

# CONNECTICUT SCHOOL FINANCE PROJECT

## SUMMARY OF 2016 CONNECTICUT LEGISLATION IMPACTING SCHOOL FINANCE

July 13, 2016

Act	Section(s)	Description	Possible Financial Impact
Conn. Acts 16-2 (May Special Session)  "An Act Adjusting the State Budget for the Biennium Ending June 30, 2017"	1	In the public act, the \$20 million savings associated with the Municipal Opportunities and Regional Efficiencies (MORE) program was eliminated.  On June 2, 2016, Governor Malloy line item vetoed this elimination. <sup>1</sup>  This veto reinstated the \$20 million MORE savings requirement for FY 2016-17. This means one or more of the municipal grants will have to be reduced from the appropriated level in order the save the required \$20 million.	The FY 2015-16 budget also required \$20 million in MORE savings. <sup>2</sup>  The Office of Policy and Management (OPM) allocated the savings this way: <sup>3</sup> 1. \$4.1 million from the Education Cost Sharing (ECS) grant 2. \$1.1 million in Department of Housing tax abatement 3. \$14.8 million from P.I.L.O.T. programs  The FY 2015-16 MORE savings are presented to provide context; it is not known how these savings will be allocated in FY 2016-17.
"	20	Revises the FY 2016-17 town-by-town appropriations for the ECS grant.	The total FY 2016-17 ECS revised appropriation is \$2.037 billion. This amount is: 1. \$32 million less than what was appropriated for FY 2016-17 in Conn. Acts 15-244; and 2. \$20.6 million less than estimated FY 2015-16 expenditures. <sup>4,5</sup>
"	34(a) and (b)	OPM is empowered to reduce executive branch appropriations by \$68.9 million.	\$68.9 million in General Fund savings.  ECS reductions are prohibited from being used to achieve these savings.  It is important to note the budget does require \$20 million in MORE-related municipal grant savings that OPM will determine at a later date.
"	35(d)(1) and (2)	OPM is empowered to reduce executive branch appropriations by \$94.5 million.	\$94.5 million in General Fund savings.  No municipal grants can be reduced to achieve these savings.  It is important to note the budget does require \$20 million in MORE-related municipal grant savings that OPM will determine at a later date.

Thank you to Kathleen S. Guay, policy research consultant to the Connecticut School Finance Project, for her expertise in preparing this summary and analysis.

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"	37, 39	<p>The Priority School District (PSD) grant, which is composed of three separate grants (PSD, Extended Day, and Summer School) will be reduced by \$2.5 million.</p> <p>This affects 14 low-achieving school districts.<sup>6</sup></p>	<p>\$2.5 million in General Fund savings.</p> <p>In FY 2016-17, the PSD communities are:<sup>7</sup></p> <ol style="list-style-type: none"> <li>1. Bridgeport</li> <li>2. Danbury</li> <li>3. Derby</li> <li>4. East Hartford</li> <li>5. Hartford</li> <li>6. Meriden</li> <li>7. New Britain</li> <li>8. New Haven</li> <li>9. New London</li> <li>10. Norwalk</li> <li>11. Norwich</li> <li>12. Stamford</li> <li>13. Waterbury</li> <li>14. Windham</li> </ol>
"	38	Increases the PSD appropriation for Norwalk (6 <sup>th</sup> largest community by population).	\$69,930 in additional General Fund costs.
"	41	\$10 million from the Municipal Revenue Sharing Fund (MRSF) will pay for the ECS grant in FY 2016-17.	With the elimination of the Municipal Revenue Sharing Account, the MRSF will pay \$10 million for ECS.
<p>Conn. Acts 16-3 (May Special Session)</p> <p>"An Act Concerning Revenue and Other Items to Implement the Budget for the Biennium Ending June 30, 2017"</p>	64	Under current law, <sup>8</sup> East Hartford's tuition payments to the magnet schools its students attend are capped. If more than 7% of its students attend magnet schools, then the State, and not the town, is responsible for \$4,400/student in magnet school tuition over that 7% threshold. This bill makes this change permanent (rather than limited to the biennium).	State costs are expected to be about \$915,000. <sup>9</sup>
"	66	<p>Amends the criteria under which the Connecticut State Department of Education (CSDE) can limit magnet school payments based on their enrollments, and prioritizes under which circumstances (such as adding grades in FY 2015-16) new enrollment growth can be funded.</p> <p>Also, project operators will have funding flexibility in determining how magnet school funding will be spent at the school level as long as their distribution plan is approved by the commissioner of CSDE.</p>	<p>The fiscal impact is unclear.</p> <p>When the biennial FY 2015-17 budget was created, the CSDE estimated a cap on magnet school enrollment growth would save \$16 million in FY 2016-17.<sup>10</sup> This would have reduced the requested magnet school appropriation to \$327 million.</p> <p>Since the appropriation in FY 2016-17 is \$313 million, or \$14 million less than CSDE said they needed for magnet schools (even with a cap on enrollment growth), the fiscal impact cannot be determined.</p>

Act	Section(s)	Description	Possible Financial Impact
"	86	As in prior years, this would allow the CSDE to review billing and make final supplemental RESC "Sheff related" transportation payments for FY 2015-16 in FY 2016-17.	It is estimated the balance owed to CREC would be around \$9 million in FY 2016-17.  At the same time, the magnet school account is being reduced by \$11.9 million in Conn. Acts 16-2 (May Special Session) compared to the original FY 2016-17 appropriation in Conn. Acts 15-244.
"	124, 125	<p>The FY 2016-17 Minimum Budget Requirement (MBR) is changed to (generally) compensate for FY 2015-16 ECS reductions.</p> <p>Alliance District communities will not, however, be allowed to change the FY 2016-17 budgeted funding for education. (Important note: Alliance District funding is not considered to be part of municipal budgets and thus, it is not part of the MBR calculation.)<sup>11</sup></p> <p>MBR provisions are not applicable to the highest performing 10% of school districts in FY 2016-17.</p>	<p>This allows non-Alliance District communities to reduce their FY 2016-17 MBRs.</p> <p>Non-Alliance Districts may reduce their FY 2016-17 MBRs by the amount their FY 2016-17 ECS funding<sup>12</sup> is less than their FY 2015-16 appropriated ECS levels.<sup>13</sup></p> <p>Note: In FY 2015-16, as part of the MORE budget savings requirement, ECS (in aggregate) was reduced by \$4.1 million.<sup>14,15</sup> This ECS decrease is not incorporated into the MBR calculation.</p>
"	126	<p>The calculation of Alliance District funding is changed. ECS includes both Alliance District and Non-Alliance District ECS funding.<sup>16</sup></p> <p>Alliance District funding = FY 2016-17 ECS – FY 2011-12 ECS funding<sup>17</sup></p> <p>The intent of this section is to take the FY 2016-17 ECS savings in the Alliance District portion of the ECS grant.<sup>18</sup></p>	This change reduces Alliance District ECS set-asides by \$6.8 million. <sup>19,20</sup> See Table I for an illustration of this reduction by individual Alliance District.
"	210	East Hartford's special magnet school tuition grant is eliminated.	\$220,818 in state savings because the diversion of the State's magnet school grant is eliminated.
<p>Conn. Acts 16-4 (May Special Session)</p> <p>"An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, and Other Purposes and Authorizing State Grant Commitments for School Building Projects</p>	261, 263-320	<p>These sections authorize a total of \$381.6 million in school construction funds, including:</p> <ol style="list-style-type: none"> <li>\$270.8 million for 17 new school construction projects;</li> <li>\$16.2 million for increased costs for seven school construction projects; and</li> <li>\$94.6 million in "notwithstanding" provisions.</li> </ol>	Debt service (principal and interest payments) is estimated to be about \$562 million. <sup>21</sup>

Act	Section(s)	Description	Possible Financial Impact
		Notwithstanding provisions allow school districts to receive more school construction funding than what the statutes would allow. For instance, these sections could increase reimbursement rates so the state pays more and the districts pay less on a project.	
“	322	Requires independent universities that have magnet schools on their campuses to annually assess how much the colleges use the magnet school facilities in a report to the Commissioner of Education. If the universities received school construction funding, they must show their use of the magnet school facilities was less than the in-kind benefits the universities provided or the universities might be liable for some of the unpaid school construction loan costs.	There is a possible revenue gain to the state if the independent colleges with magnet schools use the magnet schools so much that they have to pay part of the school construction funding back to the state; such a revenue gain cannot be estimated at this time. <sup>22</sup>
“	323	Sets the reimbursement rate for newly created or expanded regional school district' projects at the highest rate of the partner districts plus 10%.  The projects must be related to the creation/expansion and be initiated within 10 years of the regionalization.	This would increase the school construction reimbursement rates for certain regional school district projects, with savings accruing to the districts and costs to the state—neither of which can be estimated at this time. <sup>23</sup>
Conn. Acts 16-139  “An Act Concerning Magnet School Tuition”	1	This restricts the ability of “Non-Sheff” <sup>24</sup> host (school district) operated magnet schools from charging tuition if tuition was not charged in FY 2014-15.  If the host school district wants to charge sending districts tuition, they have to give one year's notice and the commissioner of CSDE must approve the application.	If a host district decides to charge tuition, it must get permission from the Commissioner of Education and then provide a year's notice to the sending districts.  The potential cost changes (savings to host districts, costs to sending districts) cannot be estimated at this time, but they could be significant if, for instance, a major host district like New Haven got permission from CSDE and sent a notice by September 1, 2016 that it was going to start charging tuition in FY 2017-18.  <sup>25</sup>

**Table I: FY 2015-17 ECS and FY 2016-17 Alliance District Funding  
Compared to FY 2015-16 Alliance District Funding**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>Town</b>	<b>FY 2015-16 ECS from Conn. Acts 15-245</b>	<b>FY 2015-16 Alliance District Part of ECS Funding<sup>26</sup></b>	<b>FY 2016-17 ECS Revised Conn. Acts 16-2 (May Special Session)</b>	<b>FY 2016-17 Alliance District Part of ECS Funding <sup>27</sup></b>	<b>Alliance District \$ Funding Change (Column E - Column C)</b>
Ansonia	\$16,641,477	\$1,609,809	\$16,558,270	\$1,526,602	(\$83,207)
Bloomfield	\$6,319,698	\$909,353	\$6,288,100	\$877,755	(\$31,598)
Bridgeport	\$182,266,724	\$18,071,380	\$181,355,390	\$17,160,046	(\$911,334)
Bristol	\$45,705,925	\$4,048,611	\$45,103,676	\$3,446,362	(\$602,249)
Danbury	\$30,705,677	\$7,847,721	\$31,540,480	\$8,682,524	\$834,803
Derby	\$8,001,514	\$1,135,825	\$7,961,506	\$1,095,817	(\$40,008)
East Hartford	\$49,563,484	\$7,852,667	\$49,315,667	\$7,604,850	(\$247,817)
East Haven	\$20,004,233	\$1,240,108	\$19,740,645	\$976,520	(\$263,588)
East Windsor	\$5,810,543	\$328,408	\$5,733,980	\$251,845	(\$76,563)
Hamden	\$27,131,137	\$4,100,376	\$27,195,481	\$4,164,720	\$64,344
Hartford	\$201,777,130	\$13,802,240	\$200,768,244	\$12,793,354	(\$1,008,886)
Killingly	\$15,871,254	\$625,621	\$15,662,125	\$416,492	(\$209,129)
Manchester	\$34,864,748	\$4,245,648	\$34,690,424	\$4,071,324	(\$174,324)
Meriden	\$60,812,457	\$7,028,746	\$60,508,395	\$6,724,684	(\$304,062)
Middletown	\$19,861,550	\$3,209,164	\$19,762,242	\$3,109,856	(\$99,308)
Naugatuck	\$30,831,003	\$1,619,602	\$30,424,755	\$1,213,354	(\$406,248)
New Britain	\$86,678,662	\$12,749,366	\$86,445,269	\$12,515,973	(\$233,393)
New Haven	\$155,328,620	\$12,819,095	\$154,551,977	\$12,042,452	(\$776,643)
New London	\$26,058,803	\$3,118,238	\$25,928,509	\$2,987,944	(\$130,294)
Norwalk	\$11,551,095	\$1,455,964	\$11,493,340	\$1,398,209	(\$57,755)
Norwich	\$36,577,969	\$4,261,426	\$36,395,079	\$4,078,536	(\$182,890)
Putnam	\$8,498,260	\$426,409	\$8,386,282	\$314,431	(\$111,978)
Stamford	\$10,885,284	\$2,906,407	\$11,053,759	\$3,074,882	\$168,475
Vernon	\$19,650,126	\$2,004,961	\$19,391,204	\$1,746,039	(\$258,922)
Waterbury	\$134,528,710	\$20,911,528	\$133,856,066	\$20,238,884	(\$672,644)
West Haven	\$45,996,566	\$4,597,263	\$45,390,487	\$3,991,184	(\$606,079)
Winchester	\$8,187,980	\$363,989	\$8,080,090	\$256,099	(\$107,890)
Windham	\$26,816,024	\$2,646,307	\$26,681,944	\$2,512,227	(\$134,080)
Windsor	\$12,476,044	\$928,381	\$12,311,652	\$763,989	(\$164,392)
Windsor Locks	\$5,274,785	\$622,417	\$5,248,411	\$596,043	(\$26,374)
<b>Total</b>	<b>\$1,344,677,482</b>	<b>\$147,487,030</b>	<b>\$1,337,823,449</b>	<b>\$140,632,997</b>	<b>(\$6,854,033)</b>

## Endnotes

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- <sup>1</sup> State of Connecticut, Office of the Governor. (2016, June 2). Veto message from the governor, exercising line item vetoes to Conn. Acts 16-2 (May Special Session). Retrieved from [http://portal.ct.gov/uploadedFiles/Departments\\_and\\_Agencies/Office\\_of\\_the\\_Governor/Documents/2016.06.02%20-%20veto%20message%20-%20SB%20501.pdf](http://portal.ct.gov/uploadedFiles/Departments_and_Agencies/Office_of_the_Governor/Documents/2016.06.02%20-%20veto%20message%20-%20SB%20501.pdf).
- <sup>2</sup> Conn. Acts 15-244.
- <sup>3</sup> Connecticut General Assembly, Office of Fiscal Analysis. (2015). *FY 2016 General Fund Holdbacks*. Retrieved from <https://assets.documentcloud.org/documents/2662247/FY2016-All-Holdbacks-General-Fund.pdf>.
- <sup>4</sup> Ibid.
- <sup>5</sup> Connecticut Office of Policy and Management. (2016). *FY 2017 Governor's Midterm Budget Adjustments – Section E: Municipal Aid*. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71\\_section\\_e.pdf](http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71_section_e.pdf).
- <sup>6</sup> Connecticut State Department of Education. (2016). *FY 2016 Grant Payment Report - Full Formula Grant Funding*. Available from <https://www.csde.state.ct.us/public/dgm/grantreports1/PayDetlMain.aspx>.
- <sup>7</sup> Connecticut State Department of Education. (2016). *2016-17 Alliance and Priority School District Consolidated Application Guidance*. Retrieved from [http://www.sde.ct.gov/sde/lib/sde/pdf/rfp/ed705\\_2016\\_17\\_alliancedistrict\\_priorityschooldistrict\\_application.pdf](http://www.sde.ct.gov/sde/lib/sde/pdf/rfp/ed705_2016_17_alliancedistrict_priorityschooldistrict_application.pdf).
- <sup>8</sup> Conn. Gen. Statutes ch. 172, § 10-264l (p) (2016).
- <sup>9</sup> Fiscal Note for S.B. 501, Gen. Assembly., May Special Session (Ct. 2016). *This bill was later signed and became Conn. Acts 16-2 (May Special Session)*.
- <sup>10</sup> Pryor, S. (2014). *Letter to Connecticut State Board of Education RE: Budget Expansion Options – Fiscal Years 2015-16 and 2016-17*. Retrieved from [https://www.cga.ct.gov/OFA/Documents/year/OPT/2016OPT-20141101\\_Education,%20Department%20of.pdf](https://www.cga.ct.gov/OFA/Documents/year/OPT/2016OPT-20141101_Education,%20Department%20of.pdf).
- <sup>11</sup> Conn. Gen. Statutes ch. 172, § 10-262u (2016).
- <sup>12</sup> Conn. Acts 16-2 (May Special Session).
- <sup>13</sup> Conn. Acts 15-244.
- <sup>14</sup> Connecticut General Assembly, Office of Fiscal Analysis. (2015). *FY 2016 General Fund Holdbacks*. Retrieved from <https://assets.documentcloud.org/documents/2662247/FY2016-All-Holdbacks-General-Fund.pdf>.
- <sup>15</sup> Connecticut Office of Policy and Management. (2016). *FY 2017 Governor's Midterm Budget Adjustments – Section E: Municipal Aid*. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71\\_section\\_e.pdf](http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71_section_e.pdf).
- <sup>16</sup> Conn. Gen. Statutes ch. 172, § 10-262u (2016).
- <sup>17</sup> Ibid.
- <sup>18</sup> It should be noted that the statutory language does not currently meet the legislative intent for the calculation of the Alliance District funding. According to the Connecticut State Department of Education, the legislative intent was that Alliance District funding would be the difference between FY 2016-17 ECS entitlement and FY 2011-12 ECS entitlement.
- <sup>19</sup> Connecticut General Assembly, Office of Fiscal Analysis. (2015). *FY 2016 General Fund Holdbacks*. Retrieved from <https://assets.documentcloud.org/documents/2662247/FY2016-All-Holdbacks-General-Fund.pdf>.
- <sup>20</sup> Connecticut Office of Policy and Management. (2016). *FY 2017 Governor's Midterm Budget Adjustments – Section E: Municipal Aid*. Retrieved from [http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71\\_section\\_e.pdf](http://www.ct.gov/opm/lib/opm/budget/2017midterm/budget/71_section_e.pdf).
- <sup>21</sup> Fiscal Note for S.B. 503, Gen. Assembly., May Special Session (Ct. 2016). *This bill was later signed and became Conn. Acts 16-4 (May Special Session)*.
- <sup>22</sup> Ibid.
- <sup>23</sup> Ibid.
- <sup>24</sup> With the exception of Great Paths Academy in Manchester, Conn. Gen. Statutes ch. 172, § 10-264l (2016)., prohibits the host magnet schools in the Hartford region from charging tuition.
- <sup>25</sup> Rabe Thomas, J. (2016, April 25). Magnet schools caught in squeeze over tuition, funding. *The Connecticut Mirror*. Retrieved from <http://ctmirror.org/2016/04/25/magnet-schools-caught-in-squeeze-over-tuition-funding/>.
- <sup>26</sup> Conn. Gen. Statutes ch. 172, § 10-262u (2016). *This section of the Connecticut General Statutes sets the FY 2015-16 formula for the Alliance District funding as FY 2015-16 ECS less FY 2011-12 ECS funding.*
- <sup>27</sup> Conn. Gen. Statutes ch. 172, § 10-262u (2016), as amended by Conn. Acts 16-3 (May Special Session), § 128. *As further explained by CSDE, there is an error in the Conn. Acts 16-3 (May Special Session) that erroneously sets the formula for the Alliance District funding as FY 2016-17 ECS less FY 2011-12 ECS funding.*