attempt to keep siblings in the same district.

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In the suburbs, METCO provides supervisory, direct services, and support staffing, transportation, direct services, and racial equity initiatives. Some districts also link METCO students with a community family that will be their local contact and primary support network throughout their education in the receiving district. In addition to direct support provided by METCO Inc. and METCO staff in receiving districts, the METCO Directors' Association provides support for directors, professional development for faculty and enrichment and youth leadership activities for students.

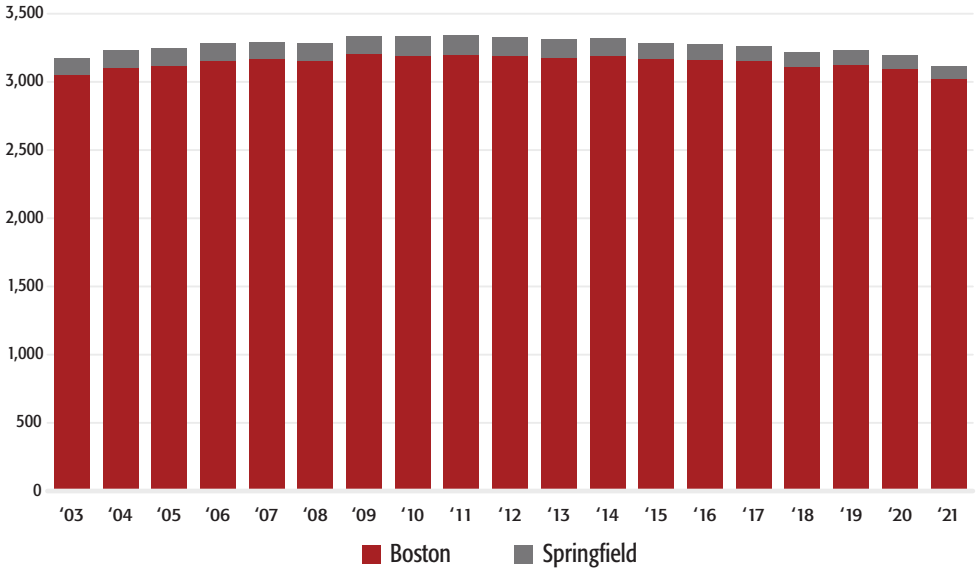
METCO Students[3]

In a typical year, approximately 3,200 students participate in METCO, more than 3,000 from Boston and the rest from Springfield. METCO students represent roughly 6 percent of Boston's total enrollment, less than 0.5 percent of Springfield's, and roughly 2.5 percent of enrollment in receiving districts.

In a typical year, approximately 3,200 students participate in METCO, more than 3,000 from Boston and the rest from Springfield.

While receiving districts may adjust the number of seats that are available each year, the total number of participants has remained remarkably stable over time. There was a gradual increase to a peak of 3,341 in 2011 before a slight decline in the last decade to 3,117 in 2021.

Chart 1: Total METCO Enrollment by Year



METCO students are not distributed evenly to receiving districts. Some receiving districts accept only a handful of students making up less than 1 percent of local enrollment, while others accept more than 100 students — as much as 8 percent of total local enrollment.

Enrollment in individual receiving districts is not as stable as overall enrollment. While METCO enrollment is down only 4 percent since 2005, the changes in enrollment in receiving districts vary wildly. Twenty six out of the 37 districts have either reduced or increased METCO enrollment by 10 percent or more, with some showing changes of more than 30 percent.

Table 1: METCO Enrollment Data by Receiving District, 2021 and Change Since 2003

District	2021 METCO Enrollment	2021 % of Total Enrollment	2003	Change since 2003	% Change since 2003
Arlington	74	1.3%	96	–22	–22.9%
Bedford	90	3.4%	75	15	20.0%
Belmont	91	2.1%	120	–29	–24.2%
Braintree	24	0.4%	43	–19	–44.2%
Brookline	292	4.2%	294	–2	–0.7%
Cohasset	46	3.2%	48	–2	–4.2%
Concord	88	4.4%	109	–21	–19.3%
Dover	8	1.7%	6	2	33.3%
Foxborough	33	1.3%	42	–9	–21.4%
Framingham	0	0.0%	37	–37	–100%
Hingham	53	1.4%	25	28	112%
Lexington	216	3.1%	272	–56	–20.6%
Lincoln	85	8.1%	89	–4	–4.5%
Lynnfield	34	1.6%	27	7	25.9%
Marblehead	55	2.0%	61	–6	–9.8%
Melrose	116	3.1%	100	16	16.0%
Natick	52	1.0%	58	–6	–10.3%
Needham	180	3.3%	152	28	18.4%
Newton	411	3.4%	419	–8	–1.9%
Reading	61	1.5%	35	26	74.3%
Scituate	66	2.3%	46	20	43.5%

Sharon	65	1.9%	67	–2	–3.0%
Sherborn	7	1.8%	9	–2	–22.2%
Sudbury	63	2.5%	60	3	5.0%
Swampscott	51	2.4%	23	28	121.7%
Wakefield	62	1.9%	32	30	93.8%
Walpole	29	0.8%	37	–8	–21.6%
Wayland	135	5.0%	130	5	3.8%
Wellesley	152	3.4%	148	4	2.7%
Weston	159	8.3%	152	7	4.6%
Westwood	46	1.6%	37	9	24.3%
Northampton-Smith Vocational	0	0%	2	–2	–100%
Concord-Carlisle	61	4.6%	87	–26	–29.9%
Dover-Sherborn	23	1.9%	23	0	0.0%
Hampshire	0	0%	1	–1	–100%
Lincoln-Sudbury	90	5.9%	86	4	4.7%
East Longmeadow	40	1.7%	47	–7	–14.9%
Longmeadow	31	1.1%	44	–13	–29.5%
Hampden-Wilbraham	9	0.3%	17	–8	–47.1%
Southwick-Tolland-Granville	19	1.4%	20	-1	–5.0%
Total – All Districts	**3117**	**2.5%**	**3175**	**-58**	**–1.8%**

METCO's Goals and Impact

METCO has two goals, depending on whether it is viewed from the point of view of participating students or the receiving districts. For students and their families, it is a school choice program that provides students access to better educational opportunities in suburban districts. These receiving districts are often wealthy and maintain strong academic reputations. This goal was explicit from the beginning, as METCO was inspired by Operation Exodus, a program meant to provide urban students access to better schools. At the same time, METCO also reduces segregation and increases diversity in suburban districts that may have very few Black and Hispanic students. The enabling legislation, Chapter 76, Section 12A of Massachusetts General Laws refers directly to the goal of desegregation in that it allows programs designed to integrate schools and reduce "racial imbalance in the sending district" and also "to help alleviate racial isolation in the receiving district."

For students and their families, it is a school choice program that provides students access to better educational opportunities in suburban districts.

METCO addresses both goals with varying degrees of success. It clearly provides options to the participants, although because the number of applicants consistently exceeds the number of spots available, many families are left out. Before switching to a lottery system, Boston's METCO program had waiting lists that lasted for years and families would reportedly put children on the list as soon as they were born. The limited number of open seats means that in most years, thousands of urban families who would like to participate are unable to.

METCO students also contribute to the diversity of receiving districts, but their demographics differ somewhat from the student populations in Boston and Springfield. Compared to students in Boston public schools, Boston METCO students are more likely to be African American (67 percent vs. 30 percent) and less likely to be Hispanic (24 percent vs. 42 percent). More than a third of Boston METCO students are economically disadvantaged, while the overall Boston Public Schools (BPS) figure is almost 60 percent. For students classified as English language learners (ELL), the gap between the METCO students and the overall district is even wider. One third of BPS students are English language learners compared to only 4 percent of METCO students, which is a lower share than in receiving districts. METCO students are also more likely than students in BPS and in the receiving districts to be classified as special needs.

Chart 2: Race/Ethnicity of students METCO, BPS, Receiving Districts, 2020

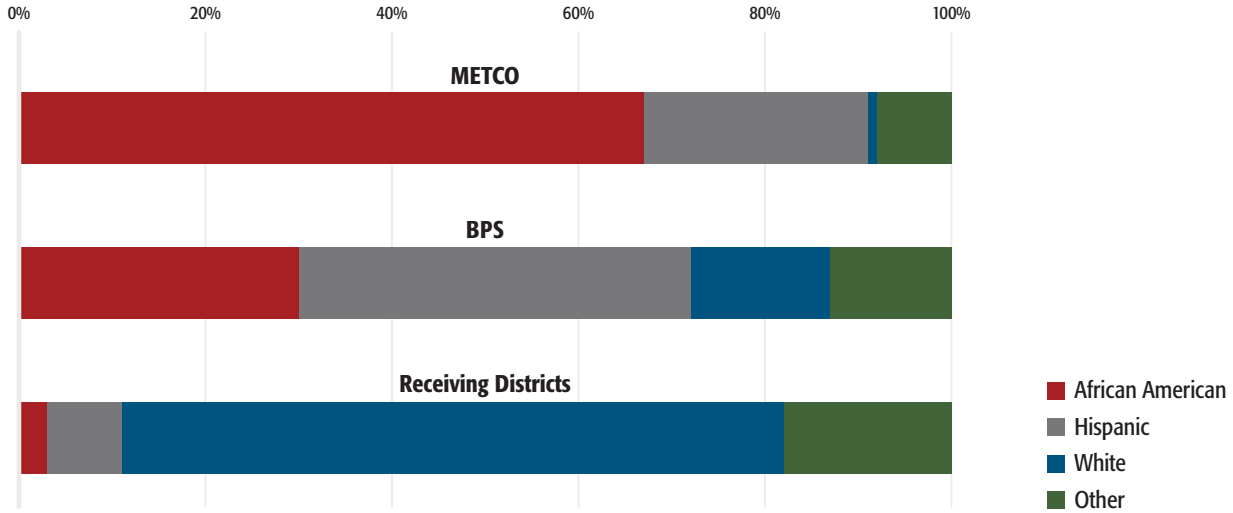
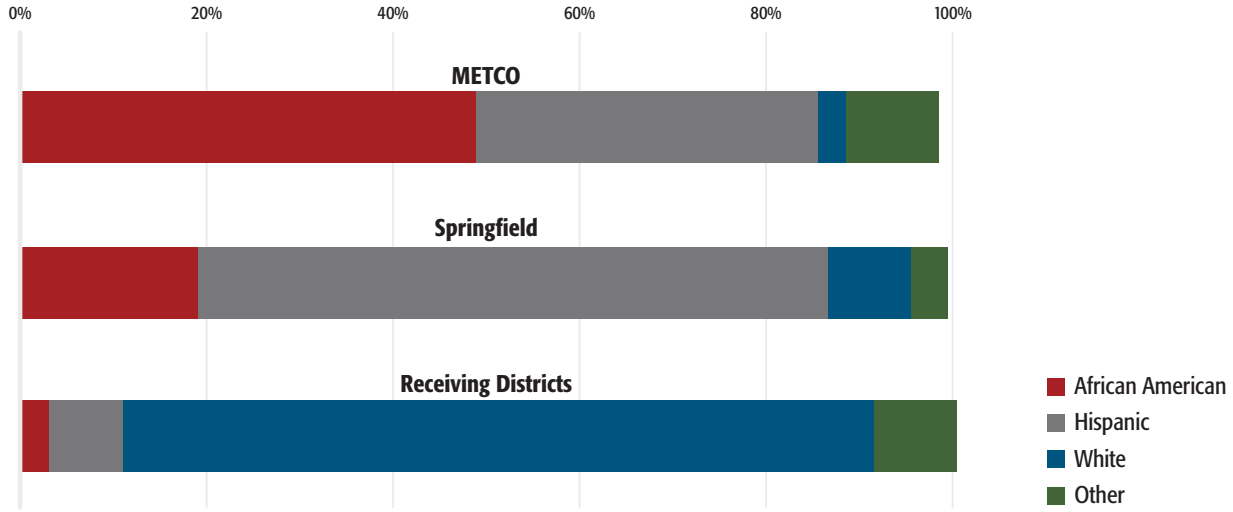


Table 2: Student Categories: Boston METCO and BPS Students, 2020

	METCO	Boston Public Schools	Receiving Districts
Economically Disadvantaged	37%	58%	10%
English Language Learners	4%	33%	6%
Special Needs	27%	19%	14%

In Springfield the data follow a similar pattern. The METCO program contains more African-American students and fewer Hispanic students than Springfield's local district, but the METCO students are again much more diverse than the receiving districts.

Chart 3: Springfield METCO and Local District Students, 2021



Because METCO only contributes 2.5 percent of the students to receiving districts, it might appear that its impact on diversity is limited; even with METCO many of the districts have very small numbers of African American or Hispanic students. However, while the absolute numbers of METCO students in most receiving districts are small, the relative impact on the districts can be quite large.

A striking way to view the data is to show how the METCO students affect overall diversity in the receiving districts. ***As the table below shows, in 2011 METCO contributed almost half the African American students in the receiving districts. Phrased differently, METCO almost doubled the number of African-American students in receiving districts.*** METCO's contribution to diversity has decreased slightly over time, primarily because the population of receiving districts that is neither African American nor white has increased. In 2021, METCO students still made up more than 40 percent of the African-American population of receiving districts.

METCO almost doubled the number of African-American students in receiving districts.

Table 3: Student Demographics in Boston, Springfield, and Receiving Districts, 2021

	BPS	Boston METCO	Springfield	Springfield METCO	Receiving Districts
% White	15%	1%	9%	3%	73%
% Black	30%	67%	19%	49%	3%
% Hispanic	42%	24%	68%	37%	8%
% Other	13%	8%	4%	10%	16%

Table 4: METCO Impact on Diversity in Receiving Districts, 2011 and 2021

	2011	2021
% White	80.6%	70.1%
% Black	4.0%	4.0%
% Hispanic	3.8%	6.4%
% other (Asian, H/P, Native American, or multi racial)	11.6%	19.5%
% Black from METCO	49.7%	42.0%
% Hispanic from METCO	11.8%	10.0%

Tables 3 and 4 show the overall impact, but of course receiving districts vary both in the number of METCO students and the non-METCO population. In 2021, METCO students made up the majority of African-American students in 13 of the 37 districts and more than two thirds in five districts, with a high of 100 percent in Cohasset. METCO's contribution to the number of Hispanic students is less dramatic, topping out at roughly a third in Scituate and Lincoln-Sudbury. Without METCO, diversity would be virtually nonexistent in some districts; even with METCO many districts have relatively small numbers of Black or Hispanic students.

Table 5: Demographics of Receiving Districts and Impact of METCO on Diversity, 2021[4]

District	% White	% Black	% Hispanic	% Other	% Black from METCO	% Hispanic from METCO
Arlington	70%	3%	6%	21%	30%	4%
Bedford	61%	6%	8%	25%	41%	9%
Belmont	63%	3%	4%	30%	46%	7%
Braintree	64%	5%	5%	26%	6%	2%
Brookline	52%	6%	11%	31%	43%	10%
Cohasset	92%	3%	1%	4%	100%	20%
Concord	74%	5%	7%	14%	63%	18%
Dover	73%	3%	4%	20%	38%	10%
Foxborough	78%	6%	7%	9%	12%	8%
Hingham	88%	2%	4%	6%	47%	10%
Lexington	42%	4%	5%	49%	59%	14%
Lincoln	55%	9%	18%	18%	48%	15%
Lynnfield	82%	2%	6%	10%	59%	6%
Marblehead	85%	3%	7%	5%	59%	5%
Melrose	77%	6%	5%	12%	40%	12%

Natick	74%	3%	7%	16%	23%	3%
Needham	75%	3%	6%	16%	50%	21%
Newton	59%	5%	8%	28%	41%	12%
Reading	86%	3%	3%	8%	47%	10%
Scituate	92%	3%	2%	3%	59%	32%
Sharon	53%	5%	6%	36%	19%	13%
Sherborn	78%	3%	5%	14%	50%	6%
Sudbury	74%	3%	5%	18%	56%	12%
Swampscott	78%	4%	12%	6%	42%	5%
Wakefield	83%	3%	8%	7%	46%	6%
Walpole	80%	3%	6%	10%	14%	4%
Wayland	68%	5%	5%	22%	78%	9%
Wellesley	68%	4%	5%	23%	59%	11%
Weston	64%	7%	6%	23%	80%	28%
Westwood	76%	2%	5%	17%	44%	11%
Concord-Carlisle	77%	4%	5%	14%	78%	15%
Dover-Sherborn	75%	3%	5%	18%	59%	2%
Lincoln-Sudbury	77%	5%	5%	12%	70%	36%
East Longmeadow	78%	3%	10%	9%	17%	8%
Longmeadow	77%	3%	6%	15%	24%	7%
Hampden-Wilbraham	83%	3%	9%	6%	6%	2%
Southwick-Tolland-Granville	89%	2%	5%	4%	48%	4%
TOTAL	70%	4%	6%	20%	42%	10%

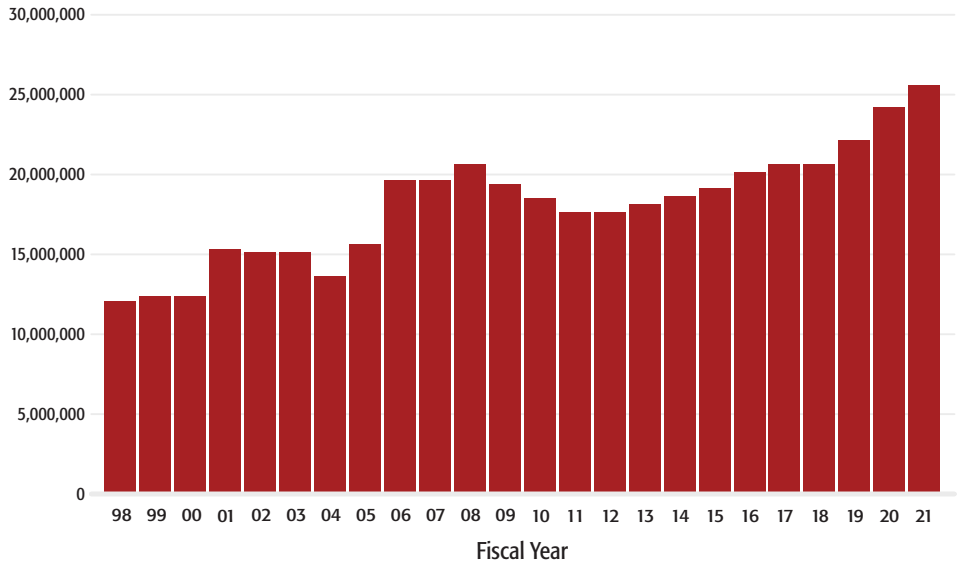
METCO Funding: Revenue

For local decision-makers trying to decide how many METCO students to accept for an upcoming year, there are many important issues other than state aid. However, officials are of course interested in how much funding their districts are likely to receive. There are two major state funding sources: the METCO grant and Chapter 70. METCO students certainly generate small amounts of additional funding from federal entitlement and allocation grants such as IDEA Special Education; Title I; Title IIA Teaching and Leading; Title III English Language Learners; and Title IV Student Support and Academic Enrichment. They may generate other monies from other state and federal competitive grants as well. However, it's not possible to determine an exact dollar amount that can be attributed to METCO students for any of these grants. On the revenue side, this paper will focus upon the METCO grant and Chapter 70.

The METCO Grant

The METCO grant is a state appropriation administered by the Department of Elementary and Secondary Education. The program has many champions in the State House, and after several years of decreased appropriations between FY09 and FY11, followed by modest gains between FY13 and FY18, the last few years have seen more substantial increases. In FY21 the appropriation rose by $1.4 million, which in the middle of a pandemic and revenue uncertainty, is testament to the wide support for the program, especially during a time when diversity and racial justice have become such visible issues nationally.

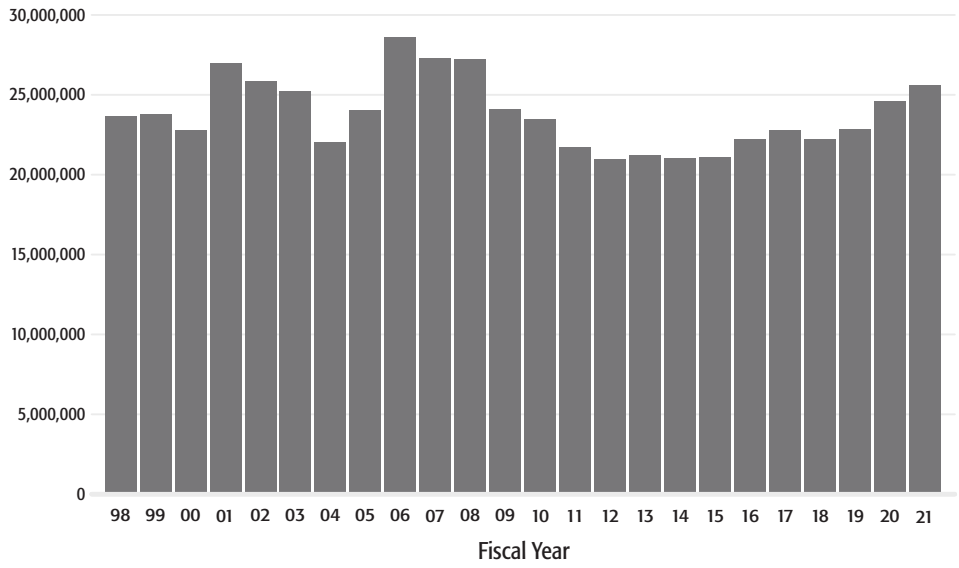
Chart 4: METCO Appropriation FY98 to FY21



However, in inflation-adjusted terms, the FY21 appropriation of $25.6 million is closer to where it was in FY98 than in the peak year of FY06. Despite the recent increases, METCO grant funds have not kept up with inflation over the past 15 years. Unlike the Chapter 70 formula, and many grant programs for that matter, there is no definition of what the "right" amount of aid should be.

Despite the recent increases, METCO grant funds have not kept up with inflation over the past 15 years.

Chart 5: METCO Appropriation in FY21 Dollars

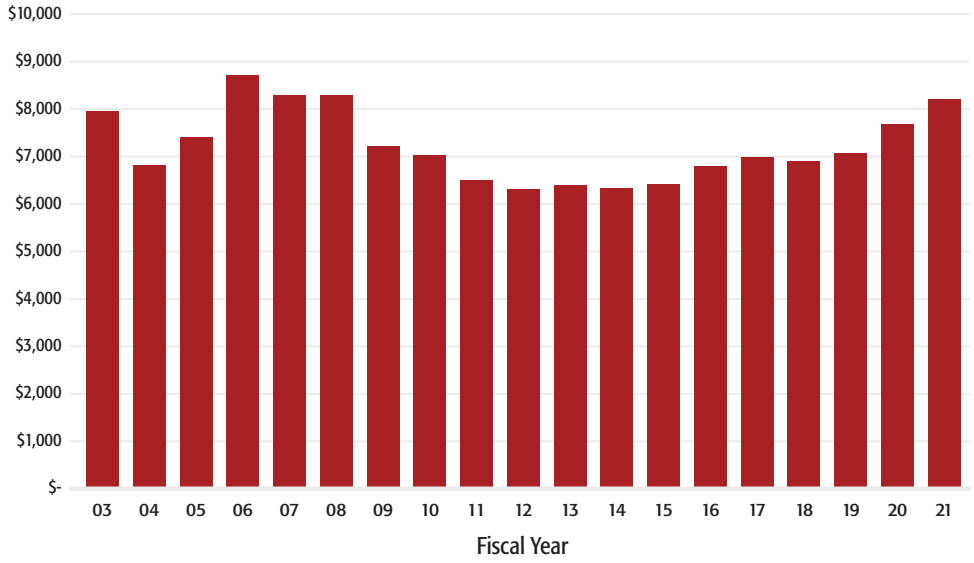


The total appropriation includes earmarks for METCO Inc. administration and DESE ($1.87 million in FY20, $120,000 of which was for DESE); Springfield administration ($52,000); and a Special Education Grant Fund ($190,000). Once those amounts are subtracted, the remaining funds are allocated to receiving districts as per-pupil funding based on the number of METCO students.

One unusual aspect of the METCO appropriation is that it is not directly tied to participation — i.e. the legislature does not directly adjust funding to accommodate or initiate a change in the number of METCO students. Instead, the legislature determines funding while the METCO

administrators and receiving districts determine enrollment. The result of this disconnect is that neither the recent increases nor the earlier decline in inflation-adjusted funding led to substantial change in the number of METCO students. As discussed earlier, METCO enrollment has been relatively steady over time. Instead, the real value of the per-pupil grant fluctuates substantially along with the real grant value. The inflation-adjusted grant per pupil fell by 28 percent from 2006 to 2012, while recent increases in the appropriation have reversed most of the decline.

Chart 6: Real METCO Grant Per Pupil



While the graph above shows the average appropriation per pupil, in recent years the grant has not been distributed equally on a per pupil basis. Instead, after the funding for program management and a special education grant is removed, the formula distributes funds based on enrollment, average enrollment over the prior three years, and grant funding received in prior years.

One problem with the METCO allocation is that it is based on enrollment figures from the prior year. This means that if a district accepts additional students at the beginning of the current school year, they do not show up in the calculation of the METCO grant until the following year.

Beyond the timing problem of the enrollment measure, it is not clear why the grant is not distributed using the simpler method of providing an equal amount per pupil, as it was in the past. The formula has two main components other than enrollment that both serve to protect districts with declining enrollment. The first is that it calculates enrollment as the greater of actual enrollment (from the prior October) and the average enrollment of the prior three years. This provision reduces the impact of a decline in enrollment — e.g. if enrollment falls by three students, the calculated enrollment would only decline by one student. While this provision helps prevent a temporary drop in enrollment from dramatically reducing aid, it also provides slightly more aid per student to districts with falling enrollment. For most districts, this provision has a relatively small impact on aid, although it can distort aid per pupil figures.

The second feature of the formula is that districts are protected from reductions in grant funding by a "hold-harmless" provision. It ensures that each district receives at minimum the amount it received the prior year, and in some years it also includes a guaranteed increase of $40 per pupil. It is not clear why districts that accept fewer METCO students should continue to receive the same aid or even a small increase in aid, but the result is that there is less funding available for the districts with stable or increasing number of METCO students. FY 21 illustrates the impact of the unusual formula. The METCO grant that year provided $23.1 million after setting aside earmarks for METCO Inc., Springfield Public Schools, and DESE. The vast majority, $22.2 million, matches the amount each district received the prior year plus an increase of $40 per

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pupil. This means that 96 percent of the funds were given out with virtually no consideration of the number of students served; the remaining $909,000 is the only money that can be allocated based on changes in enrollment. The combination of the hold harmless plus $40 and the use of average enrollment means that when enrollment changes, the formula allocates funds inequitably.

Table 6 shows the calculation of the FY21 METCO grant per pupil, excluding carryover funds from the prior year. The average grant that year was commonly referred to as $7,110 per student, but that figure is not accurate because it is based on the enrollment figure used in the formula (the maximum of enrollment or the average enrollment over the prior three years). Using actual October 1 enrollment rather than the calculated enrollment, the average grant was $7,226, but each district varied.

The table begins with the $7,110 figure that is commonly cited. The next column shows how much the district would receive based only on the hold harmless + $40 provision — a few districts receive more than $7,110, while most receive less. Because districts such as Braintree or Hampden Wilbraham receive additional funds from the hold harmless, there is not enough money to provide an equal amount per pupil. The districts not protected by the hold harmless therefore receive a prorated amount of the remaining funds. Finally, adjusting the grant to reflect the actual number of students leads to a larger per pupil amount in districts where the actual enrollment is lower than the three-year average.

Table 6: Calculation of 2021 METCO Grant Per Pupil by District[5]

		Adjustments			
District	Initial Amount	Hold Harmless + $40	Prorated Increase	Adjust to Actual Enrollment	Total Per Pupil
Arlington	$7,110	–$334	$269	$94	$7,139
Bedford	$7,110	–$144	$116	$226	$7,308
Belmont	$7,110	–$433	$350	$70	$7,096
Braintree	$7,110	$1,786	$0	$0	$8,896
Brookline	$7,110	–$620	$501	$0	$6,990
Cohasset	$7,110	–$454	$367	$0	$7,022
Concord	$7,110	–$755	$609	$0	$6,964
Concord Carlisle	$7,110	–$121	$97	$0	$7,087
Dover	$7,110	–$998	$805	$988	$7,905
Dover Sherborn	$7,110	–$838	$676	$0	$6,948
East Longmeadow	$7,110	–$766	$618	$0	$6,962
Foxborough	$7,110	$50	$0	$211	$7,371
Hampden Wilbraham	$7,110	$4,678	$0	$2,620	$14,407
Hingham	$7,110	–$1,493	$1,205	$0	$6,822
Lexington	$7,110	$78	$0	$0	$7,188
Lincoln	$7,110	–$605	$489	$0	$6,993
Lincoln Sudbury	$7,110	–$441	$356	$77	$7,102
Longmeadow	$7,110	–$112	$91	$215	$7,303
Lynnfield	$7,110	–$267	$215	$0	$7,058
Marblehead	$7,110	$640	$0	$935	$8,685
Melrose	$7,110	–$296	$239	$296	$7,349
Natick	$7,110	–$28	$23	$139	$7,244
Needham	$7,110	–$303	$245	$163	$7,214
Newton	$7,110	–$363	$293	$100	$7,139
Reading	$7,110	–$93	$75	$343	$7,435
Scituate	$7,110	$50	$0	$0	$7,160
Sharon	$7,110	–$59	$48	$0	$7,099
Sherborn	$7,110	–$671	$541	$1,994	$8,975

Southwick Tolland Granville	$7,110	$253	$0	$0	$7,363
Sudbury	$7,110	–$169	$136	$0	$7,077
Swampscott	$7,110	$307	$0	$0	$7,417
Wakefield	$7,110	–$525	$423	$548	$7,556
Walpole	$7,110	$915	$0	$973	$8,998
Wayland	$7,110	–$440	$355	$52	$7,077
Wellesley	$7,110	–$369	$298	$0	$7,039
Weston	$7,110	–$380	$306	$0	$7,037
Westwood	$7,110	–$450	$363	$468	$7,491
State Averages	**$7,110**	**$0**	**$0**	**$116**	**$7,226**

Many districts receive amounts close to the state average of $7,226, but the per-pupil grants vary from $6,800 to more than $14,000 as districts with declining enrollment received substantially more. This is clearly illustrated by Hampden Wilbraham which receives $14,400 per pupil as enrollment fell by 30 percent over two years and 50 percent overall, and to a lesser extent in districts such as Braintree that receive more than $8,000. On the other side, districts like Brookline and Concord had growing enrollment and ended up with less per pupil.

While the differences per pupil can be substantial, since most districts have few METCO students the effect on many receiving district budgets is not large. The median loss compared to an equal per pupil amount is $18,000, although three districts lost more than $50,000 and two gained more than $75,000.

The figures in table 6 represent the average amount provided for existing students — they do not mean that a district would get the same amount for an additional student. Because of the formula used to calculate the allocation of grant funds, the amount for an additional student can also vary widely.

The FY21 METCO grant averaged $7,226 when using actual enrollment rather than the calculated enrollment, which suggests that if enrollment in a district increased by one student the district would receive something like $7,200. However, as stated earlier, most funding is reserved to provide districts with a slight increase over the amount they got the prior year, regardless of current enrollment. This means there is less money available to distribute to districts with growing enrollment.

Most funding is reserved to provide districts with a slight increase over the amount they got the prior year, regardless of enrollment. This means there is less money available to distribute to districts with growing enrollment.

The calculations are complex, but the result is that in FY21 one extra student would increase the grant amount by anywhere from zero to approximately $5,800, as shown in table 7. The differences in aid across districts are explained in Appendix A, but two main points are worth summarizing here. First, the gap between $7,200 and $5,800 is due to protecting districts with declining enrollment. Second, the districts receiving $0 or $40 fall into one of two categories: (1) six districts that received "too much" aid due to the hold harmless so an additional student doesn't generate extra aid — essentially they were already receiving aid for more students than they had; and (2) 13 districts that could easily have received roughly $5,800 if not for a quirk in the formula used when calculating the three-year average enrollment. This quirk illustrates the unintended consequences of using a more complex formula that doesn't simply provide an equal amount of aid per pupil.

Table 7: Incremental METCO Grant for One Student, FY21

District	Incremental Aid[6]
Arlington	5,784
Bedford	5,770
Belmont	0*
Braintree	40
Brookline	5,978
Cohasset	5,779

Concord	5,833
Concord Carlisle	5,762
Dover	0*
Dover Sherborn	5,782
East Longmeadow	5,795
Foxborough	4,344
Hampden Wilbraham	40
Hingham	5,843
Lexington	40
Lincoln	5,819
Lincoln Sudbury	0*
Longmeadow	0*
Lynnfield	5,765
Marblehead	0
Melrose	0*
Natick	0*
Needham	0*
Newton	0*
Reading	0*
Scituate	3,136
Sharon	5,758
Sherborn	0*
Southwick Tolland Granville	1,670
Sudbury	5,768
Swampscott	40
Wakefield	0*
Walpole	40
Wayland	0*
Wellesley	5,823
Weston	5,828
Westwood	0*
State Averages	**2,606**
State Median	**40**
Districts With $0 Or $40 per pupil	19

While most districts would receive roughly $5,800 per pupil with an additional student, this result is highly dependent on the enrollment patterns and state appropriation for each year. Changes in the number of districts that receive hold-harmless funds or in the state appropriation could lead to substantial changes in the incremental aid.

Chapter 70

As stated above, the education funding program known as Chapter 70 is the second major source of state support for METCO. However, there is an abundance of misunderstanding about how METCO affects Chapter 70. This section will describe how the formula works and attempt to clear up some of the misconceptions.

There is an abundance of misunderstanding about how METCO affects Chapter 70.

The goal of the Chapter 70 formula is to "assure fair and adequate minimum per student funding for public schools and a standard of local funding effort applicable to every city and town in the commonwealth."[7] The formula calculates a "foundation budget" that quantifies an adequate spending level for a district, based upon how many students are in various grade levels and

programs. It then computes a "target" local contribution amount based upon each city and town's property value and its residents' income, and brings the upcoming year's required spending either to or closer to that target. Finally, state aid makes up the difference between a district's foundation budget and the local contribution. Districts are free to spend more than the foundation budget.

The Foundation Budget

The foundation budget concept was first implemented in Massachusetts in FY94 as a result of the Education Reform Act of 1993. Ever since then, the term has been used by many to refer to the entire Chapter 70 calculation, but the formula is much easier to understand if one limits the term "foundation budget" to what it actually calculates — a district's adequate spending level. The separate Chapter 70 calculation determines how much of the budget is paid from local or state funding.

"Foundation enrollment" is the term for the count of students in the foundation budget. It includes all resident students for whom a district is fiscally responsible. Children who attend charter schools or other districts through school choice, the non-resident vocational program, or special education tuition agreements are counted in the home district's foundation enrollment. Children coming in from other districts through the same programs do not count. However, METCO is an exception to this rule. METCO students are attributed to the receiving district. This makes perfect sense, since there is no tuition paid by either Boston or Springfield. **The formula treats METCO students as if they were residents of the districts they attend.**

The foundation budget consists of 13 enrollment categories, including incremental costs for special education, English learners, and low-income students. For each of these categories there are 11 functional areas comprising what schools do: administration, instructional leadership, teaching, other teacher services, professional development, instructional materials and equipment, guidance and psychological services, pupil services, maintenance, employee benefits, and special education tuition. For each area, and each enrollment category, there is a rate. The rates are increased by a national inflation index each year. When each rate is applied to enrollment in that category, it generates a dollar amount, which is then summed across the board to create an overall foundation budget. For example, the foundation budget for an elementary school student begins at roughly $10,000 and is increased for ELL or low-income students to as much as $17,750, while for high school students it is roughly $1,000 higher.

Target Local Share and Required Contribution

The Chapter 70 formula determines a community's ability to pay based upon the "aggregate wealth" method, which was first implemented in FY07 and is unique to Massachusetts. Its advantage is that it allows a city or town to see exactly how much of its target contribution comes from property and how much from income. Statewide, the two are weighted equally.

The calculation relies upon an assumption that municipalities will shoulder 59 percent of the cost of foundation budget. A target contribution for each city and town is calculated and presented in both dollar terms and as a percentage of the foundation budget. The target local share ranges as low as 14 percent (Lawrence) but on the other end it is capped at 82.5 percent for even the wealthiest communities (so the minimum state share is 17.5 percent). In FY21, 151 (43 percent) of cities and towns fall into this category, and that number includes most METCO towns.

Annual local contribution requirements are determined by applying a "municipal revenue growth factor" calculated by the Department of Revenue to reflect local revenue growth under Proposition 2½. The result is a "preliminary contribution." If the preliminary contribution exceeds the target contribution, the requirement is set at the target. If it is below the target, there may be another 1 or 2 percent added to the growth factor, depending on how far below it is.

The required contribution is a municipal calculation, but most municipalities belong to more than one district. Some belong to as many as four, including their own elementary district and three regional districts. So the required contribution is allocated among all the districts in proportion to the foundation budgets of the students going there.

Chapter 70 Aid

The Chapter 70 aid calculation starts with foundation aid: the difference between a district's foundation and required contribution. In an ideal world, that would be a district's aid calculation for the upcoming year, even though it might mean serious decreases if enrollment were declining.

Since FY94, the formula has used a "base aid" concept that in most years guarantees a district at least as much aid as it received the previous year, and often an additional amount (usually $30 per pupil). If foundation aid exceeds base aid, the district is considered a "foundation aid" district and that is the amount they get.[8] In FY21, only 144 of the state's 318 operating districts are foundation aid districts. If foundation aid is less than base aid, then the district receives the base amount plus the minimum aid per pupil increment.

FY22 Aid Per Pupil

The Student Opportunity Act (SOA) that passed in the fall of 2019 laid out an ambitious plan to markedly ramp up foundation budget rates for employee benefits, special education, English learners, guidance and psychology, and most dramatically, low-income students. This would occur over seven years, beginning in FY21 and culminating with full implementation in FY27.

Governor Baker's proposed budget for FY21 did indeed seek to implement the first year of the SOA. Then the pandemic hit and the state's budget plans changed. Passage of the final FY21 budget was delayed until November. That year's Chapter 70 aid took a bare-bones approach, delaying SOA implementation, preserving foundation aid, and guaranteeing no cuts. It could have been much worse.

The FY22 state budget does implement the first official year of the Student Opportunity Act. In fact, by accelerating the increase in foundation budget rates, it now puts the phase-in on a six-year schedule, instead of the originally planned seven. In so doing, it retains FY27 as the law's target year for full implementation.

FY22 Chapter 70 relies upon October 1, 2020 enrollment. At that time, schools were experiencing unprecedented enrollment declines due to the pandemic. Students were either switching to other public schools, private schools, being home-schooled, or not attending school at all.

Statewide, October 2020 enrollment **fell by 30,579 pupils or 3.3 percent** compared to October 2019**.** Normally the change is plus or minus one or two thousand pupils. Of the state's 318 operating districts, 277 (87 percent) lost enrollment. Nineteen districts declined by more than 10 percent, and they covered the gamut from east to west, Cape Cod to Cape Ann, from wealthy suburbs to small rural communities.

The promise of the Student Opportunity Act was greatly muted by these steep enrollment declines. The overall FY22 increase of $220 million (4.2 percent) was satisfactory to some, and was the largest dollar increase in the last 10 years, with the exception of FY20, when it was $269 million. However, only 81 districts received more than the $30 per pupil minimum aid increase. Only four of the 81 were METCO districts.

There is a perception among policymakers, local officials, and the general public that the SOA benefits poorer districts, while those of moderate and high wealth will only receive minimum aid increments of $30 per pupil. Poorer districts, especially Gateway Cities, have higher numbers of ELL and low-income pupils. The low income rates are indeed very high for poorer districts. At full implementation the law specifies an additional increment ranging from $3,519 for districts with the fewest low-income pupils, to $8,798 for those with the most.[9] For comparison purposes, the FY20 foundation per pupil for all other categories except low income was $10,455. Low-income students are going to generate a lot of money for poorer districts.

This perception applies to those looking at Boston's aid as well. It's true that Boston's foundation budget is going to rise rapidly. Its FY20 foundation enrollment was 28 percent English learners, the fourth highest in the state. Its low-income count was 63 percent, 12th highest in the state. Excluding regional vocational districts, whose rate was almost $5,000 more than that for regular education senior high students, Boston's $14,282 per-pupil foundation was the state's highest. The perception that the SOA will recognize the neediness and cost of Boston students is correct.

The normal expectation is that such a high foundation budget will translate into more aid. For Boston, that is not so, for two reasons. First, it is not a foundation aid district, and has not been since FY04. In FY20 its spending requirement was $61 million or 7 percent above foundation, so increases in the foundation budget do not affect its required spending or state aid.[10] It is possible that by the end of SOA implementation, increases in the foundation budget will mean that Boston becomes a foundation aid district. But the one published simulation of the SOA's seventh year shows that Boston would still be spending 5 percent above its foundation budget.[11] Its annual increase would still be at the $30 per pupil minimum. In other words, while the foundation budget for Boston will rise rapidly, because required spending is already more than foundation the increase will have little impact on state aid.

Secondly, the taxpayer equity components of the Chapter 70 formula place Boston in the same position as the state's wealthiest communities. Its combined effort yield — the amount the formula deems the city capable of raising because of its property wealth and residents' income — is 117 percent of its foundation budget. Its target contribution is capped at 82.5 percent, so its aid target is just 17.5 percent of foundation (the statutory minimum). Its foundation budget is likely to skyrocket over the course of SOA implementation, but even if it were to become a foundation aid district it would only get 17.5 percent of that increase in aid.

How Much Chapter 70 Aid Do Districts Receive for Their METCO Pupils?

METCO has the potential to reduce Chapter 70 aid to Boston and Springfield as they lose students and increase aid in the receiving districts as they gain students. However, the question of how much aid the districts receive (or lose) as a result of METCO students can be answered in multiple ways. One is to calculate the average aid per pupil for all students in the district and assign that average amount to the METCO students. The rationale for this method is simple — METCO students are treated the same as any other student when calculating state aid. Two other methods would be to treat the METCO students as additional students added to the already existing population. This can be done for the entire group of students by calculating what would happen if the METCO program was eliminated and the students returned to Boston or Springfield, or by asking how state aid would change if one additional student participated in METCO.

The disparities in aid should not come as a surprise. Chapter 70 is an equity-based formula, with local ability to pay playing a large role in determining state aid. The METCO districts have a high ability to pay and therefore receive less aid.

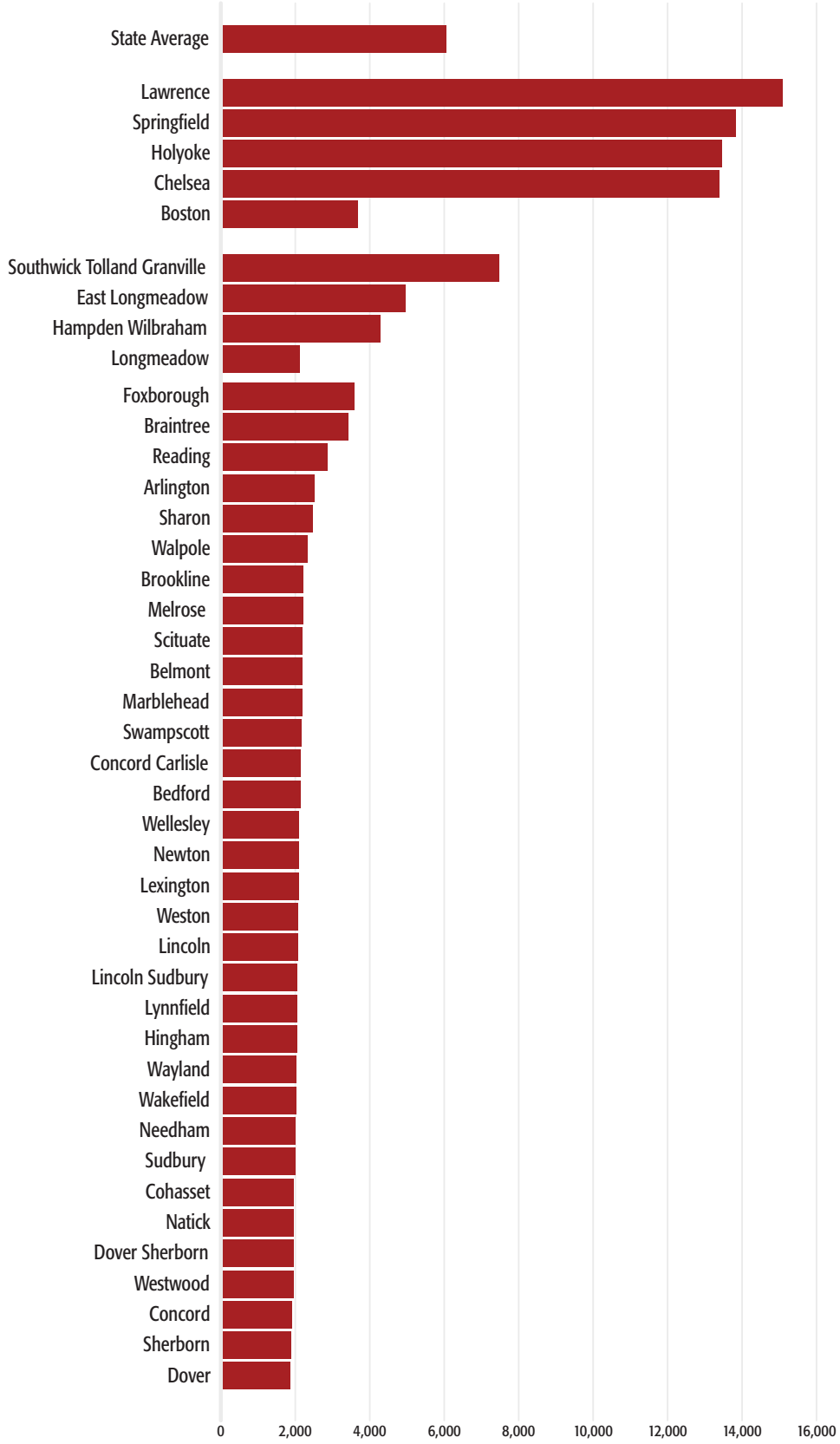
Overall Aid Per Pupil

The most straightforward way to evaluate state aid for METCO students is to compute the overall aid per pupil. The rationale for this method is that a METCO student is counted in foundation enrollment in the same manner as a resident student, which suggests that METCO students should be viewed no differently than other students when evaluating aid per student.

Figure 7 shows that METCO districts are on the very low end of the aid per pupil scale. The state average is $6,064. Most METCO districts receive less than half of that amount. For comparison, the four highest non-vocational districts (Lawrence, Springfield, Holyoke and Chelsea) received more than $13,000 per pupil, while Boston received approximately $3,700

The disparities in aid should not come as a surprise. Chapter 70 is an equity-based formula, with local ability to pay playing a large role in determining state aid. The METCO districts have a high ability to pay and therefore receive less aid.

Chart 7: FY22 Chapter 70 Aid Per Pupil, METCO and Comparison Districts



As the chart shows, the four districts receiving METCO students from Springfield tend to receive more aid than those receiving students from Boston. Additionally, many of the receiving districts are clustered around the $2,000 per pupil figure. The reason for this is that the minimum amount of state aid wealthy districts receive is often approximately 17.5 percent of the foundation budget of roughly $11,000 per pupil—i.e. 17.5 percent of $11,000 is approximately $2,000.

Chapter 70 aid per pupil can be combined with the METCO grant to calculate the total amount of state funding per METCO pupil in receiving districts. As seen in table 8 below, this ranged from roughly $8,000 to $16,000 per student in FY20. As a reminder, while the average METCO grant is $7,200 per pupil, adjustments due to the hold harmless and changing enrollment lead to slightly different amounts across districts. The median district received about $6,800 in the METCO grant as well as an additional $2,000 in Chapter 70 aid. A few outliers received substantially more, either because their METCO grant per pupil was unusually large (e.g. Hampden Wilbraham, as described earlier due to the hold harmless) or they received more Chapter 70 aid (e.g. Southwick Tolland Granville).

Table 8: FY20 Total of METCO Grant and Chapter 70 Aid per pupil

District	METCO Grant per pupil	Average Chapter 70 Aid per pupil	Total State Aid per METCO pupil
Arlington	6,852	2,338	9,190
Bedford	6,718	2,078	8,796
Belmont	6,572	2,108	8,680
Braintree	8,856	3,220	12,076
Brookline	6,386	1,940	8,326
Cohasset	6,759	1,805	8,564
Concord	6,700	1,759	8,459
Dover	6,072	1,735	7,807
East Longmeadow	6,304	4,517	10,821
Foxborough	7,120	3,432	10,552
Hingham	6,639	1,809	8,448
Lexington	7,485	1,968	9,453
Lincoln	6,765	1,798	8,563
Longmeadow	6,759	1,986	8,745
Lynnfield	7,422	2,003	9,425
Marblehead	7,830	1,893	9,723
Melrose	6,614	2,159	8,773
Natick	7,180	1,837	9,017
Needham	6,654	1,881	8,535
Newton	6,645	1,925	8,570
Reading	6,769	2,682	9,451
Scituate	7,713	2,018	9,731
Sharon	7,237	2,125	9,362
Sherborn	6,399	1,760	8,159
Sudbury	6,901	1,873	8,774
Swampscott	7,655	2,039	9,694
Wakefield	6,273	1,929	8,202
Walpole	7,985	2,236	10,221
Wayland	6,582	1,990	8,572
Wellesley	6,658	1,864	8,522
Weston	6,816	1,864	8,680

Westwood	6,485	1,846	8,331
Concord Carlisle	7,343	2,045	9,388
Dover Sherborn	6,712	1,863	8,575
Hampden Wilbraham	11,748	4,019	15,767
Lincoln Sudbury	6,558	1,976	8,534
Southwick Tolland Granville	8,137	6,886	15,023
Median District	**6,759**	**1,976**	**8,773**

Additional Aid Due to METCO

An alternative way to evaluate METCO's impact on Chapter 70 is to treat METCO students as additional students joining the receiving district—the formula does not distinguish METCO students in this way, but it may reflect the way local officials consider the program. We can do this either for all METCO students to answer the question of how much aid would change if METCO students were not enrolled, or for a single METCO student to answer the question of how much aid would change if one additional METCO student joined a district.

Before getting into the details, it is helpful to understand that under the Chapter 70 formula, the amount of aid districts receive generally falls into one of three categories: minimum aid, target aid of 17.5 percent or more of the foundation budget, or full foundation aid for districts that receive the full amount of foundation budget per pupil.[12] In the minimum aid districts, the combination of state aid and required local spending is above the foundation budgets. An additional student in these districts generates almost no state aid—in most years the state provides a token amount of $30 per pupil. For the target aid districts in the middle, the formula determines that an additional student requires a combination of local spending and state aid. In suburban districts that accept METCO students, the target share is often at or near the minimum value of 17.5 percent. Because the foundation budget is generally a little over $10,000 per pupil (although it can be substantially higher for some students), the aid METCO districts often receive is slightly less than $2,000 per student. Finally, there are some districts in which the Chapter 70 formula determines that the entire cost of a new student should be covered by state aid. In these districts, an additional student can generate more than $10,000 in state aid.

We can now answer the question of what would happen to Chapter 70 aid if METCO students did not attend the local districts but were instead back in Boston or Springfield. For some districts, it would be as simple as multiplying the number of METCO students by the minimum aid level of $30 per pupil. For any district receiving aid increases in excess of $30 per pupil, the impact would be greater.

Because the purpose of this paper is to look ahead to FY23 and beyond, using FY22 Chapter 70 data is problematic. The severe enrollment declines mean many districts that would have received foundation aid increases in a normal year did not. To apply the incremental approach would seriously misrepresent what is likely to happen in future years as enrollment is restored and the Student Opportunity Act continues raising foundation budgets. Furthermore, FY21 is also a poor choice, because the SOA increases were postponed that year. Because of the irregularities in FY21 and FY22, we will focus on FY20 as a more useful illustration of the impact of METCO on receiving districts. FY20 Chapter 70 included substantial increases for many of the components that SOA stipulates: employee benefits, special education, English learners, and low-income students.

Boston and Springfield

Because Boston is above foundation, the results of the recalculation show that it would gain only $93,360 if METCO students returned to the district —the minimum $30 per pupil increment for the 3,121 METCO pupils. **METCO barely costs Boston anything; losing students to METCO has little impact on its state aid.**

Springfield, which is a foundation aid district, shows quite the opposite effect. The gain in

students does nothing to affect its required contribution. **If the METCO students were to remain in Springfield, it would gain $1,518,786 — the full foundation budget impact of $13,934 per pupil**. To put this number in perspective, Springfield's $370 million in aid was 90 percent of its foundation, and in FY20 its increase in aid was $25 million. So while $1.5 million is a substantial amount of money, it is a relatively small percentage of total aid.

The difference between how METCO affects Boston and Springfield may seem counterintuitive — as students join METCO, wealthier Boston is barely affected while Springfield loses substantial state aid. However, the pattern makes sense when viewed through the lens of Chapter 70 — the state would provide much more aid to Springfield if local enrollment increased, and without the students the district does not receive the aid.

METCO Receiving districts

In the SOA era, people expect large dollops of aid for cities and poorer districts. The rest of the districts typically expect only minimum aid increases. The METCO districts are irrefutably on the wealthier side, so it may surprise many to learn that **26 of the 37 METCO communities were foundation aid districts.** They received foundation aid increments above their prior year base aid to reach their new foundation budgets.

These increments were not necessarily large. Thirteen of the districts needed only slight additional aid to reach the minimum $30 per pupil increase. Most were in a range best described as modest — in the double digits per pupil, although Arlington's per-pupil increase was $370 and East Longmeadow's $317. In comparison, some Gateway Cities received more than $1,000 per pupil (Lynn, New Bedford).

There are two reasons why FY20's SOA-like calculations didn't generate the same hefty increases for METCO foundation aid districts as in less wealthy districts. First, the low-income rates are on a sliding scale determined by a district's low-income pupils as a percentage of total enrollment, and METCO students are counted in the receiving district's foundation budget. A low-income student in Boston generated an additional $4,589 in the foundation budget, but the same student in a METCO receiving district generates roughly $800 less because the district has a lower percentage of low-income students.

The gap between a low-income student's impact on the foundation budget in Boston and in a wealthier district will become more important as SOA evolves over the coming years. In low-income districts, a low-income student will eventually increase the foundation budget by $5,000 more than the same student would in a high-income district.

The second and more important reason why METCO districts don't receive larger state aid increases is that the Chapter 70 aid calculations are inverse to wealth. All the Boston METCO cities and towns and two of the four near Springfield have local contributions capped at 82.5 percent of their foundation budgets, and their property values and residents' income indicate that they could easily generate much more local revenue if the Commonwealth required them to. Because of their wealth and income, their target aid share is 17.5 percent. So at best, they get 17.5 percent of the foundation budget increase. In comparison, cities such as Lynn and New Bedford, with aid targets in the high 70 percent range, get a much larger share of a much larger foundation increase.

Even if their aid hikes are not so spectacular, METCO districts that get foundation aid are likely to remain in that position under SOA. If their target contributions are capped at 82.5 percent of foundation, then only that share of their foundation increase is covered by required contributions, which means foundation aid increments will be generated to cover at least the other 17.5 percent.[13] Once these communities reach foundation aid status, they are likely to continue in that position indefinitely.

To determine METCO's impact on Chapter 70 we removed 3,121 Boston pupils and 109 Springfield pupils from their receiving districts and reassigned them to the sending district. We then recalculated foundation budgets based on per-pupil averages in each district, and re-ran the Chapter 70 formula.[14] Using the district average means the calculations are not exact, and the true impact is likely larger because METCO students are more likely to be low-income than

other students in the receiving district. These calculations illustrate how much Chapter 70 aid is generated by all METCO students in each receiving district.

Table 9 summarizes the results. The figures, except for Boston and Springfield, show up as negative because they represent the amount of aid the district would lose if all the METCO students left. The above foundation districts receive only small amounts of aid for each METCO student—just $30 per pupil. **On the other hand, many districts would lose substantial sums of money without the METCO students.** Some of the districts would lose 17.5 percent of the foundation budget figures for the students, while other districts would lose closer to the full change in the foundation budget—more than $10,000 in some cases. Because the exact foundation budget figure for the METCO students is more likely higher than the district averages used in this calculation, the actual impact on aid would be larger (in some cases, substantially larger).

Many districts would lose substantial sums of money without the METCO students.

Table 9: Impact on Chapter 70 Aid if All METCO Students Returned to Boston and Springfield, FY20[15]

District	METCO Enrollment	FY20 Chapter 70 Aid	Change in C70 Aid without METCO	Change in C70 Aid per pupil
Arlington	78	$13,963,936	$(791,078)	$(10,142)
Bedford	100	$5,573,699	$(574,006)	$(5,740)
Belmont	103	$9,492,541	$(323,408)	$(3,140)
Braintree	26	$18,236,172	$(249,387)	$(9,592)
Brookline	304	$15,006,787	$(9,120)	$(30)
Cohasset	46	$2,744,034	$(49,926)	$(1,085)
Concord	82	$3,552,243	$(64,856)	$(791)
Dover	8	$852,890	$(13,852)	$(1,732)
East Longmeadow	45	$11,920,968	$(470,671)	$(10,459)
Foxborough	35	$9,046,950	$(1,050)	$(30)
Hingham	42	$7,693,314	$(74,359)	$(1,770)
Lexington	215	$14,438,034	$(6,450)	$(30)
Lincoln	86	$1,172,680	$(73,165)	$(851)
Longmeadow	35	$5,647,839	$(303,574)	$(8,674)
Lynnfield	33	$4,404,631	$(990)	$(30)
Marblehead	64	$5,931,579	$(1,920)	$(30)
Melrose	127	$8,514,496	$(3,810)	$(30)
Natick	51	$10,110,526	$(93,794)	$(1,839)
Needham	180	$10,446,403	$(338,448)	$(1,880)
Newton	434	$24,776,321	$(375,060)	$(864)
Reading	67	$10,834,809	$(2,010)	$(30)
Scituate	60	$5,849,498	$(242,797)	$(4,047)
Sharon	62	$7,449,437	$(1,860)	$(30)
Sherborn	9	$693,583	$(270)	$(30)
Sudbury	70	$4,990,518	$(2,100)	$(30)
Swampscott	53	$4,336,979	$(466,892)	$(8,809)
Wakefield	72	$6,680,884	$(193,989)	$(2,694)
Walpole	37	$8,182,871	$(1,110)	$(30)
Wayland	138	$5,272,594	$(550,026)	$(3,986)
Wellesley	158	$9,266,473	$(166,638)	$(1,055)
Weston	160	$3,939,047	$(151,750)	$(948)
Westwood	49	$5,496,384	$(72,312)	$(1,476)
Concord Carlisle	53	$2,690,631	$(84,088)	$(1,587)

Dover Sherborn	26	$2,278,273	$(48,253)	$(1,856)
Hampden Wilbraham	11	$11,920,364	$(330)	$(30)
Lincoln Sudbury	93	$3,126,453	$(29,960)	$(322)
Southwick Tolland Granville	18	$9,846,558	$(540)	$(30)
Boston	3,121	$221,915,045	$93,630	$30
Springfield	109	$370,723,826	$1,518,786	$13,934

The table only focuses on Chapter 70 aid, but of course the districts would also lose the METCO grants. This means the total loss for most districts if METCO students left would be about $6,800 larger per pupil than the amounts shown.

This hypothetical simulation is one way of gauging the impact of METCO on districts' Chapter 70. However, in real life all the METCO pupils did not leave and are unlikely to return to Boston and Springfield all at once.

A related approach that might be more relevant is to ask the question of how one additional student is likely to change Chapter 70 aid—i.e. how much additional state aid is the receiving district likely to receive if it accepts another METCO student (or how much would it lose if it reduced enrollment by one student). Unfortunately, this seemingly simple question is difficult to answer for a number of reasons, some easier to address than others.

The average foundation budget per student in the receiving districts is a little under $11,000, while in Boston and Springfield it is more than $14,000. For the table below we assume that the foundation budget for the incremental student is equal to the average for each receiving district. The reason for this choice is that METCO students are less likely to be low income than the overall student population of Boston (as shown in table 3 above). Additionally, the low-income increment in the foundation budget is lower for students in the receiving districts than it is in Boston or Springfield. While using the district average will not be accurate for a specific student, it provides a reasonable illustration of the impact.

The results below closely mirror those from table 9 above, as aid per student roughly falls into one of three categories: minimum aid, target share of foundation aid, and full foundation aid.[16] The average change in state aid at receiving districts is roughly $3,550 per student, but few districts are near the average. In about a third of the receiving districts (as well as Boston), the movement of one student changes state aid by only $30. In the second group of districts, gaining an extra student generates about 17.5 percent of the change in foundation, or approximately $1,800. Finally, in the last group of receiving districts (as well as Springfield), state aid would change by the full change in the foundation budget—more than $10,000. The additional state aid can be combined with the additional METCO grant funds to provide the total impact.

Table 10: Estimated Impact of One Extra METCO Student on Chapter 70 Aid, FY20

District	Change in State Aid	METCO Grant[17]	Total Impact
Arlington	$10,141	$5,573	$15,714
Bedford	$10,889	$5,631	$16,520
Belmont	$10,504	$5,478	$15,982
Braintree	$10,766	$0	$10,766
Brookline	$30	$4,756	$4,786
Cohasset	$1,802	$5,593	$7,395
Concord	$1,758	$5,369	$7,127
Dover	$1,733	$5,661	$7,394
East Longmeadow	$10,739	$5,527	$16,266
Foxborough	$30	$4,303	$4,333
Hingham	$1,809	$5,324	$7,133
Lexington	$30	$0	$30
Lincoln	$1,796	$5,426	$7,222

Longmeadow	$10,197	$5,682	$15,879
Lynnfield	$30	$5,653	$5,683
Marblehead	$30	$0	$30
Melrose	$30	$5,516	$5,546
Natick	$1,836	$5,694	$7,530
Needham	$1,881	$5,430	$7,311
Newton	$1,922	$4,911	$6,833
Reading	$30	$5,671	$5,701
Scituate	$10,368	$3,104	$13,472
Sharon	$30	$5,682	$5,712
Sherborn	$30	$5,671	$5,701
Sudbury	$30	$5,642	$5,672
Swampscott	$10,441	$0	$10,441
Wakefield	$10,552	$5,518	$16,070
Walpole	$30	$0	$30
Wayland	$10,455	$5,396	$15,851
Wellesley	$1,862	$5,408	$7,270
Weston	$1,859	$5,388	$7,247
Westwood	$1,846	$5,592	$7,438
Concord Carlisle	$2,031	$5,667	$7,698
Dover Sherborn	$1,860	$5,583	$7,443
Hampden Wilbraham	$30	$0	$30
Lincoln Sudbury	$1,975	$5,496	$7,471
Southwick Tolland Granville	$30	$1,650	$1,680
Average for receiving districts	**$3,552**	**$4,405**	**$7,957**
Median for receiving districts	**$1,836**	**$5,454**	**$7,291**

It is important to note that if a METCO student raises the foundation budget by more than the average for the districts, e.g. if she is low-income, the pattern wouldn't change but the amount of aid would increase. For example, suppose a new student had a foundation budget increment of $14,000 rather than $11,000. In that case, the minimum aid districts would still receive $30, some districts would receive approximately $2,500 rather than $2,000 (17.5 percent of $14,000), and foundation aid districts would receive the entire $14,000. *Because METCO students are more likely to be low-income and English language learners than other students in the receiving district, the figures in the table above likely understate the amount of additional aid the district would receive.*

It is also important to keep in mind that both the Chapter 70 aid numbers and the incremental METCO grant will change as districts' circumstances change. Enrollment, the growth of local revenue, and other factors can all affect the amount of Chapter 70 aid for an incremental student. For example, if a district has rapid growth in enrollment it is more likely to move from minimum aid to foundation aid, while slow growth or declines in enrollment can push a district in the opposite direction. Similarly, the rapid inflation during 2021 may push some districts into categories receiving more aid, as could slow growth in local revenue. At the same time, the incremental METCO grant depends on whether METCO enrollment in the district is rising or falling, the impact of the hold harmless, and even the seemingly irrelevant factor of how the district's average enrollment over three years has been rounded off.

Implementation of the SOA over the next few years will have two effects on this distribution of aid. First, the foundation budget will increase for some students, which will increase aid for any district getting more than the minimum aid of $30 per student. More importantly, it may also push some districts into larger aid categories—i.e. from minimum aid to foundation aid. In these districts, this will result in the incremental aid increasing from $30 or $1,800 to more than $10,000.

Recap – What is the Financial Impact of METCO?

For the receiving districts, METCO affects revenue in two ways: through the METCO grant and Chapter 70. Unfortunately, neither piece has a straightforward impact.

For the students' home districts of Boston and Springfield, the impact of METCO is simple: they lose Chapter 70 aid, albeit drastically different amounts. For the receiving districts, METCO affects revenue in two ways: through the METCO grant and Chapter 70. Unfortunately, neither piece has a straightforward impact.

For many districts, the grant depends primarily on the METCO appropriation and the district's METCO enrollment, as well as factors such as the amount of funding reserved for hold harmless and recent changes in the district's METCO enrollment. As explained above, while the average grant in FY21 was often reported as $7,110 per pupil, the true value was somewhat higher and a typical district received slightly less. If a district accepted one additional METCO student, their grant would typically increase by about $5,800, although some districts would see little or no additional funding.

The Chapter 70 calculation is complex, and the results vary widely. In FY20 the additional aid ranged from as little as $30 per student to well above $10,000 per student, with a median of about $1,800. For a low-income student, the two figures would be approximately 30 percent larger.

The overall result is that a typical district received an average of about $8,800 per METCO student and would receive an additional $8,000 for one extra student. However, these figures vary substantially across districts and across students, and the incremental amount in particular ranges from near zero to more than $20,000 — $5,500 from the METCO grant plus $14,000 or more in Chapter 70 aid.

The overall result is that a typical district received an average of about $8,800 per METCO student and would receive an additional $8,000 for one extra student.

Two factors drive the disparities in funding — differences in Chapter 70 aid and differences in the allocation of grant funding per pupil. Chapter 70 aid is determined by a calculation of a community's ability to pay, so districts in wealthier communities generally receive less aid. The differences in METCO grant funding primarily depend on whether METCO enrollment is growing or falling.

Local officials would probably want to compare the revenue they get for METCO students with the cost of education. However, the cost of educating METCO students is also difficult to determine. Total FY20 per-pupil spending in the receiving districts ranged from $12,717 in Melrose to $27,039 in Weston, with the median at $17,708. Because most districts spend more than the amount of the METCO grant and any incremental aid generated by the METCO students, the receiving districts may feel that town taxpayers are subsidizing Boston and Springfield children. This can be a sore point among local officials: "Districts often express a misunderstanding that the METCO program takes up a lot of their money," says Milly Arbaje-Thomas, METCO CEO.[18]

However, Arbaje-Thomas claims with reasonable justification that this is not the proper way to measure cost, because districts offer openings when there are available seats. Allowing a handful of METCO students to join a kindergarten classroom with 14 students in it would not require additional resources in that classroom (excluding the need for METCO staff and transportation costs, which are paid by the METCO grant). At the same time, a small increase in enrollment due to METCO will not increase the cost of administrators, facilities, or other fixed costs. Theoretically, if some METCO students returned to Boston and Springfield, the districts would not see a significant reduction in spending. While adding more than a handful of students could of course lead to higher expenses, the marginal cost of the students will be lower than the average cost in the district, particularly if some of the METCO students are taking "unused" seats.

To the extent that districts accept METCO students based on available space, this argument is valid for the incoming class (usually in the lower grades). However, as students progress through higher grades, the cost may increase because other forces may change enrollment to the point where METCO students increase the required staff and resources. In other words, while the district may not require an additional teacher in the kindergarten class referenced above, it might need more staff in other grades where the classes would have been full without the METCO students. However, the additional students are still unlikely to add to capital or administrative costs.

While it is difficult to determine the cost of educating a METCO student, it is useful to compare METCO to the inter-district school choice program. In that program, sending districts paid an average FY20 tuition of $6,586 ($5,000 per pupil, plus special education costs).[19] The $5,000 rate must be sufficient incentive for receiving districts to accept non-resident pupils, because 185 of the state's 318 local and regional school districts participated in FY20.[20] If $5,000 is enough money for the school choice districts to fill empty seats, then why isn't state funding of $7,000 to $20,000 enough for METCO districts to do the same? This argument becomes even stronger when one considers that school choice is primarily a means of supplementing receiving districts' school budgets, where METCO is enhancing the diversity and cultural experiences of the receiving districts' students.

METCO Funding – The Expenditure Side: How Local Districts Spend Grants

Chapter 70 is General Fund revenue, added to local revenue sources such as property tax. Therefore, it is not possible to identify how the "METCO share" of Chapter 70 spending is used. A lot of program administrators find it difficult to distinguish between grant money — which is readily quantifiable for one or more pupils — and state aid, which is much less so. If, as shown in the previous section, an additional METCO student can generate $10,000 or more of new aid, and a net total of 10 new students are added, the administrator may try to make the case that their program deserves an additional $100,000.

In practice, that $100,000 may be used by districts to fund teachers or other staff serving the general school population. This seems to be a sore point among some METCO administrators, who would rather see it go to staff working exclusively with METCO students, such as tutors or counselors or bus monitors, or for late buses to allow extracurricular activities. That is a difficult case to make, because a teacher is most likely teaching at least one METCO student if not many. If the goal is to treat METCO students as equal members of the general student population, then to target Chapter 70 aid to direct services for METCO students seems contradictory.

Unlike METCO's share of Chapter 70 aid, spending from the METCO grant is measurable. Not surprisingly, table 11 shows that it is a small share of overall district spending. The average is 1 percent, and the range is from 0.25 percent in Braintree to 4.44 percent in Lincoln.

If $5,000 is enough money for the school choice districts to fill empty seats, then why isn't state funding of $7,000 to $20,000 enough for METCO districts to do the same?

Table 11: FY20 METCO Grant Expenditures as Percent of Total Expenditures

District	METCO Grant Expenditures	Total Expenditures	METCO % of Total
Arlington	534,449	84,848,693	0.6%
Bedford	671,827	48,680,588	1.4%
Belmont	644,252	62,192,663	1.0%
Braintree	203,592	80,728,160	0.3%
Brookline	1,654,551	151,294,326	1.1%
Cohasset	310,931	25,024,864	1.2%
Concord	549,390	41,217,612	1.3%
East Longmeadow	283,698	38,621,762	0.7%
Foxborough	246,430	44,999,623	0.5%
Hingham	278,823	57,303,936	0.5%
Lexington	1,609,326	132,953,082	1.2%
Lincoln	581,804	13,101,134	4.4%
Longmeadow	236,558	41,726,117	0.6%
Lynnfield	244,913	33,790,872	0.7%
Marblehead	491,877	50,525,269	1.0%

Melrose	839,955	47,302,288	1.8%
Natick	366,176	80,860,343	0.5%
Needham	1,197,675	102,225,616	1.2%
Newton	2,883,781	241,185,475	1.2%
Reading	426,273	59,298,344	0.7%
Scituate	427,339	44,391,602	1.0%
Sharon	448,699	55,403,375	0.8%
Sudbury	483,080	43,778,773	1.1%
Swampscott	405,729	34,829,808	1.2%
Wakefield	451,634	53,638,448	0.8%
Walpole	295,446	56,132,152	0.5%
Wayland	824,939	48,526,087	1.7%
Wellesley	1,052,007	93,506,555	1.1%
Weston	405,729	49,899,250	0.8%
Westwood	317,755	54,517,594	0.6%
Concord Carlisle	389,163	27,509,683	1.4%
Dover Sherborn	280,677	22,047,821	1.3%
Hampden Wilbraham	129,227	42,007,172	0.3%
Lincoln Sudbury	609,876	30,742,123	2.0%
Southwick Tolland Granville	139,449	21,526,423	0.6%
Total	20,917,390	2,116,337,634	1.0%

As with all grant reporting, DESE requires districts to break down expenditures by object, not function. This obfuscates what the money is being used for, but it is not DESE's fault. This is a longstanding federal grant reporting requirement. Table 12 shows state totals for FY18 through FY20.[21]

Table 12: METCO Spending FY18 to FY20, State Totals

	FY18	FY19	FY20
Administration	2,725,040	3,030,678	3,268,572
Professional Staff	5,102,821	5,571,934	5,312,021
Support Staff	2,560,904	2,644,628	2,798,857
Stipends	173,652	137,513	98,895
Fringe Benefits	212,070	168,424	227,257
Contract Services	491,999	806,653	1,106,125
Supplies and Materials	170,577	146,358	657,451
Travel	100,013	118,565	131,782
Other	7,366,721	7,774,961	7,283,655
Indirect Cost	32,362	162,495	64,404
Equipment	-	-	20,368
Total	18,936,159	20,562,209	20,949,019

The professional and support staff categories capture the majority of school and district employees supporting the program. Whatever their official titles, the districts have at least one administrative employee managing the METCO program. Some have similar positions situated at each school. A small number of districts also have a separate "DEI" (diversity, equity and inclusion) director.

The "Other" category includes transportation. It takes up slightly more than one-third of overall expenditures. This is not surprising, for it can be a long and costly trip to bus pupils back and forth from Boston or Springfield. The stability of enrollment in the program indicates that the

long bus rides are worth it to the children, and the costs are worth it to the state and the districts.

Transportation can be a problem though. If a student participates in after-school activities such as sports or theater or chess club, how do they get home at night?

METCO, Inc., through a partnership with Boston Public Schools, provides all students in grades 7–12 with a free public transportation pass as an alternative to sending a district vehicle for a small number of pupils. Some other districts do provide a late bus, vans, or ride-share options, but not all. Yet if the children are truly to be equal members of the student population, they must have the right to participate in those activities and still safely find their way home in the evening.

Conclusion and Recommendations[22]

Overall, METCO has been a successful program for 56 years. It has substantially achieved its twin goals of providing educational opportunity for students in Boston and Springfield while increasing diversity in the receiving districts and reducing segregation of urban students.

Despite METCO's success, the program could be improved. The biggest constraint on METCO's effectiveness may be its limited size, as thousands of Boston and Springfield families have been unable to participate. Despite that limited size, METCO has a substantial impact on participating students and on receiving districts. Without METCO, some suburban districts would have few Black students; METCO accounts for half or more of the African-American students in many districts.

Participation in METCO has also been stable for decades. The top-line stability conceals some changes, as many receiving districts have changed enrollment by more than 25 percent. Despite ups and downs in individual districts, METCO Inc. and the program administrators in Springfield have been able to maintain enrollment at roughly 3,200 students each year.

While METCO has mostly thrived, some suburban officials question the fairness of how it is funded. The discontent may stem from several sources, including misunderstanding that districts receive funding not only through the METCO grant but also through Chapter 70.

Appropriations to fund the METCO grant fell after the 2008 financial crisis, and they did not recover for a decade. After adjusting for inflation, the grant is still lower than its peak of 15 years ago. While Chapter 70 is more stable and is adjusted automatically for inflation, its impact on districts can be confusing or difficult to tease out. In total, the two programs combine to provide a typical receiving district roughly $9,000 per student, while some districts receive less and others as much as $20,000.

Chapter 70 funding will grow for many METCO districts as the Student Opportunity Act is fully implemented over the next few years. However, the impact may not be as large as some expect because the foundation budget will increase less in a typical receiving district than in districts with many low-income students. However, foundation aid districts will see substantial additional aid. At the same time, as enrollment rebounds from pandemic lows, the increase in the foundation budget could lead some districts to receive more aid and larger increments in state aid with each additional METCO student.

While state funding can vary significantly across districts, it is difficult to compare revenue to costs. Grant funds are mostly spent on transportation as well as METCO directors and other personnel, but it is impossible to determine the cost of regular classroom expenses for METCO students because the students are embedded in district classrooms. If METCO seats are allocated at least in part based on space in classrooms that would otherwise not be full, the cost of educating a METCO student is likely to be less than the average spending in a district.

Because of the successful history of METCO, our recommendations are limited:

- *Simplify the allocation of METCO grant funding to a straight per-pupil calculation.*
  - The hold-harmless provision and the per-pupil minimum increase continue to fund districts that reduce the number of METCO students they accept.
  - Using the three-year average enrollment smooths out the impact of minor fluctuations in enrollment, but also contributes to arbitrary differences in aid per student.

Overall, METCO has been a remarkably successful program for 55 years. It has substantially achieved its twin goals of providing educational opportunity for students in Boston while increasing diversity in the receiving districts and reducing segregation of urban students.

While METCO has mostly thrived, some suburban officials question the fairness of how it is funded. The discontent may stem from several sources, including misunderstanding that districts receive funding not only through the METCO grant but also through Chapter 70.

  - These three deviations from a per-pupil calculation, the hold harmless, the guaranteed increase per pupil, and use of the three-year average enrollment, all protect districts that reduce METCO enrollment. The result is that less funding is available for districts with stable or expanding enrollment. The impact on aid is not large for most districts, but a simpler formula would be fairer and easier to understand.

- *Use updated enrollment figures to allocate METCO grant funds.*
  - The METCO grant allocation is calculated using the prior October 1 enrollment. This means districts accepting additional METCO students must wait a year to receive an increase in grant funds.
  - The state should hold back a portion of the grant, with the balance to be paid after the October enrollment becomes available in December. For example, 80 percent of funds could be distributed at the beginning of the year, with 20 percent held back to adjust the allocation to reflect current enrollment and reward districts with growing METCO enrollment.

- *Provide clearer information about METCO students and finances.*
  - Providing financial information to local school committees, superintendents, finance officers, and residents could address complaints that suburban districts receive "only" $7,000 per student for METCO students; districts may not know that they receive Chapter 70 aid in addition to the grant.
  - A presentation could also explain the impact of METCO on equity and diversity in the receiving districts.
  - Unfortunately, the financial information can be confusing. As discussed previously, there are alternate methods of measuring METCO's impact on Chapter 70, and the aid can change each year with enrollment, inflation, and other factors. Despite the difficulty, data on the average chapter 70 aid per student as well as a "marginal" measure of the extra aid due to METCO students could be helpful.

- *Provide additional funds for transportation*
  - The legislature should provide funds to support late afternoon transportation so METCO students have equal access to after school activities.

- *Adopt a circuit-breaker program to fund special education*
  - The existing special education circuit-breaker program quantifies the costs of special education. The inter-district school choice program uses the same rate structure to fund even minor costs for these services. There is no reason a similar mechanism could not be used for METCO students with individualized education plans. Unlike school choice though, these costs might need to be borne by the Commonwealth, because METCO does not have a mechanism for billing costs to the sending districts. Implementing such an approach would make expansion more palatable.

- *Increase the number of students served by METCO*
  - There are more applicants than spots available in both Boston and Springfield, and the program would presumably be popular in other urban areas.
  - Six percent of Boston's students participate in METCO, compared to less than 0.5 percent of Springfield's, suggesting room for expansion in Springfield. If the host communities for Springfield's METCO students were aware that some of them receive substantial Chapter 70 aid for each student, they might be more willing to accept additional students.
  - On the other hand, expanding METCO in Springfield could be difficult as the district would have to consider the loss of Chapter 70 funds. Additionally, Springfield does not have a separate management organization such as METCO Inc. in Boston.

While we believe the state should expand METCO, the current funding system is not well structured to facilitate growth. One potential problem is that the METCO grant is not tied to the total number of participants; if the legislature increases the grant the default option is to provide more funds per existing student. At the same time, both Chapter 70 and the METCO grant are based on enrollment in the prior year; districts accepting additional METCO students will receive additional chapter 70 aid, but it does not show up immediately.

To fund expansion, the legislature could either provide a separate temporary funding source or instruct that a portion of the METCO grant be held back to spend on growth, with METCO Inc. and Springfield given discretion over how to spend the additional funds most effectively. However, if the legislature provides funds for expansion, it must commit to increasing annual grant funding to accommodate the new students so the grant amount does not decrease on a per pupil basis.

While the structure of the grant and the delayed payment in Chapter 70 may be barriers to expansion, they are not insurmountable. Considering METCO's 56-year history of success closing achievement gaps, and the large impact it has on diversity in receiving communities, expanding METCO would be worth the effort. If the state provides funds and expertise to support expansion, a larger METCO could benefit more students and cities.

Considering METCO's 50-year history of success and the large impact it has on diversity in receiving communities, expanding METCO would be worth the effort.

Appendix A – Impact of One Extra Student on METCO Grant in FY21

Average funding in FY21 was reported as $7,110 per student. However, that figure is based on calculated enrollment rather than actual enrollment; as explained above, the true value was roughly $7,225. The table below shows how much extra aid each receiving district would have received if they accepted one additional student.

Table 13: Incremental METCO Aid for One Additional Student

District	Incremental Aid	Incremental Aid (ignoring impact of 3-year average)[23]
Arlington	5,784	5,784
Bedford	5,770	5,770
Belmont	0	5,807
Braintree	40	40
Brookline	5,978	5,978
Cohasset	5,779	5,779
Concord	5,833	5,833
Concord Carlisle	5,762	5,762
Dover	0	5,763
Dover Sherborn	5,782	5,782
East Longmeadow	5,795	5,795
Foxborough	4,344	4,344
Hampden Wilbraham	40	40
Hingham	5,843	5,843
Lexington	40	40
Lincoln	5,819	5,819
Lincoln Sudbury	0	5,802
Longmeadow	0	5,758
Lynnfield	5,765	5,765
Marblehead	0	40
Melrose	0	5,798
Natick	0	5,755
Needham	0	5,818
Newton	0	5,942
Reading	0	5,761
Scituate	3,136	3,136
Sharon	5,758	5,758
Sherborn	0	5,761
Southwick Tolland Granville	1,670	1,670
Sudbury	5,768	5,768
Swampscott	40	40
Wakefield	0	5,797
Walpole	40	40
Wayland	0	5,826
Wellesley	5,823	5,823
Weston	5,828	5,828
Westwood	0	5,779
State Averages	**2,606**	**2,606**
State Median	**40**	**5,770**
Districts With $0 Or $40 per pupil	19	6

The unequal impact of one additional student suggests several questions:

1. Why isn't the incremental aid closer to $7,200
2. Why do some districts receive $0 or $40?
3. What explains the differences in aid across districts?

The first question is simpler to answer. The incremental funding is lower than the average funding because the hold-harmless absorbs much of the grant and leaves less available for any extra students. The size of the shortfall from $7,200 to $5,800 depends on how many districts were protected by the hold-harmless and how much funding is available. As a point of comparison, in FY20 the average per-pupil grant was reported as $6,745 (but was actually $6,832 due to the use of the average enrollment figure), and the incremental funding available for an extra student would have averaged about $5,100 — again, the hold-harmless means that districts would receive substantially less than average if they accept one additional student.

As for why some districts receive $0 or only $40, there are two reasons. Six districts receive virtually no additional funding because their aid is based entirely on the hold-harmless provision. For example, in Hampden Wilbraham, METCO enrollment fell from 14 students in October 2017 to 9 by October 2019. The decline meant that even if an extra student had showed up and enrollment had been 10 rather than 9, the student would generate only the $40 guaranteed increase for the extra student. Essentially, districts that received "too much" aid for their existing students might not receive additional funds if they accept an additional METCO student.

In addition to the six districts whose aid is determined entirely by the hold-harmless plus $40 provision, 13 other districts fall into an unusual situation because of the way that enrollment is calculated. As stated previously, in districts with declining enrollment the formula uses the three-year average enrollment, which is rounded off to the nearest whole number—i.e. 11.3 students becomes 11. While rounding off sounds reasonable to avoid counting partial students, it introduces additional variation into the aid calculations that are demonstrated in the table below. In district A an extra student increases average enrollment and therefore the grant amount, but in district B the average does not increase due to rounding off.

Table 14: Unequal Impact of Extra Student

	District A	District B
3-Year Average Enrollment	10.33	10.0
3-Year Average, rounded off	10	10
3-Year Average with one extra student	10.67	10.3
3-Year Average with one extra student, rounded off	11	10

While the differences due to rounding are arbitrary, for many districts they are not as important as they might appear. While district B above would receive $0 in the first year with the additional student, the following year the average would rise to 10.67 (because the district would have one year with 10 students and two years with 11 students) and the district would receive additional aid. Because the $0 in incremental aid for some districts is only a result of an unusual quirk in the formula, the 3rd column of table 13 above shows the extra aid if the *calculated* enrollment rose by one student. For most districts, the impact is the same, but in many districts that received $0 in the 2nd column due to rounding, the incremental amount rises to roughly $5,800.

Finally, the table also shows that even among districts that receive substantial aid, the figures vary slightly. There are two reasons for these small differences, both related to the size of the district. First, an increase in enrollment by one student reduces the available aid for other students by roughly $2 per pupil (because the $7,000 increase for the extra student is spread across about 3,000 students). While any district would gain $7,000 for a new student, the reduction in aid per pupil would have a larger impact on districts with more METCO students. For example, a district with 100 students would receive an extra $7,000 for the new student but would lose $200 on its existing students, for a total gain of $6,800. A district with only 10 METCO students would gain $7,000 minus $20 on its existing students, for a net gain of $6,980.

The final reason for the differences is aid across districts stems from the way the hold-harmless provision intersects with enrollment. As explained above, the hold-harmless means that districts only receive a prorated share of the funding that they would need to equalize spending. The calculation is complex, but the prorated share for each district depends how much of an impact the extra student has. The simplest way to think about it is that if a district has one hundred METCO students, one extra student increases enrollment by 1% and would barely affect the prorated share; in a district with 10 METCO students the extra student represents a 10% increase and leads to a substantial increase in the prorated share.

Endnotes

1 Much of this section is taken from *METCO Merits More: The History and Status of METCO*, by Susan Eaton and Gina Chirichigno, Pioneer Institute, June 2011; *Expanding METCO and Closing the Achievement Gaps*, by Katherine Apfelbaum and Kenneth Ardon, Pioneer Institute, March 2015; and https://metcoinc.org/home/metco-history/.

2 There are also a few districts, Clinton, Hampshire, and Northampton-Smith Vocational, that accepted one or two METCO students for only one year.

3 Data for this section is taken from DESE publications, data provided by DESE, METCO Program Reports from various years, the DESE website, and the METCO Inc. Annual Report.

4 METCO students from Boston attend the first 33 districts, while those from Springfield attend the final four. The last two columns represent the percent of all Black and Hispanic students in the receiving districts that attend through METCO.

5 In FY21, the legislature included language that allowed districts to rollover unspent FY20 funds into FY21 instead of having them expire by the end of the fiscal year. The figures in this table exclude the carryover funds. https://www.doe.mass.edu/grants/2021/317/

6 Districts marked with an asterisk below receive only $0 or $40 because of a feature of the formula that is explained in Appendix A. With slightly different circumstances, they would have received close to $5,800.

7 MGL Chapter 70, Section 2.

8 If the foundation aid increment is less than the $30 per-pupil minimum aid increase, they receive enough additional aid to bring them up to the $30 level.

9 These rates will have grown larger by FY27 because they will have been adjusted each year for inflation.

10 The Chapter 70 formula is built exclusively upon spending *requirements* not what districts actually spend. In FY20 Boston spent 28 percent above its requirement, just slightly above the state average of 25 percent.

11 Massachusetts Budget and Policy Center, *Towards Equity: School Funding Reform in Massachusetts*, 2019.

12 These are not official categories; the names are meant to make it easier to understand the changes in state aid.

13 If the calculated local revenue growth factor is smaller than the increase in foundation, even more aid may be generated.

14 We used the district average of the foundation budget because we did not have the foundation budget calculations for individual METCO students — i.e. detailed data on the METCO students' characteristics such as whether they were low-income or English language learners or their grade level.

15 Based on district average foundation budget per pupil. Impact of actual METCO students is likely somewhat larger.

16 The figures differ from the prior table because the prior table reflected the movement of all METCO students rather than one. When many students leave, a district may receive full foundation aid for some but not for others. For example, in Bedford losing 100 students would first reduce aid by the full foundation amount of roughly $11,000 per student, but once enough students left the district would no longer be a foundation aid community. For the remaining students, the loss in aid would get much smaller, leading to an average loss of $5,740.

17 This column assumes that the extra student changes the enrollment figure used in the calculation of the METCO grant. As explained in Appendix A, this is not always the case and additional districts could receive $0 in extra aid.

18 Authors' interview with Milly Arbaje-Thomas and Kristen Fumarola, March 21, 2021.

19 Sending districts' choice students are counted in their foundation enrollment, and so they receive Chapter 70 aid for them. In a number of cases, their aid per pupil exceeds what the $5,000 tuition, so they are essentially making a profit.

20 The same $5,000 cap on rates has been in existence since 1991 when the program began, so it is long overdue for an increase. See Roger Hatch, Pioneer Institute, Study Finds MA Inter-District School Choice Program a Success, but Should Be Updated - Pioneer Institute, 2018, p.18.

21 DESE METCO report to the legislature FY18. FY19 and FY20 numbers provided to authors by DESE.

22 While preparing this report, the authors reached out to METCO officials with questions about the challenges facing the program. We expected to hear about transportation matters such as dealing with long bus rides or after-school programs, resistance from local officials, or other issues. Instead, we received virtually no response — the officials may have been reluctant to point out problems with the program.

23 This column calculates the aid the district would receive if calculated enrollment rose by one student, rather than actual enrollment. This only affects districts where the extra student wasn't enough to increase rounded-off average by an entire student, and it more accurately represents the additional aid that a district would receive.

About the Authors

Ken Ardon received a Ph.D. in economics from the University of California at Santa Barbara in 1999, where he co-authored a book on school spending and student achievement. He taught economics at Pomona College before moving to Massachusetts, and from 2000 to 2004, Dr. Ardon worked for the Commonwealth of Massachusetts in the Executive Office of Administration and Finance. He is a professor of economics at Salem State University, where he has taught since 2004. Dr. Ardon is a member of Pioneer Institute's Center for School Reform Advisory Board.

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Mission

Pioneer Institute develops and communicates dynamic ideas that advance prosperity and a vibrant civic life in Massachusetts and beyond.

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