

MUNICIPAL APPROPRIATION 'PER CAPITA' SUBCOMMITTEE REPORT

January 8, 2007

WHAT WE DID

- Last meeting's subgroup reports and discussion
 - *A 'per capita' municipal appropriation requirement*
- Extracted desired goals
- Brainstormed
- Result:
 - Identified **3 models** for further discussion

GOALS FOR A 'PER CAPITA' APPROACH

- Understandability
- Relate to 'ability to pay'
 - ... without setting the bar too low
- Incentives
 - For those below the 'standard'
 - For those at or above the 'standard'

QUESTIONS FOR ALL MODELS

- How to determine ability to pay?
 - EQV-based ranking?
 - Some other scale?
- Finding the 'right' rate(s)?
 - The right balance: realistic vs. desirable
- What happens if the rate isn't met?
 - Waivers?
 - Grace period?
- Can/do any of these help meet the actual need?
 - As opposed to just being an eligibility mechanism

THE 3 MODELS

- Multiple 'Per Capita' Rates
 - To reflect ability to pay
- Single, State-wide 'Per Capita' Rate
 - With Equalization Grant offset
- Single, State-wide 'Per Capita' Rate
 - With 'Communities in Need' Program

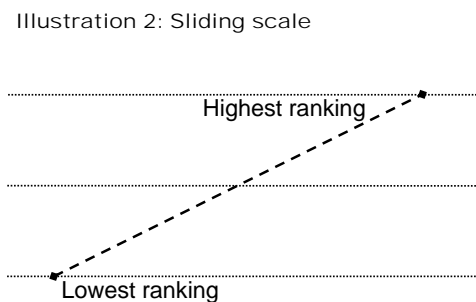
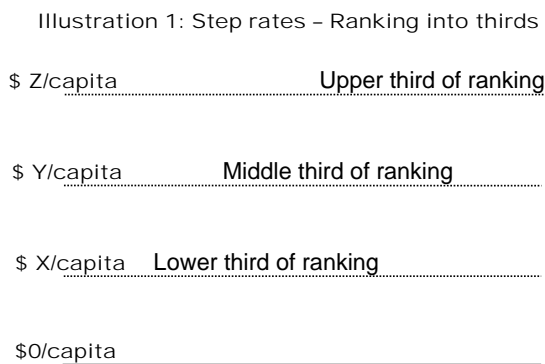
January 8, 2007

MBLC State Aid Review Committee

5

1. MULTIPLE 'PER CAPITA' RATES

- Account for differing abilities to pay with different 'per capita' rates



January 8, 2007

MBLC State Aid Review Committee

6

I. MULTIPLE 'PER CAPITA' RATES

Pro

- Easy to understand
- Directly addresses 'ability to pay'

Con

- Current statistics don't show direct correlation between EQV ranking and per capita spending
- Promulgates belief that amount of library spending you 'deserve' depends on where you live
- Could institutionalize different standards of service for different economic levels
- Hard to choose proper rates and point(s) where rate changes

I. MULTIPLE 'PER CAPITA' RATES

• Example 1

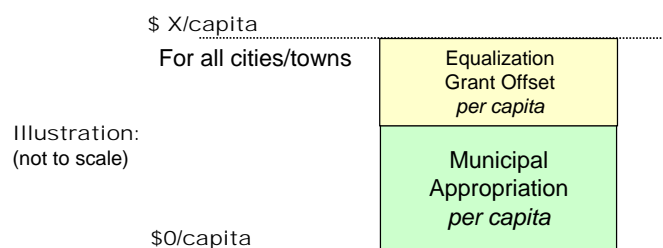
- Assumptions
 - Ranking of 351 cities/towns divided into thirds – 117 per group
 - Rates set at \$15, \$30, and \$40 (not proportional)
 - Compare to Actual 2005 Spending
- Upper third – 'standard' as \$40
 - Sudbury (\$46), Cambridge (\$43), Stockbridge (\$39), Hopkinton (\$20), W. Stockbridge (\$9), Alford (\$1),
- Middle third – 'standard' as \$30
 - Williamstown (\$36), Boston (\$35), Waltham (\$30), Ashland (\$18), Saugus (\$17), Hadley (\$16), Petersham (\$3)
- Lower third – 'standard' as \$15
 - Palmer (\$49), Springfield (\$29), Leominster (\$22), Pittsfield (\$17), Methuen (\$17), Lynn (\$9), Lowell (\$8), Revere (\$7), Holyoke (\$7)

1. MULTIPLE 'PER CAPITA' RATES

- Variables to consider
 - A series of 'step' rates or a 'sliding' scale
 - How many rates?
 - Are there specific factors that indicate what would trigger a rate change?

2. SINGLE 'PER CAPITA' WITH EQUALIZATION OFFSET

- 'Financial Aid' style model
 - Single, state-wide 'per capita' rate
 - Municipal 'expected contribution' + Equalization Grant Offset



2. SINGLE 'PER CAPITA' WITH EQUALIZATION OFFSET

Pro

- Single standard of contribution for each person
- Easy to understand
- Directly addresses 'ability to pay'
- Clearly indicates to communities not meeting standard how close/far they are
- Targeted purpose of Equalization Grant funds could make it easier to explain to legislators

Con

- Can/should all 'need' be characterized in a single formula?
- Wide range of gaps that the equalization grant would try to offset. (Don't want to reward city/town for being further away from the rate.)
- Difficult to predict how large an equalization grant would be for the coming year (i.e., may require using previous year?)

2. SINGLE 'PER CAPITA' WITH EQUALIZATION OFFSET

• Example 1

➤ Assumptions

- Single, state-wide 'per capita' expected contribution of \$30
- Compare to Actual 2005 Spending and determine **shortfall**
[shortfall → (\$30 – actual per capita spending) * population]

➤ 209 of 351 communities have a shortfall – Total: **\$36.9 million (!)**

➤ Upper third – Total: **\$1.93m**

- Hopkinton (**\$131k**), W. Stockbridge (**\$29k**), Alford (**\$11k**)

➤ Middle third – Total: **\$9.46m**

- Saugus (**\$346k**), Ashland (**\$185k**), Hadley (**\$64k**), Petersham (**\$33k**)

➤ Lower third – Total: **\$25.52m**

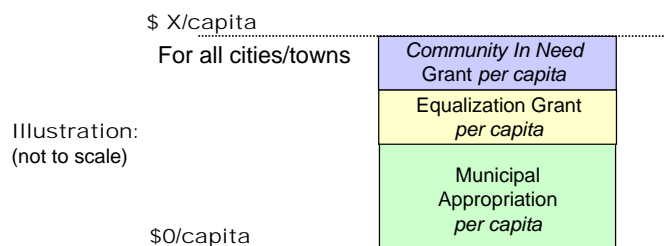
- Lowell (**\$2.189m**), Lynn (**\$1.828m**), Revere (**\$1.036m**), Holyoke (**\$881k**), Methuen (**\$577k**), Pittsfield (**\$552k**), Leominster (**\$318k**), Springfield (**\$104k**)

2. SINGLE 'PER CAPITA' WITH EQUALIZATION OFFSET

- Variables to consider:
 - What's the right amount to offset?
 - Account for different abilities to pay?
 - Account for different gaps to reach the standard?
 - A city/town shouldn't get less overall State Aid because they're closer to the standard!
 - How could a city/town know how much equalization they could expect in a given year?
 - How much Equalization Grant money would be available? Would it be enough?
 - Use current allocation formula from 9501?

3. SINGLE 'PER CAPITA' WITH COMMUNITIES IN NEED PROGRAM

- Extension of 'Financial Aid' model
 - Assumes Equalization Grants can't/won't cover all need
 - Equalization Grants
 - Formula for broad-based distribution
 - Additional Need-based Grants
 - Extreme need
 - Extenuating circumstances



3. SINGLE 'PER CAPITA' WITH COMMUNITIES IN NEED PROGRAM

Pro

- Single standard of contribution for each person
- Directly addresses 'ability to pay'
- Clearly indicates to communities not meeting standard how close/far they are
- Separates more predictable, on-going assistance to needy communities from less predictable need
- Targeted 'Communities in Need' program could make it easier to explain to legislators
- Funding 'extra' grants gives legislators a direct mechanism to help communities at risk

Con

- Not as easy to understand
- Not as simple
- Difficult to predict how large the 'Communities in Need' fund would be for the coming year (i.e., may require using previous year?)
- Need to determine how to split the funds between Equalization Grants and 'Additional grants'

3. SINGLE 'PER CAPITA' WITH COMMUNITIES IN NEED PROGRAM

• Example 1

- Assumptions
 - Single, state-wide 'per capita' expected contribution of \$30
 - Assume \$10 million State Aid fund targeting only 'Communities in Need'
 - Assume \$6 million is targeted for Equalization Grants
 - \$4 million to lowest quartile of rankings; \$2 million to next lowest quartile
 - Assume \$4 million is targeted to 'Additional' Grants
- \$4 million to 4th (neediest) quartile (pop. 1.84m)
 - \$2.17/capita – helps 6 communities meet the state-wide standard
- \$2 million to 3rd quartile (pop. 1.19m)
 - \$1.67/capita – helps 7 communities meet the state-wide standard
- \$4 million for 'Extra' grants

3. SINGLE 'PER CAPITA' WITH COMMUNITIES IN NEED PROGRAM

- Variables to consider:
 - All of the Option 2 variables +
 - How to allocate funds between Equalization Grants and 'Extra' Grants
 - Method for choosing which communities get 'Extra' grants

BEYOND ELIGIBILITY: A POSSIBLE MODEL FOR STATE AID GRANT AWARDS

- Highlighting *different intents* would allow targeted State Aid funds
 - May be easier to build the case for multiple, larger sources
 - Could result in more funds to all degrees of need

[Could work with option 2 or 3]

