CONNECTICUT SCHOOL FINANCE PROJECT

GOVERNOR'S PROPOSED MUNICIPAL TRS CONTRIBUTIONS

Governor Ned Lamont's proposed biennial state budget for fiscal years 2020 and 2021 contains municipal contributions to the Connecticut Teachers' Retirement System (TRS), which has traditionally been funded by the State of Connecticut and contributions from teachers.[1] The municipal contributions contained in the governor's proposed budget are based on several factors: 1) the normal cost of funding the TRS for each town, 2) the average teacher salary in each town, 3) the statewide median teacher salary, and 4) whether or not a community is considered a Distressed Municipality.[2,3]

The purpose of this document is to detail how these municipal contributions to the TRS are calculated, and to provide example calculations of the FY 2020 municipal contribution. Both the contributions contained in Governor Lamont's Education Implementer Bill and the calculations in the model created by the Office of Policy and Management are described below.

Education Implementer Language

The proposed Education Implementer Bill contains language requiring municipalities to fund a portion of the normal cost to the TRS.[4] For FYs 2020 and 2021, the municipal contributions are written into statute.[5] For FY 2022 and each year after, each municipality would contribute the following percentages of their normal cost.

Group	Contribution (FY 2022 & Each Year After)
Distressed Municipalities	5 percent
Non-Distressed Municipalities with pensionable salary per full-time equivalent (FTE) **below** statewide median pensionable salary per FTE	25 percent
Non-Distressed Municipalities with pensionable salary per FTE **above** statewide median pensionable salary per FTE	25 percent + the marginal percentage above the statewide median pensionable salary

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[1] H.B. 7150: An Act Implementing the Governor's Budget Recommendations Concerning Education. Gen. Assembly. (Ct. 2019). https://www.cga.ct.gov/2019/TOB/h/pdf/2019HB-07150-R00-HB.PDF.

[2] Ibid.

[3] The State of Connecticut Department of Economic and Community Development annually identifies the state's 25 most economically and fiscally distressed municipalities by measuring the fiscal capacity of municipalities using statistics. This designation is used to provide state funding for municipal needs, which can include, but are not limited, to "housing, insurance, open space, brownfield remediation and economic development programs." For more information, please see:
State of Connecticut, Department of Economic and Community Development. (n.d.). Distressed Municipalities. Retrieved from https://portal.ct.gov/DECD/Content/About_DECD/Research-and-Publications/02_Review_Publications/Distressed-Municipalities.

[4] H.B. 7150: An Act Implementing the Governor's Budget Recommendations Concerning Education. Gen. Assembly. (Ct. 2019). https://www.cga.ct.gov/2019/TOB/h/pdf/2019HB-07150-R00-HB.PDF.

[5] Ibid.

Model Implementation

The proposed municipal contributions for FYs 2020 and 2021 are calculated in the following manner. Towns are assessed a percentage of their normal cost, and towns that have a higher teacher salary per FTE than the median town salary per FTE will pay an additional percentage of their normal cost for each percent above the aforementioned median.[6] Towns classified as Distressed Municipalities pay five percent of their normal cost with no additional percentages, and all other towns pay a minimum of 25 percent of their normal cost.[7] This contribution is phased in, with one-third of the full calculated contribution required to be paid in FY 2020, and two-thirds of the full calculated contribution required in FY 2021.[8] In FY 2022, 100 percent of the calculated contribution would be required to be paid.[9] The contribution is summarized in the table below.

Group	Contribution (Percent of Normal Cost)
Distressed Municipalities	5 percent (1/3 of this percent in FY 2020, 2/3 in FY 2021, full phase in FY 2022)
Non-Distressed Municipalities with total pensionable salary per FTE **below** the median town total pensionable salary per FTE	25 percent (1/3 of this percent in FY 2020, 2/3 in FY 2021, full phase in FY 2022)
Non-Distressed Municipalities with total pensionable salary per FTE **above** the median town total pensionable salary per FTE	25 percent + the marginal percentage above the median town total pensionable salary per FTE (1/3 of this percent in FY 2020, 2/3 in FY 2021, full phase in FY 2022)

The calculation uses the following variables and sources:

• Municipal Normal Costs are calculated using the information found in the GASB Statement No. 68 Report for the TRS. Regional school district and endowed academy normal costs were distributed proportionally based on town student contribution.[10]
• Total Pensionable Salaries are sourced from the Teachers' Retirement Board. Regional school district and endowed academy salaries were distributed proportionally based on town student contribution.[11]
• Certified Full-Time Equivalent staff counts are sourced from EdSight. Regional school district and endowed academy FTE staff counts were distributed proportionally based on town student contribution.[12]

The following are examples of the mathematical calculation of the municipal contributions for 1) a town that would be assessed additional percentage points due to higher salary per FTE, and 2) a Distressed Municipality.

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[6] State of Connecticut, Office of Policy and Management. (2019). *Proposed Municipal Contributions to TRS*. Available from http://ctstatefinance.org/reports/municipal-TRS-contributions.
[7] Ibid.
[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] Ibid.
[12] Ibid.

FY 2020 Calculation Detail – Town Above Median[13]

$$Town\ Salary\ per\ FTE = \frac{Total\ Pensionable\ Salary}{Certified\ FTEs}$$

$$Median\ Salary = Median\ of\ Town\ Salary\ per\ FTE$$

$$Town\ Percent\ Above\ Median\ (if\ above) = \frac{(Town\ Salary\ per\ FTE - Median\ Salary)}{Median\ Salary}$$

$$Town\ Full\ Percent\ of\ Normal\ Cost\ (if\ non-Distressed) = 25\% + Town\ Percent\ Above\ Median$$

$$FY\ 2020\ Town\ Percent\ of\ Costs\ Paid\ (if\ non-Distressed) = Town\ Full\ Percent\ of\ Normal\ Cost * 33\%$$

$$FY\ 2020\ Payment\ (if\ non-Distressed) = FY\ 2020\ Town\ Percent\ of\ Costs\ Paid * Town\ Normal\ Cost$$

Example FY 2020 Calculation: Cheshire (Above Median)[14]

$$Cheshire\ Salary\ per\ FTE = \frac{\$33,431,372}{388.3} = \$86,097$$

$$Median\ of\ all\ Town\ Salary\ per\ FTE = \$78,676$$

$$Cheshire\ Percent\ Above\ Median\ (if\ above) = \frac{(\$86,097 - \$78,676)}{\$78,676} = 9.4\%$$

$$Cheshire\ Full\ Percent\ of\ Normal\ Cost\ (if\ non-Distressed) = 25\% + 9.4\% = 34.4\%$$

$$FY\ 2020\ Cheshire\ Percent\ of\ Costs\ Paid\ (if\ non-Distressed) = 34\% * 33\% = 11.5\%$$

$$FY\ 2020\ Cheshire\ Payment\ (if\ non-Distressed) = 11.5\% * \$2,474,910 = \$284,061$$

Example FY 2022 (Full Payment) Calculation: Cheshire (Above Median)[15]

$$Cheshire\ Salary\ per\ FTE = \frac{\$33,431,372}{388.3} = \$86,097$$

$$Median\ of\ all\ Town\ Salary\ per\ FTE = \$78,676$$

$$Cheshire\ Percent\ Above\ Median\ (if\ above) = \frac{(\$86,097 - \$78,676)}{\$78,676} = 9.4\%$$

$$Cheshire\ Full\ Percent\ of\ Normal\ Cost\ (if\ non-Distressed) = 25\% + 9.4\% = 34.4\%$$

$$FY\ 2022\ Cheshire\ Payment\ (if\ non-Distressed) = 34.4\% * \$2,474,910 = \$852,184$$

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[13] Ibid.
[14] Ibid.
[15] Ibid.

FY 2020 Calculation Detail – Distressed Municipality[16]

$Town\ Full\ Percent\ of\ Normal\ Cost\ (if\ Distressed) = \mathbf{5}\%$

$FY\ 2020\ Town\ Percent\ of\ Costs\ Paid\ (if\ Distressed) = 5\% * 33\% = \mathbf{1.7}\%$

$FY\ 2020\ Payment\ (if\ Distressed) = 1.7\% * Town\ Normal\ Cost$

Example FY 2020 Calculation: Bristol (Distressed Municipality)[17]

$Bristol\ Full\ Percent\ of\ Normal\ Cost\ (if\ Distressed) = \mathbf{5}\%$

$FY\ 2020\ Bristol\ Percent\ of\ Costs\ Paid\ (if\ Distressed) = 5\% * 33\% = \mathbf{1.7}\%$

$FY\ 2020\ Bristol\ Payment\ (if\ Distressed) = 1.7\% * \$4{,}142{,}269 = \$\mathbf{69{,}038}$

Example FY 2022 (Full Payment) Calculation: Bristol (Distressed Municipality)[18]

$Bristol\ Full\ Percent\ of\ Normal\ Cost\ (if\ Distressed) = \mathbf{5}\%$

$FY\ 2022\ Bristol\ Payment\ (if\ Distressed) = 5\% * \$4{,}142{,}269 = \$\mathbf{207{,}113}$

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[16] Ibid.
[17] Ibid.
[18] Ibid.