

CONNECTICUT  
SCHOOL FINANCE  
PROJECT

FY 2019  
BUDGET  
CHANGES TO  
SCHOOL FINANCE

*UPDATED: June 1, 2018*

# About the CT School Finance Project

- Founded in 2015, the nonprofit Connecticut School Finance Project aims to ensure Connecticut has a fair and equitable school finance system and be a trusted, nonpartisan, and independent source of accurate data and information.
- Although not a member-based organization, the Connecticut School Finance Project actively works with a diverse group of stakeholders, including education and community leaders, nonprofit organizations, and individuals interested in how school finance impacts their students and schools.
- We aim to develop fair, well-thought-out solutions to Connecticut's school finance challenges that incorporate the viewpoints and perspectives of stakeholders.

# CT School Finance Project's Goals

- Build knowledge about how the current school funding system works,
- Bring together stakeholders who are impacted by how schools are funded, and
- Identify solutions to Connecticut's school funding challenges that are fair to students and taxpayers, and strengthen schools and communities.

OVERVIEW OF  
FY 2019 EDUCATION  
BUDGET CHANGES

# FY 2019 Total ECS Funding

- \$2.02 billion (+\$88.5 million from FY 2018 levels with holdbacks)
- ECS appropriation includes an additional one-time, supplemental allocation of approximately \$2.9 million for towns whose districts received students displaced by Hurricane Maria during FY 2018
- ECS formula is calculated with updated student and town data
- Budget also allows a town to reduce its Minimum Budget Requirement (MBR) in FY 2019 if it experiences a decrease in ECS funding. The MBR reduction cannot be higher than the ECS decrease.

Sources: Conn. Acts 17-2 (June Special Session).

State of Connecticut, Office of Policy and Management. (2017). *Allocated Lapses FY 2018*. Hartford, CT: Author. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/fy2018\\_holdbacks/holdback\\_list.pdf](http://www.ct.gov/opm/lib/opm/budget/fy2018_holdbacks/holdback_list.pdf).

Conn. Acts 18-81.

# Other Significant Education Grants

- **Commissioner's Network**
  - FY 2019: \$10 million (+\$0 from FY 2018 levels with holdbacks)
- **Excess Cost grant**
  - FY 2019: \$140.6 million (+\$1.6 million from FY 2018 levels with holdbacks)
- **Open Choice program**
  - FY 2019: \$39.1 million (+\$2 million from FY 2018 levels with holdbacks)
- **Priority School Districts**
  - FY 2019: \$37.2 million (+\$0 from FY 2018 levels with holdbacks)
- **Regional Vocational – Technical School System**
  - FY 2019: \$152.9 million (+\$1.8 million from FY 2018 levels with holdbacks)
- **Vocational Agriculture**
  - FY 2019: \$13.8 million (+\$3.8 million from FY 2018 levels with holdbacks)

Sources: Conn. Acts 17-2 (June Special Session).

State of Connecticut, Office of Policy and Management. (2017). *Allocated Lapses FY 2018*. Hartford, CT: Author. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/fy2018\\_holdbacks/holdback\\_list.pdf](http://www.ct.gov/opm/lib/opm/budget/fy2018_holdbacks/holdback_list.pdf).

Conn. Acts 18-81.

# Choice Program Funding

Grant	FY 2018 Funding w/ Holdbacks	FY 2019 Funding in Biennial State Budget (Conn. Acts 17-2 (June Special Session))	FY 2019 Funding in Revised State Budget (Conn. Acts 18-81)	Difference between FY 2019 Revised Budget Funding and FY 2018 w/ Holdbacks	Difference between FY 2019 Revised Budget Funding and FY 2019 Biennial Budget Funding
State Charter Schools	\$109,821,500	\$116,964,132	\$116,964,132	+\$7,142,632	\$0
Local Charter Schools	\$432,000	\$540,000	\$540,000	+\$108,000	\$0
Magnet Schools	\$309,509,936	\$326,508,158	\$326,508,158	+\$16,998,222	\$0
CT Technical Education & Career System	\$151,022,633	\$157,780,114	\$152,856,678	-\$1,834,045	-\$4,923,436

Sources: Conn. Acts 17-2 (June Special Session).

State of Connecticut, Office of Policy and Management. (2017). *Allocated Lapses FY 2018*. Hartford, CT: Author. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/fy2018\\_holdbacks/holdback\\_list.pdf](http://www.ct.gov/opm/lib/opm/budget/fy2018_holdbacks/holdback_list.pdf).

Conn. Acts 18-81.

FY 2019:  
A NEW ECS FORMULA

# Overview of New ECS Formula

- New formula is scheduled to begin in FY 2019 and be phased in over 10 years
  - Increase of \$88.5 million (over FY 2018 ECS funding with holdbacks) in FY 2019
  - Estimated increase of \$38.7 million per year from FY 2020 – FY 2028
  - Estimated total increase, after phase-in, of \$345 million — over FY 2017 spending levels with rescissions — in FY 2028 and beyond
- Student-based, weighted funding formula
- Formula only applies to local public schools, all other types of Connecticut public schools (magnet schools, local and state charter schools, Connecticut Technical Education and Career System, vo-ag schools, Open Choice) will continue to be funded by 10 other formulas

Sources: Conn. Acts 17-2 (June Special Session).

State of Connecticut, Office of Policy and Management. (2017). *Allocated Lapses FY 2018*. Hartford, CT: Author. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/fy2018\\_holdbacks/holdback\\_list.pdf](http://www.ct.gov/opm/lib/opm/budget/fy2018_holdbacks/holdback_list.pdf).

Conn. Acts 18-81.

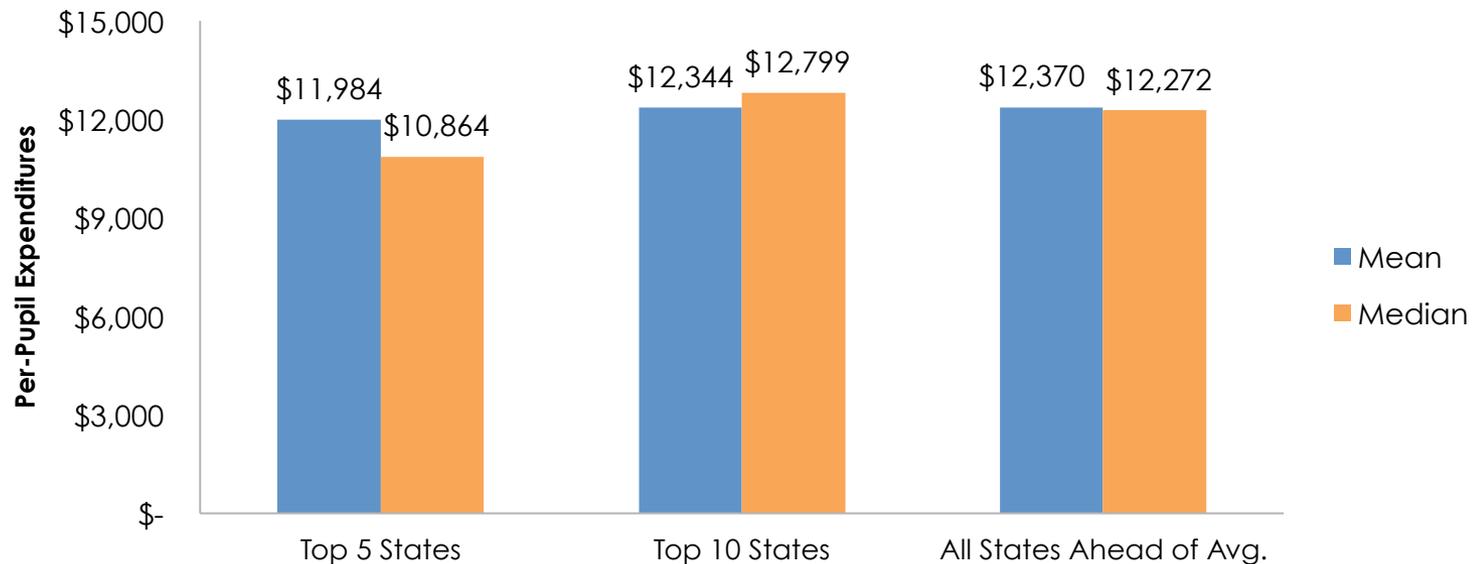
# Foundation

- Foundation amount is intended to represent the estimated cost of educating a CT general education student who does not have any additional learning needs.
- Foundation in new formula = \$11,525 per pupil
  - Same as most recent ECS formula
- Foundation continues to “incorporate” State’s share of general special education funding.
- Foundation based on past foundation amounts and not derived using verifiable education spending data
  - However, \$11,525 is within a range of reasonable foundation amounts when accounting for the inclusion of special education aid.

Source: Conn. Acts 17-2 (June Special Session).

# Performance Adjusted Foundation

- Below foundation estimates are based on state-level expenditures.
  - Derived by calculating an average of total state per-pupil expenditures on core instructional cost categories for states performing well on the 2013 NAEP.
  - Expenditure data is adjusted to CT cost-of-living and inflation from 2013-2017.
- Calculation of the relative performance of each state includes adjustments for factors such as poverty, English proficiency, race and ethnicity, and special education to ensure apples-to-apples comparisons between state performance levels.



Sources: Chingos, M.M. (2015). *Breaking the Curve: Promises and Pitfalls of Using NAEP Data to Assess the State Role in Student Achievement*. Washington, DC: Urban Institute. Retrieved from <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000484-Breaking-the-Curve-Promises-and-Pitfalls-of-Using-NAEP-Data-to-Assess-the-State-Role-in-Student-Achievement.pdf>.  
U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics. (2015). National Public Education Financial Survey Data. Retrieved from <https://nces.ed.gov/ccd/stfis.asp>

# Formula Weights

- New formula contains three “need-student” weights, which increase per-pupil state education aid for students with additional learning needs.
- **Low-income student weight (NO CHANGE)**
  - Formula includes a low-income student weight of 0.3
  - Increases foundation amount by 30 percent for students who live in low-income households as measured by eligibility for free and reduced price lunch (FRPL)
- **Concentrated poverty weight (NEW)**
  - Formula increases per-student funding for low-income students who live in districts with high concentrations of low-income students
  - Concentrated poverty weight is 0.05
  - Increases foundation amount an additional five percent (for a total of 35 percent) for low-income students residing in districts with concentrations of low-income students of over 75 percent of district enrollment
- **English Learner weight (NEW)**
  - Formula includes weight of 0.15 for English Learners
  - Increases foundation amount by 15 percent for students needing additional English-language skills

Source: Conn. Acts 17-2 (June Special Session).

## Formula Weights Comparison

	Prior ECS Formula	New ECS Formula
<b>Low-income</b>	<b>30%</b>	<b>30%</b>
<b>Concentrated Low-income</b>	<b>X</b>	<b>5%</b> for districts with more than 75% of students identified as low-income
<b>English Learner</b>	<b>X</b>	<b>15%</b>

Source: Conn. Acts 17-2 (June Special Session).

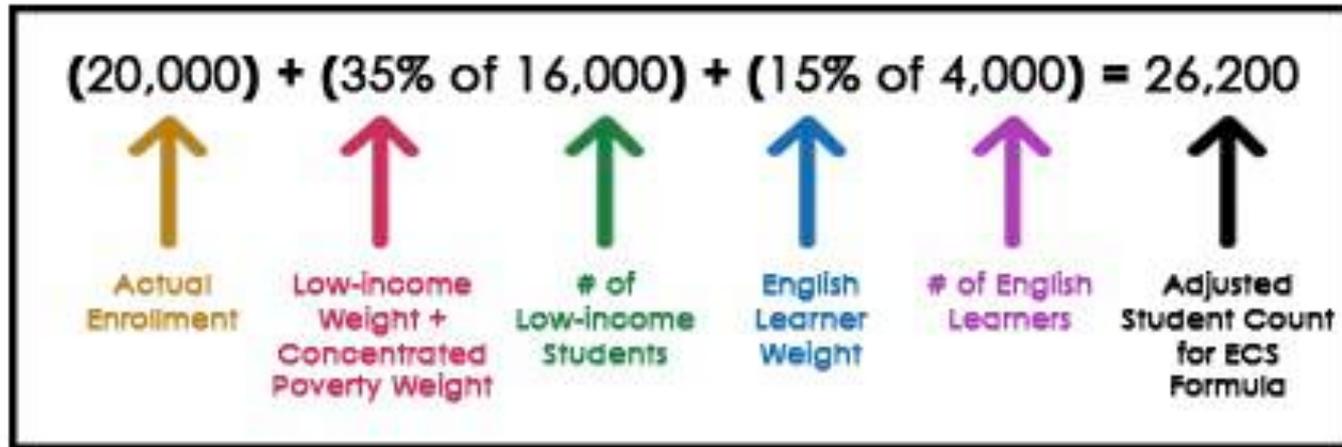
## Formula Weights

Low-income Students	<b>Weight:</b> 0.3 <b>Concentration Threshold:</b> .75 <b>Concentration Weight:</b> .05 <b>Identification Method:</b> Eligibility for FRPL
English Learner (EL) Weight	<b>Weight:</b> 0.15 <b>Concentration Weight:</b> 0

Student Need	Funding Per Student
General Education (Non-need) Student	\$11,525
Low-income Student	\$14,983
Concentrated Low-income Student	\$15,559
Low-income and English Learner	\$16,711
English Learner	\$13,254
Concentrated Low-income English Learner	\$17,288

Source: Conn. Acts 17-2 (June Special Session).

# How the “Need Student” calculation works



Measure	Town A	Town B	Town C
Enrollment	20,000	20,000	20,000
% Low-income	80%	10%	45%
Eligible for Concentrated Poverty Weight	Yes	No	No
% English Learners	20%	0%	5%
<b>Need Students</b>	6,200	600	2,850
<b>ECS Student Count</b>	<b>26,200</b>	<b>20,600</b>	<b>22,850</b>

Source: Conn. Acts 17-2 (June Special Session).

# Base Aid Ratio

- Formula includes equity metric to distribute state education aid, where the towns with the least ability to fund their public schools receive the most state aid.
- Town's ability to fund its public schools is calculated by:
  - **70% Property Wealth Factor**
    - Determined using a town's Equalized Net Grand List per Capita (ENGLPC), compared to the state median town ENGLPC, as calculated annually by OPM
    - Most recent ECS formula used 90% Property Wealth Factor
  - **30% Income Wealth Factor**
    - Determined using a town's Median Household Income (MHI), compared to the state median MHI, as calculated by the U.S. Census Bureau's American Community Survey
    - Most recent ECS formula used 10% Income Wealth Factor
- Formula lowers Statewide Guaranteed Wealth Level from 1.5 to 1.35, creating more equitable distribution of state education aid.
- Maintains minimum aid ratio of 10% for Alliance Districts and reduces minimum aid ratio for all other districts from 2% to 1% (guarantees all districts some ECS aid).

Source: Conn. Acts 17-2 (June Special Session).

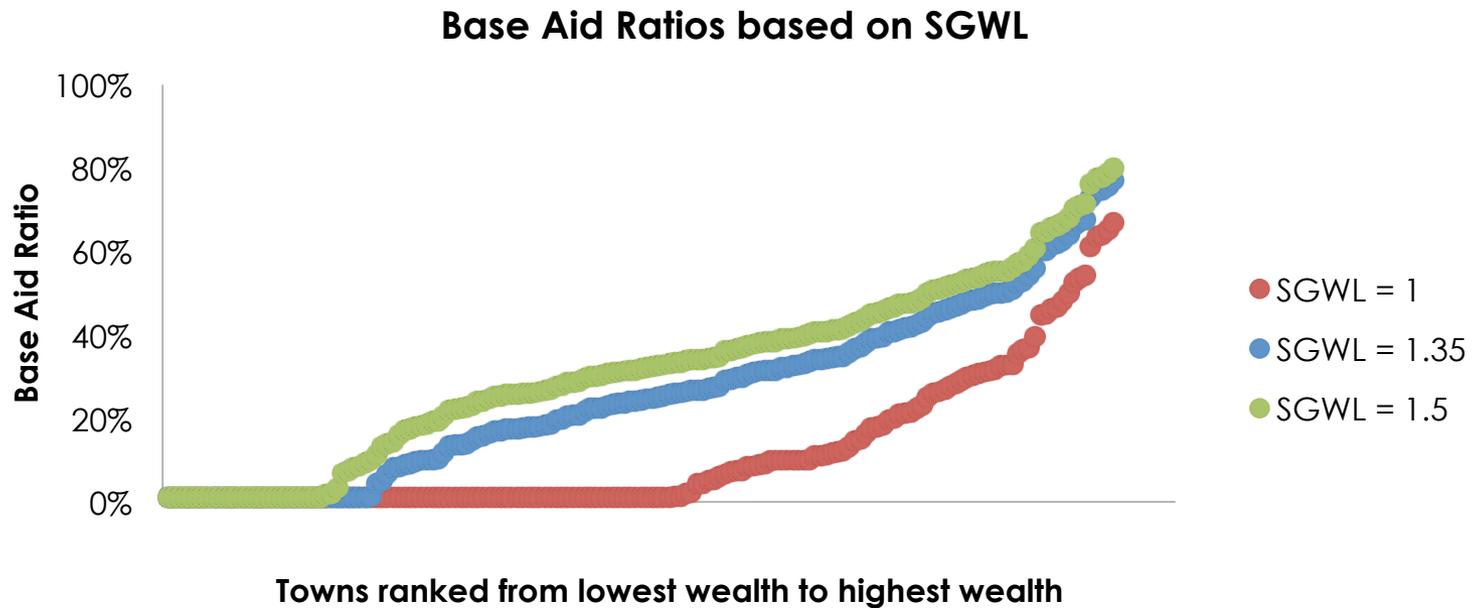
# Additional Funding for Towns in Need

- Formula adds additional funding for communities that have a Public Investment Communities (PIC) index score of over 300.
  - PIC index is calculated annually by OPM and measures the relative wealth and need of CT's towns
- If a town has one of the top 19 highest PIC Index scores, under the new formula, the town will receive a bonus of three to six percentage points to its base aid ratio, which determines each community's ability to financially support its public schools

Town's PIC Index Rank	Additional % Points Added to Base Aid Ratio
1-5	6 percentage points
6-10	5 percentage points
11-15	4 percentage points
16-19	3 percentage points

Source: Conn. Acts 17-2 (June Special Session).

# Changes in Town Base Aid Ratios due to Statewide Guaranteed Wealth Level (SGWL)



Source: Conn. Acts 17-2 (June Special Session).

# Changes in Town Base Aid Ratios due to Statewide Guaranteed Wealth Level (SGWL)

Town	Base Aid Ratio where SGWL = 1	Base Aid Ratio where SGWL = 1.35	Base Aid Ratio where SGWL = 1.5
Avon	1%	1%	2%
Bridgeport	61%	73%	76%
Cheshire	1%	17%	26%
East Lyme	1%	17%	25%
Fairfield	1%	1%	1%
Glastonbury	1%	7%	16%
Greenwich	1%	1%	1%
Manchester	27%	46%	51%
Milford	1%	10%	19%
Vernon	33%	50%	55%
Wallingford	1%	27%	34%
West Hartford	1%	21%	29%

Source: Conn. Acts 17-2 (June Special Session).

# Phase-in Plan

- Formula is scheduled to begin in FY 2019 and be phased in over 10 years
- Alliance Districts that would otherwise receive a decrease in aid, according to the new formula, are permanently held harmless at FY 2017 grant amounts.

Phase-in Schedule			
	FY 2019	FY 2020-2027	FY 2028
Towns Receiving Increase in ECS Funding over FY 2017 Grant	Increase phased in by 4.1%	Increase phased in by 10.66% per year	Towns receive 100% of their ECS grant, as calculated by formula
Towns Receiving Decrease in ECS Funding Compared to FY 2017 Grant	Decrease phased out by 25%	Decrease phased out by 8.33% per year	Towns receive 100% of their ECS grant, as calculated by formula

Source: Conn. Acts 17-2 (June Special Session).

# Alliance Districts “held harmless”

- New formula uses both the original and updated Alliance District lists, resulting in 33 districts being held harmless

Ansonia	Hartford	Putnam
Bloomfield	Killingly	Stamford
Bridgeport	Manchester	Thompson*
Bristol	Meriden	Torrington*
Danbury	Middletown	Vernon
Derby	Naugatuck	Waterbury
East Hartford	New Britain	West Haven
East Haven	New Haven	Winchester
East Windsor	New London	Windham
Groton*	Norwalk	Windsor
Hamden	Norwich	Windsor Locks

\* New Alliance District beginning in FY 2018

Source: Conn. Acts 17-2 (June Special Session).

# Example of How Phase-in Plan Works

- It is important to remember that the new formula will be calculated on an annual basis using updated district and town data.
- As a result, a town's calculated ECS grant will change as its district and town inputs change.
- Additionally, as a town's calculated ECS grant changes, so will the difference between the town's calculated ECS grant and its FY 2017 ECS grant, which will impact the phase-in schedule of the town's grant.

Using Bristol as our sample Connecticut town, below is a hypothetical example of how a change in district enrollment (in this case a 5% increase) — with all other inputs remaining the same — would impact a town's ECS grant for a given year (FY 2020) compared to if all of the district/town inputs remained constant.

Example Town	FY 2017 Actual	FY 2018 Actual with Holdbacks	FY 2019 Actual w/ Displaced Student Supplement	Estimated FY 2020 if District/Town Inputs Remain the Same	Estimated FY 2020 if District Enrollment Increases 5%
Bristol	\$44,853,676	\$44,603,676	\$45,324,316	\$46,332,675	\$46,737,645

Sources: Conn. Acts 17-2 (June Special Session).

State of Connecticut, Office of Policy and Management. (2017). *FY 2018 Municipal Aid Holdbacks*. Hartford, CT: Author. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/fy2018\\_holdbacks/tbt\\_estimates\\_post\\_holdback.pdf](http://www.ct.gov/opm/lib/opm/budget/fy2018_holdbacks/tbt_estimates_post_holdback.pdf).

Conn. Acts 18-81.

# Displaced Student Supplement

- During the 2018 regular legislative session, the Connecticut General Assembly passed, and Governor Dannel Malloy signed, a bill (Conn. Acts 18-81) making revisions to the state's biennial budget.
- The revised budget did not alter the structure of the new ECS formula, but it did include, for FY 2019, an additional one-time, supplemental allocation of approximately \$2.9 million for towns whose districts received students displaced by Hurricane Maria during FY 2018.
- This allocation is provided by funds remaining in the ECS budget line item after the distribution of ECS grants, and will be distributed on a per-pupil basis using the highest number of displaced students a town received during FY 2018 as a percent of the total number of displaced students received statewide.
- ***However, this supplemental allocation is not part of the ECS formula and will not be a recurring feature of the ECS appropriation.***

Source: Conn. Acts 18-18.

# AREAS FOR IMPROVEMENT

# Maintains More than 10 Different Formulas

- New ECS formula only applies to local public schools
- All other types of Connecticut public schools (magnet schools, local and state charter schools, CTECS, vo-ag schools, Open Choice) will continue to be funded by 10 other formulas/statutory amounts
- All other formulas not based on student and community needs
- Continuation of more than 10 different formulas also continues the challenges many districts have experienced related to choice programs charging tuition

# Low-income Metric Remains a Challenge

- Use of FRPL eligibility as a proxy for identifying low-income students has become functionally unusable for the purposes of a school finance system.
- Need for a more accurate, verifiable proxy for low-income students is growing quickly as a result of the Community Eligibility Provision (CEP) of the federal Healthy, Hunger Free Kids Act of 2010.
  - To qualify for CEP, at least 40 percent of a school or district's enrollment must be identified as eligible for FRPL via direct certification.
- As higher-need districts adopt CEP district-wide, there is no incentive to collect household income information from students, resulting in inaccurate FRPL identification rates.
- As a result, an alternative proxy for measuring low-income students will need to be identified in order to effectively and accurately provide critical resources to higher-need students.

Sources: Healthy, Hunger-Free Kids Act of 2010, Pub. L. No. 111-296, § 104, 124 Stat. 3193, 3194-3201 (2010). Connecticut State Department of Education. (2016, April 29). Community Eligibility Provision (CEP). Retrieved from <http://www.sde.ct.gov/sde/cwp/view.asp?a=2626&q=335336>. U.S. Department of Education, Office of Elementary and Secondary Education. (2015). *GUIDANCE: The Community Eligibility Provision and Selected Requirements Under Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended*. Retrieved from <https://www2.ed.gov/programs/titleiparta/15-0011.doc>.

# Funding for Special Education

- Formula does not disentangle special education funding from ECS grant, and instead leaves state aid for special education “incorporated” into the foundation amount.
  - Approximately 22% of the foundation amount is attributable to special education.
- Continuing to incorporate special education funding into the foundation, while also reducing total ECS spending in FY 2018 and FY 2019, puts Connecticut at continued risk of violating its federal maintenance of support (MOS) requirement, which is the primary fiscal measure by which states are judged to be eligible for federal funding under the Individuals with Disabilities Education Act (IDEA).
- To be eligible for federal IDEA funding, a state cannot provide less state financial support for special education than it did in the preceding fiscal year.
  - If a state has been found to have failed to maintain support, the U.S. Secretary of Education may reduce federal funds to that state.
- By leaving special education funding incorporated into the ECS formula’s foundation, and then reducing ECS funding, Connecticut runs a serious risk of violating its MOS requirement and having its federal IDEA funding reduced.

Sources: Conn. Acts 17-2 (June Special Session).

Connecticut General Assembly, Office of Fiscal Analysis and the Office of Legislative Research. (2014). *CT Special Education Funding*. Retrieved from [http://www2.housedems.ct.gov/MORE/SPED/pubs/OFA-OLR\\_Presentation\\_2013-01-23.pdf](http://www2.housedems.ct.gov/MORE/SPED/pubs/OFA-OLR_Presentation_2013-01-23.pdf).

Connecticut School Finance Project. (2016). *Memorandum Regarding Maintenance of Effort and Support Requirements Under the Individuals with Disabilities Education Improvement Act (IDEA) of 2004*. Available from <http://ctschoolfinance.org/reports/memorandum-regarding-maintenance-of-effort-and-support-requirements-under-the-individuals-with-disabilities-education-improvement-act-idea-of-2004>.

# Overall Formula Cost

- Despite a bipartisan biennial budget and a surge in one-time revenue in FY 2018 as a result of federal tax changes, Connecticut still faces significant fiscal challenges ahead.
- Declining revenues, continued growth of fixed costs, and looming unfunded pension obligations are expected to stress the State's finances for the near future, potentially causing large deficits.
- As a result, the State could resort to not fully funding the formula (and its estimated total increase of \$345 million) or abandon it altogether like it has in the past.
- At the beginning of FY 2014, Connecticut stopped using the most recent ECS formula because the State did not have enough money to fund the formula's phase-in plan.
- With fiscal and economic obstacles, and a longer 10-year phase-in schedule, sticking to the new formula will be a continual challenge for the General Assembly.

FOR MORE  
INFORMATION

## For More Information

For more information on the FY 2019 education budget and ECS formula:

[www.ctschoolfinance.org](http://www.ctschoolfinance.org)

FY 2018/2019 Budget Tab

For more information on the state's budget and fiscal situation:

[www.ctstatefinance.org](http://www.ctstatefinance.org)