

## THE STATE-LOCAL PARTNERSHIP FOR EDUCATION: AN UNBALANCED RELATIONSHIP



# CCM Public Policy Report

## THE STATE-LOCAL PARTNERSHIP FOR EDUCATION: AN UNBALANCED RELATIONSHIP

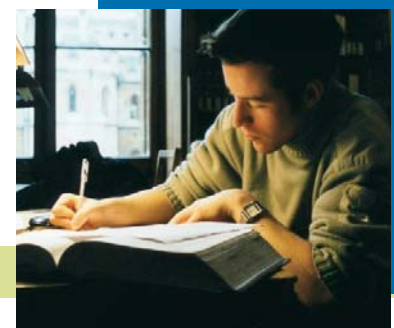
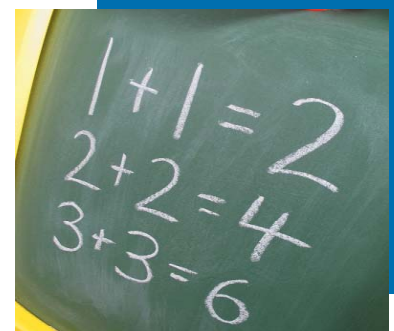


© 2011 Connecticut Conference of Municipalities  
900 Chapel Street, 9th Floor, New Haven, Connecticut 06510-2807  
Phone: (203) 498-3000 • Fax: (203) 562-6314  
E-mail: [ccm@ccm-ct.org](mailto:ccm@ccm-ct.org) • Web site: [www.ccm-ct.org](http://www.ccm-ct.org)

# TABLE OF CONTENTS

OVERVIEW .....	1
HISTORY .....	2
STATE AND LOCAL SHARES OF EDUCATION COSTS.....	2
EDUCATION REVENUES .....	4
Major Components of State K-12 Education Funding .....	4
THE EDUCATION COST SHARING (ECS) GRANT .....	6
Major ECS Issues .....	6
SPECIAL EDUCATION .....	10
TARGETED ASSISTANCE .....	12
SCHOOL CONSTRUCTION .....	12
State Aid for School Construction.....	12
Other Changes in School Construction .....	13
MANDATES .....	14
A DEVELOPING CONSENSUS ON SCHOOL FINANCE ....	14
APPENDIX A: Who Pays for K-12 Public Education in CT? ..	16
APPENDIX B: School Funding: 37 Years Under Fire .....	17
APPENDIX C: Cost of Unfunded and Partially Funded Mandates for Bristol Public Schools .....	20

If you have any questions concerning this CCM public policy report, please contact Jim Finley, Executive Director and CEO; Gian-Carl Casa, Director of Public Policy and Advocacy; George Rafael, or Kachina Walsh-Weaver at (203) 498-3000.





# OVERVIEW

In Connecticut, the State's share of public elementary and secondary education costs is too low. According to the U.S. Census, Connecticut's towns and cities contribute a larger portion of funds for public education than do municipalities in all but one other state – and that portion is growing.

The **cost for public education** across the state for the current school year is **\$10.4 billion**. Municipal property taxpayers will:

- Finance 54.4 percent of that amount (at least \$5.7 billion). The State contributes an estimated 37.8 percent and the federal government 7.4 percent.<sup>1</sup> The rest comes from private sources.
- Pay about \$0.64 of every \$1.00 raised in property taxes toward K-12 public education.
- Pay for at least 60 percent of Connecticut's over \$1.5 billion in special-education costs.
- Pick-up the bill for numerous other state-mandated education priorities that are not fully funded by the State.

**Further, the State used \$543 million in one-time federal ARRA money in the current (FY 2010 – FY 2011) biennium to maintain level funding of the ECS grant. That means the new Governor and General Assembly will have to increase state funding by that much, or municipalities will lose 14 percent of their ECS revenue next year.**



## Loss of Federal Aid

Municipalities face the loss of 14% of ECS funding (\$271 million) next year, unless the new Governor and General Assembly make education a budget priority.

**The quality of Connecticut's educated workforce is one of the key assets in attracting and retaining businesses.** A first-rate education system -- and education finance system -- is vital for Connecticut's prosperity and quality of life. State law limits municipalities primarily to the property tax for revenue, and when municipalities do not receive adequate state education aid, they are forced to raise property taxes, cut other vital services, or both. **Local property taxes cannot continue to shoulder the lion's share of K-12 public-education costs.**

For over 30 years, court case after court case has ordered the State to increase funding for K-12 public education in order to meet state constitutional requirements. Right now we're treading water, at best. The loss of federal aid, coupled with the State's own looming budget deficit, means that our K-12 public education system is facing its most serious crisis. **For Connecticut to compete economically with its neighbors and the world, the State must increase its financial commitment to K-12 public education.**

<sup>1</sup> Federal funding is unusually higher due to one-time recovery act funding. The federal share is usually about five percent.

# HISTORY

**The State has the constitutional responsibility to ensure that all children, regardless of where they live, receive equal access to quality public schooling.**

Meeting Connecticut's education needs is accomplished through a system under which local governments operate public schools – and local property taxpayers pay for them – with the assistance of aid from the State and federal governments.<sup>2</sup> State aid comes through several different grants intended to address various public-policy decisions and priority needs in K-12 public education.

The local share of education expenditures is financed through local property taxes. **Because property tax bases differ enormously among towns, a critical function of state aid is to “equalize” the ability of towns to pay for public schools that provide students with opportunities for educational excellence.**

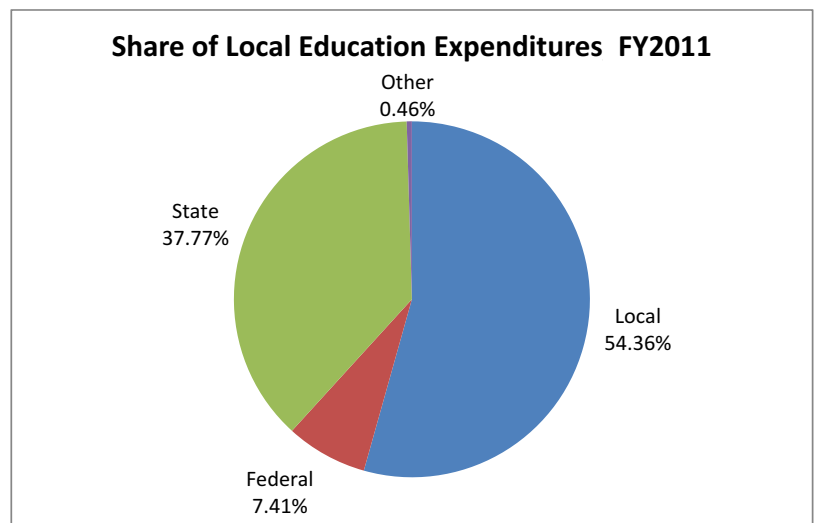
Three decades ago in *Horton v. Meskill*, the court decreed that the State must distribute education aid in a manner that would make up for disparities in local property tax bases. Those disparities are significant. The per-capita grand list of the wealthiest town (Greenwich) is almost 20 times greater than that of the poorest town (Hartford). **The greater the disparity in property wealth becomes, the greater the need for additional state aid to try to balance the scales.**

## STATE AND LOCAL SHARES OF EDUCATION COST

### STATE AND LOCAL SHARES OF EDUCATION COSTS

An equal partnership between state and local revenue sources has been a longstanding goal of the Connecticut State Board of Education. In 1989-90, the State's share of the total education costs reached 45.5%, the closest it has ever come to that goal. Since then, the State's share has fallen well below that mark.

**For FY 2011, CCM estimates the State's share will be 37.8%.<sup>3</sup>** In FY 2007, the latest year for which data is available, Connecticut ranked 45th in the nation for state share of K-12 education funding.<sup>4</sup> While the goal of a 50-50 partnership remains distant, any movement toward that mark is important because new state dollars reduce dependence on property taxes and lessen the inequity inherent in that dependence.



Source: State Department of Education; CCM calculations

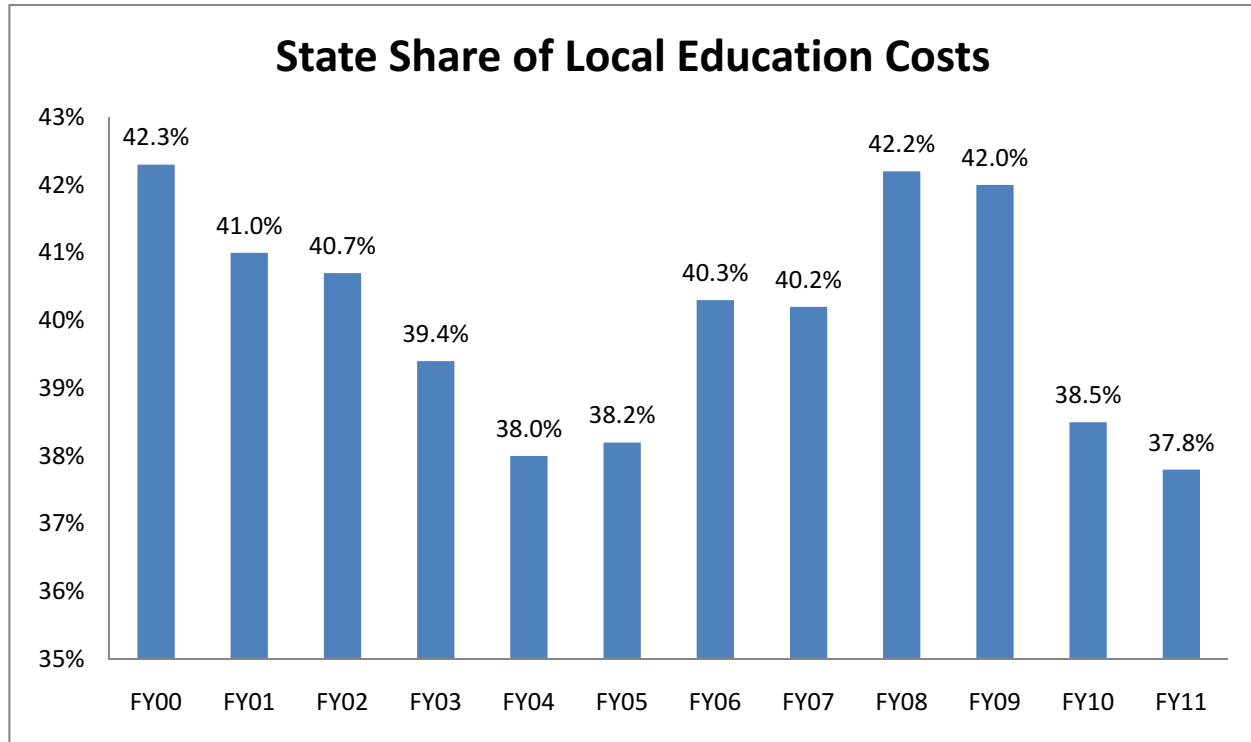
<sup>2</sup> The federal contribution is generally limited, but in the current biennium, federal ARRA (stimulus) funding played a more significant role than normal.

<sup>3</sup> Includes all state revenues on behalf of public elementary and secondary education, including state grants, bond funds, and department expenditures - including the Connecticut Technical High School System, teacher's retirement costs, and unified school district expenditures.

<sup>4</sup> US Census Bureau, Governments Division, Public Education Finances, 2007.

While the State has invested heavily in school construction over the past decades and began to fund the Education Cost Sharing (ECS) grant reform program enacted in 2007, (discussed in more detail further on in this document), these measures did not produce marked progress toward an equal state-local partnership, and the economic/budget crises of recent years are sending us spiraling in the wrong direction.

State aid for education has been essentially flat for the past three years, while local costs have gone up. Moreover, dependence on federal stimulus money to maintain level funding this biennium means **municipalities are facing huge losses in ECS and special-education funding unless the new Governor and General Assembly make protecting education aid a budget priority.**



Source: State Department of Education; CCM calculations

Municipal officials and educators are pleased that the State has attempted to maintain support for local public education in the face of the recession and calls for state budget cuts.<sup>5</sup> Connecticut’s schoolchildren, however, are still waiting for the State to fulfill the promises it made in the late 1980s when the Equalized Cost Sharing (ECS) grant began and the State Board of Education set out its 50-50 goal: (To) “increase state aid for education so that the state will pay at least 50 percent of the total statewide expenditures.”

The Governor’s Task Force to Study the Education Cost Sharing Grant reiterated this goal in 1998 when it recommended, “*the State should budget and appropriate funds biennially to demonstrate progress toward equal state and local spending for education.*”



<sup>5</sup> This was done through use of federal stimulus funds, which are expected to be gone next year. See page 6 for further discussion.

# EDUCATION REVENUES

**While the State has many revenue sources -- personal income tax, sales tax, business taxes, fuel taxes, utility taxes, gaming revenues, and user fees -- municipalities are almost entirely limited to the property tax to raise funds to meet public service needs. Property taxes account for 68 percent of all municipal revenue.**

For the last decade, municipalities have been forced to eliminate or reduce other municipal services because the rise in education costs has outpaced growth in property tax revenue. In most communities, the general-government, non-education side of municipal government has shrunk over the last decade. Towns and cities have had no choice but to cut back on other municipal services and raise property taxes to pay for rising education costs.

## **Major Components of State K-12 Education Funding**

Because of the importance and high costs of schools, the financing of K-12 public education has long been a central topic of public debate in our state. Within this broad topic are several critical pieces of state funding each of which deserve scrutiny.

How Connecticut's state government lives up to its obligations in these critical areas will determine whether public schools have the appropriate resources to achieve the lofty goals set for them by the State Board of Education, the General Assembly and our state constitution.

1

### ***Education Cost Sharing (ECS)***

ECS represents the largest state grant to local governments. It is the principal mechanism for state funding of regular education and the base costs of special education programs in Connecticut;

+ Please see page 6 for details on this major component of K-12 education funding.

## ***Special Education***

2

This is the single largest cost accelerant of education spending in Connecticut. It is estimated that special education costs grow five to six percent per year, one to two percent faster than most other education costs. Special education costs more than \$1.5 billion a year in Connecticut. How, and at what level, the State reimburses municipalities for these mandated costs is one of the hottest state-local issues.

Often overlooked in this debate is that special education is a federal mandate that originally came with a promise of substantial federal funding -- promises that have fallen woefully short of expectations despite some efforts in recent years. While the skyrocketing costs of special education should not be falling upon local shoulders, any effort to address this problem should not look solely to the State Capitol, but must also look to Congress.

+ Please see page 10 for details on this major component of K-12 education funding.

3

### ***Targeted Assistance***

This and other categorical aid programs account for over \$400 million (about 15 percent) of the State Department of Education budget. These include such programs as school transportation, priority school (neediest) districts, adult education, school readiness, child nutrition/meals, youth services bureaus, vocational agriculture, magnet schools, charter schools, and many others. State funding for some of these



programs -- magnet and charter schools in particular, has grown substantially over the past decade. Some grants, like those for transportation, are available to most school districts, while others, like school readiness and priority grants, are targeted for the state's needier districts.

Funding for magnet schools now exceeds \$170 million and continues to grow. These schools, largely a product of relatively recent state efforts at desegregation, rely extensively on state support, supplemented in many cases by tuition provided by sending towns. Some magnets are operated by town school districts, but many are operated by Regional Education Service Centers, which are school districts in their own right and eligible to receive operating grants directly from the State.

Charter schools are also relatively new in Connecticut. They operate independently as an alternative to public schools with their own boards, and receive most of their funding from the state charter school grant, now totaling over \$40 million. Charter schools also receive proportional amounts of other targeted state and federal grants since their students would otherwise be entitled to benefit from those programs had they remained in their local school districts. The urban school districts within which the charters operate are also responsible for providing pupil transportation, special education services, and certain other costs.

+ Please see page 12 for details on this major component of K-12 education funding.

## 4

### *School Construction*

This funding has been especially important to enable Connecticut to rebuild its educational infrastructure, given the growing importance of technology and the refurbishment of aging buildings.

The state commitment to school construction has been in the billions of dollars over the past decade. Equalized so that property -- and income -- poor towns receive higher percentages of state support than other towns, this program currently costs the state more than \$600 million annually.

The State also funds up to 95 percent of interdistrict magnet costs and makes available construction funding for charter schools. Municipalities, however, must be able to find suitable land for new buildings, manage the complexities of design and construction processes, and bond their share of costs, all of which have proven to be challenging in many communities.

+ Please see page 12 for details on this major component of K-12 education funding.

## 6

### *Other Major Programs*

There are other programs that carry considerable costs, but do not involve direct payments to municipalities. These include the Connecticut Technical

High School (CTHS) system and Teachers' Retirement Fund. Over \$130 million in the SDE goes for CTHS operations, but the total annual cost with fringe benefits (paid by the State Comptroller) and facility construction is in excess of \$200 million.

The State also funds the annual contribution to the Teachers' Retirement Fund, an expense that would otherwise fall to towns. In FY 2010, that contribution was well over \$500 million.

The costs of these two programs are counted toward the State's share of K-12 public education costs in CCM's calculations, as discussed in Appendix A.

**If considering only operating expenses, the State percentage of K-12 public education funding is about 21 percent.**

## THE EDUCATION COST SHARING (ECS) GRANT

**The Education Cost Sharing (ECS) grant is the State's largest general education assistance grant.** If fully funded in FY 2011, ECS grants would be \$2.6 billion.<sup>6</sup> The actual phased-in ECS grant for FY 2011 is just under \$1.9 billion, about 34% of the \$5.6 billion "foundation" level spending statewide. This means that 66% of the foundation spending level statewide still must come from mostly local revenue sources.

ECS was originally intended to fund about half of total education costs. In FY 2010, ECS aid accounted for less than 20 percent of such expenditures, given actual local spending was estimated to be over \$10 billion. After accounting for inflation, today, one in four municipalities still receives less per pupil in ECS aid than under the \$250 per-pupil, flat-grant funding system that was determined to be unconstitutional in 1977.

**To distribute ECS funds to municipalities, the State uses a complex formula, which includes the following components:**

- 1 Number of students in each town, weighted for poverty and other factors that tend to increase education costs;
- 2 The property wealth and income in each town; and
- 3 The "foundation," which represents the cost of educating an individual student. It is the level of weighted, per-student spending that serves as a base amount for ECS grants. The amount of the foundation, \$9,687, is the same for all districts.

**Initially developed in 1988, ECS has since been modified many times by the General Assembly in ways that have significantly limited its effectiveness and the cost to the State, but increased costs to municipalities and property taxpayers.**

The ECS funding formula has never been fully funded and implemented as designed, and as a result, has paid out billions of dollars less to towns and cities than it should have. This gap in funding over the years has shifted an unfair funding burden onto local property taxpayers.

### **Major ECS Issues**

There are many issues with ECS, and a few will be discussed in detail.

#### ***Looming Loss of Federal Aid***

In each year of the current (FY 2010, FY 2011) biennium, the State maintained level funding of the ECS grant by using \$271 million of federal stimulus funding (about 14 percent of the total ECS grant). That means that for ECS to remain level-funded – and there has been no increase in ECS since FY 2009 – the State will have to appropriate that much of its own revenue.

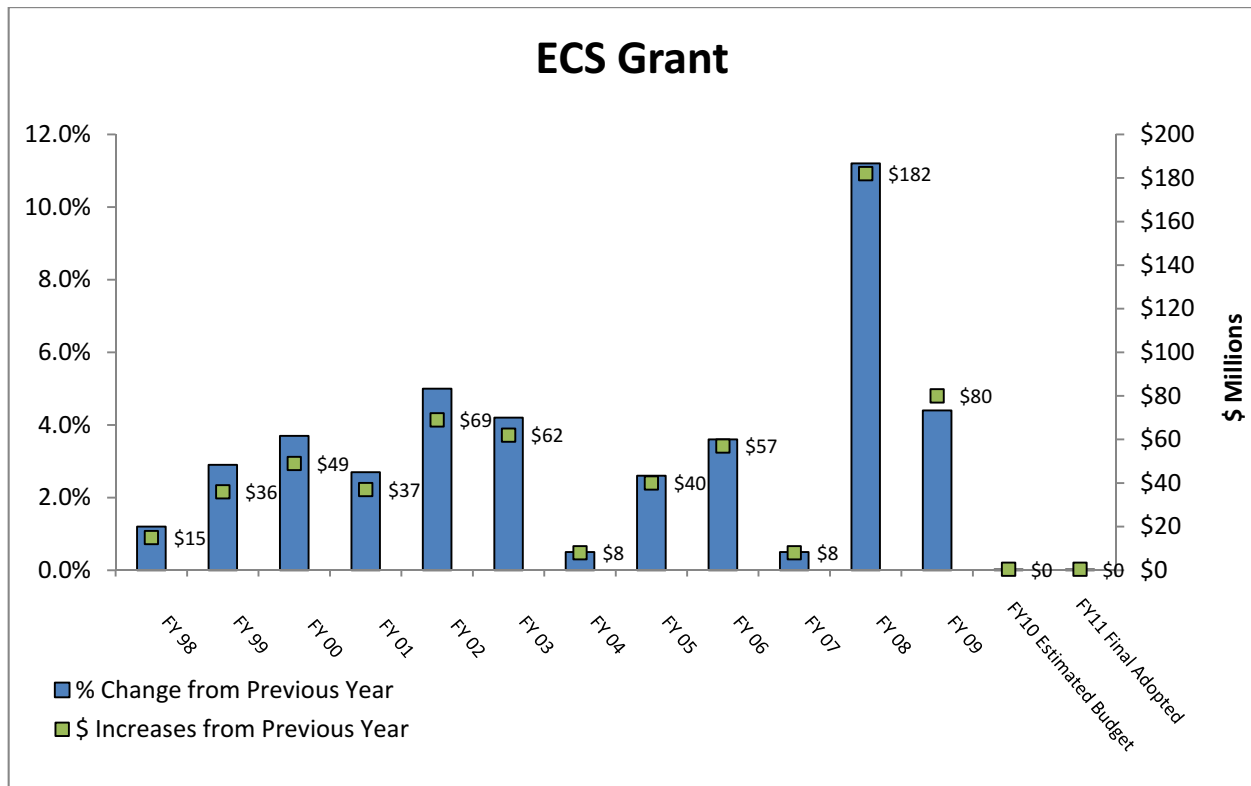
<sup>6</sup> "Fully Funded" means the State would cover 50 percent of education costs.

**Let's repeat that: Either the State increases its funding for ECS next year by \$271 million or every municipality will face a 14 percent cut in ECS revenue, even before other state budget cuts are considered.**

Recently, the federal government approved an additional \$10 billion nationally in emergency aid for local education. Connecticut is receiving about \$110 million of that money, which will go directly to local school districts for FY 2011, and if not used, for FY 2012. While it is a lifeline that will prevent some teacher layoffs and other cuts this year, and possibly next, it is another one-shot revenue injection that (a) if used this year, will not be available next year or (b) if used next year is still less than the 14 percent of ECS (\$271 million) municipalities are slated to lose.

**Caps on ECS Grants**

For many years, ECS was hampered by various legislatively-enacted capping provisions that limited a town's grant increase from year to year. Most recently, the ECS cap took the form of a sliding scale from zero to six percent that limited the neediest communities to no more than a six percent increase, but capped most towns at increase rates much lower than that. Under this type of cap not only were most towns unable to receive the aid amount calculated based on their needs, a number of towns had cap percentages so low that they would be prohibited from reaching their target aid levels indefinitely.



Source: Adopted State Budgets



This ECS cap was supposed to be eliminated in 2007. The billion-plus dollar ECS increase resulting from the revised formula was originally proposed to be phased in over five years, from 2007 through 2012, with an average annual increase of about \$200 million. So far, \$260 million (26 percent) of the \$1 billion increase is being paid to towns. This leaves about \$740 million of the target increase to be implemented in the years ahead.

**Flat funding of ECS the past two years means towns and cities have received none of that \$740 million promised increase.**

While a phase-in program is a reasonable way to implement such a larger increase, if extended over too long a period of time, it can become as penalizing and disqualifying as the ECS cap had been. This is particularly true in this instance because the current ECS reform package was catching the formula up to where it should already have been in 2007. The longer the phase-in period, the further out of touch with real needs ECS becomes.



***The Foundation - the per-pupil figure on which the ECS calculation is based***

In the original formula, the foundation was to adjust to costs each year, starting in 1993-94. That way, as actual costs rose, the foundation – and each town’s ECS grant – would rise as well.

**In practice, the foundation remained significantly below actual costs.** Between FY 1994 and FY 2007 the foundation went from \$4,800 to \$5,891, nearly \$4,000 behind actual education spending. Even worse, approximately \$900 of the increase occurred in FY 1996 to accommodate the merger of ECS with the previously separate special education reimbursement grant. In reality, the foundation grew by only \$180 over that 13 year span while actual education costs rose by nearly \$4,000 per pupil.

**The failure of the foundation to keep pace with costs devastated the effectiveness of the ECS formula.** Even though needier towns have the highest aid ratios, the foundation gap erodes the equalizing power of ECS because towns of moderate or low fiscal capacity are least able to fund the gap with local property tax revenues. Their only options are to underfund schools (or other critical local services) or overburden local property taxpayers.

**ECS reform in 2007 brought the foundation up to \$9,687, but it has been stuck there ever since.** Moreover, that figure was not based on any sound analysis of what it cost to provide appropriate learning opportunities consistent with the State’s high standards, the performance improvements under No Child Left Behind, and all that is expected of school in adequately preparing a highly competitive future workforce. For FY 2008, the average per-pupil expenditure in the state was \$12,518, meaning the foundation covers only about 77 percent of that amount.

The foundation level is not tied to any cost index, which means that the foundation becomes less and less able to drive appropriate levels of ECS aid.

**CCM has long advocated that the foundation be tied to a measurable economic indicator,** such as Implicit Price Deflator, thus ensuring that gradually increasing costs - salaries, benefits, books, supplies, transportation, energy costs, facilities maintenance and construction, student enrollments, state and federal education standards, etc., are not simply added to the burden borne by local mill rates. **CCM also supports the use of research-based cost estimates as the basis for setting the ECS foundation and student weights, rather than relying exclusively on past expenditures, backwards calculations driven by how much the State wishes to spend on education, political bargaining, etc.**



***The State Guaranteed Wealth Level (SGWL) - the mechanism that determines each town's ECS aid percentage***

Although one of the more complex ECS calculations, the SGWL has a very simple purpose and is the single biggest factor that drives the ultimate state share of foundation level spending. Each town's wealth is compared to the SGWL to determine what percentage of the foundation it will receive from ECS and what will have to come from local revenue sources.

Originally, the SGWL was to be set at a level that would give the median town -- the town ranked 85th in fiscal capacity out of the state's 169 communities -- 50 percent of the foundation per student from ECS. Towns below the median would be spread over rates higher than 50 percent, and those above the median at rates below 50 percent. At this proposed SGWL rate, the average state share of K-12 public education costs would tend to be around 50 percent.

**From ECS' inception, the SGWL was reduced several times to a point where the median town only qualified for a 35-percent aid percentage, thereby reducing the State's overall share of the foundation accordingly.** In 2007, the SGWL was increased, but not to its original level. At the current level, the median town percentage is up to 43 percent, and the aggregate state share of foundation spending, if full phase-in is achieved, will gravitate to that number. The overall state share of the foundation cannot reach 50 percent until the SGWL is restored to its originally-intended level.

***The Minimum Budget Requirement (MBR) – a statutory requirement that each town increase its education spending by a certain percentage of increased state education aid***

The MBR, and its predecessor the Minimum Expenditure Requirement (MER), were originally intended to be companions to ECS that would require towns to spend at least the foundation amount for each student. However, with the foundation remaining virtually flat over the years, minimum spending evolved into a requirement for town to commit all or most new ECS aid they receive to local education budgets. Eventually any connection to per pupil spending or the foundation ceased to exist.

The MBR requires towns to expend on education a percentage of increased ECS funding determined by each town's relative current education spending, wealth, and student achievement. That percentage ranges from 15 to 65 percent. Given flat ECS funding, the 2010-11 MBR will equal the 2008-09 budgeted education appropriation less the federal ARRA stimulus portion of ECS.

The MBR does afford municipalities the opportunity to supplant local dollars with state ECS dollars, as the portion of a town's ECS increase that exceeds its MBR may be used for education or other town services, or need not be spent at all. Virtually every town's education budgets for 2010-11 have increased by more than their ECS grants.

**In an era in which governments are looking for budget efficiencies, the MBR is an anachronism.** Virtually every agency in state and local governments will be (or has been scrutinized) for savings. But the MBR, which requires, at best, the same expenditures for education each year, means boards of education and their budgets are protected from such examination. In an era of limits, with frozen (or reduced) aid and rising costs, this is patently unfair. It means every other local service and every other local employee must pay the price for the State's mandate that education spending cannot be reduced – for any reason.

***Hold-Harmless, Minimum Aid, and Cost-of-Living Adjustments (COLA) - safeguards in the program to prevent budget hardship for all towns***

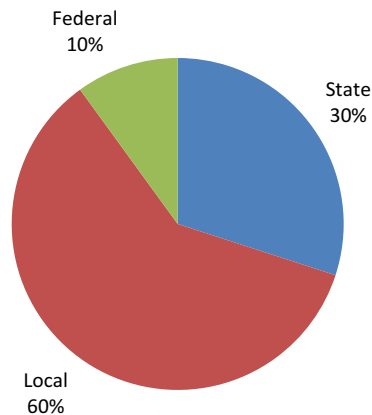
Hold-harmless and minimum aid provisions have been a part of ECS in one form or another since its inception. Changes to ECS have increased formula entitlements enough to eliminate the need for hold-harmless guarantees. Similarly, the minimum aid percentage, having been raised from six to nine percent, ensures that no town will receive less than \$871 per student (at full phase-in).

ECS does not presently include a cost-of-living adjustment. As a consequence, the foundation -- the logical ECS factor to be driven by such a provision -- will continue to lag actual education costs. Unless corrected, the lack of a COLA provision will weaken ECS as the State's major education equalization vehicle a little more each year.

## SPECIAL EDUCATION

**With special education expenditures surpassing the \$1.5 billion mark, the local share is almost \$1 billion.** Special education spending accounts for almost 15 percent of all education spending in Connecticut and costs keep growing faster than other school spending (5-6% vs. 3-4%). Complicating matters, unforeseen demands for the most expensive special education services too often result in local mid-year budget shuffling, supplementary appropriations, and other extraordinary measures. This is particularly true in smaller towns where the arrival of a single new high-cost special education student during the school year can create a budget crisis.

Share of Special Education Expenditures FY2011

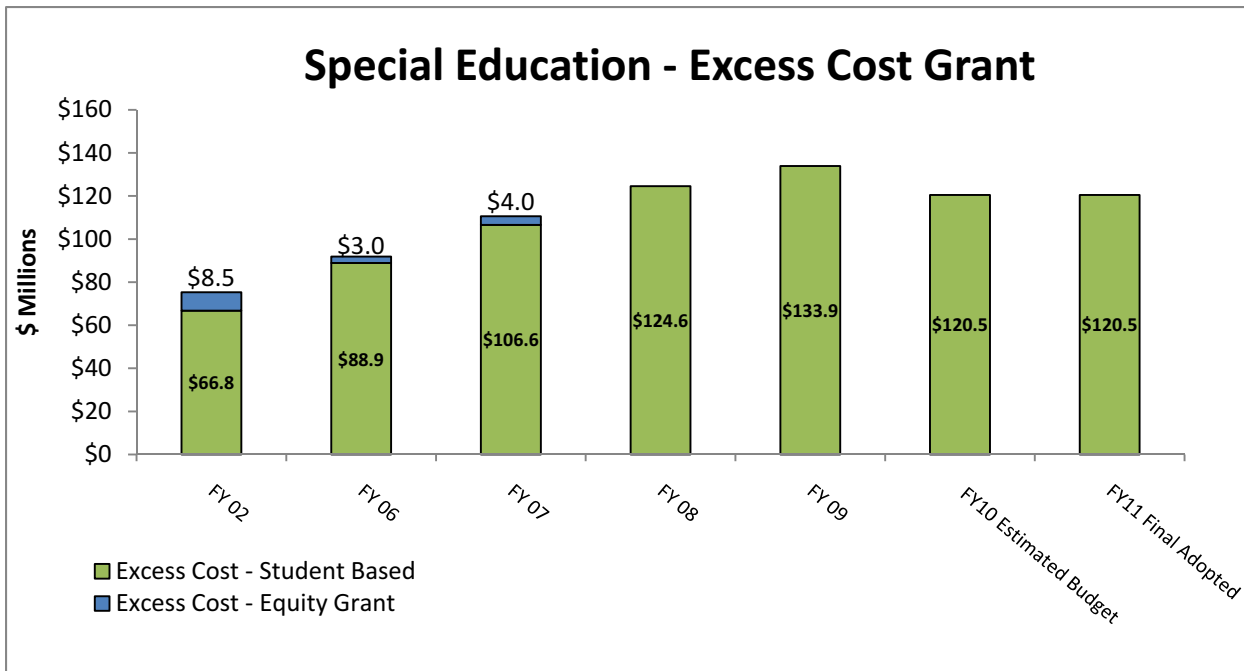


Source: State Department of Education; CCM calculations

- ✓ ***Total cost of special education statewide for the 2009-10 school year was estimated to be over \$1.5 billion, of which at least 60% was locally funded.***

Debate still continues over the decision to fold most state special education funding into the ECS grant thirteen years ago, but that is not the major problem. There are three ways in which the local overburden for the cost of special education can be reduced.

First, the ECS grant covers the basic education costs for all students -- regular and special education alike -- up to the foundation level of \$9,687. As discussed above, funding ECS fully and providing for foundation growth over time would increase the state share of base level costs for all students including those receiving special assistance. At the time special education and ECS funding were merged, special education was about 19% of the combined grant, and that is the figure the SDE generally uses to estimate the current portion of ECS that is for special education (about \$360 million in 2009-10).



Source: Adopted State Budgets

Second, the state Excess Cost-Student Based grant provides a circuit breaker once the expenditures for a student exceed a certain level, currently 4.5 times the per pupil spending average of the district. The state grant is supposed to pay for all costs in excess of that figure, though the grant was cut by 10 percent, or \$13.4 million, in each year of the current biennium. The threshold varies from town to town because of spending differences, and for most towns, falls somewhere between \$40,000 and \$70,000.

Proposals to reduce the threshold factor from 4.5 to a lower level would allow the state grant to pick up more of these high costs, relieving some of the local burden. Also the reliance on individual town per pupil spending to set the thresholds results in a wide disparity in the amount of out-of-pocket costs for towns. Higher spending towns end up with the highest contribution rates before state aid is triggered. A single threshold per pupil dollar amount, perhaps equivalent to the foundation level for all towns set at the low end of the range would address this and increase the state share of these costs.

There is also a strong argument that the State should reimburse every town for 100 percent of special education costs (less federal reimbursement). Under this scenario, the State would also handle identification of special-education students and related administrative costs. Such a step would (a) provide equal special education services in all municipalities, and (b) provide significant property tax relief. Such state services could be provided regionally, for more efficiency.



**Third, and often overlooked, is the failure of the federal government to fund its fair share of special education costs.** Despite some increases in federal special education funding around the beginning of the decade, and some recent stimulus funding, the federal share in Connecticut has lingered at about nine to 10 percent, compared to 30 percent state and 60 percent local. This falls far short of the commitment that came with the federal mandate to provide such services some decades ago.

## TARGETED ASSISTANCE

**Grant programs that address specific state initiatives or target the neediest school districts have been created and/or have grown the fastest over the past dozen years.** These include major initiatives such as magnet schools, priority school districts (neediest and lowest performing), school readiness, early reading (currently unfunded), choice, charter schools, inter-district cooperative programs, and a number of smaller programs.

In total, these programs now command some 12-14 percent of the total SDE budget depending on which grants are included. **The State increasingly relies on targeted assistance to address the chronic achievement and resource gaps between school districts.** These categorical grants enable state leaders to be more “hands-on” in guiding educational policy, by tying the categorical funding to specific educational initiatives and outcomes

For FY 2011, funding for magnet schools was increased by \$26 million or 17.6 percent, and School Based Health Clinics received an additional \$522,302, or 5.3 percent. Several other programs were cut by 10 percent, including After School Programs (-\$500,000), Bilingual Education (-\$212,903), and Health Services for Private Schools (-\$477,500). Inter-district Cooperation grants were cut by \$3 million, or 21.2 percent.



## SCHOOL CONSTRUCTION

Local governments in Connecticut have difficulty affording school building and renovation projects as a result of their forced reliance on property tax revenues and the relatively small size of school districts. In many communities, as school age enrollments fluctuate, technology needs grow, families move to previously small towns, and public expectations for quality schools increase - the need for renovated and new school infrastructure rises.

### **State Aid for School Construction**

Aid for capital projects is a vital part of the State’s education finance system. Despite aggressive building and renovation programs in many districts over the past 10-15 years, many towns have yet to upgrade facilities. **The average Connecticut school is still close to 50 years old, and the vast majority were built before 1970.** Moreover, continued growth in pre-K programs and class size reduction initiatives may necessitate more new construction in some towns, as will a

new mandate to significantly increase high school program requirements. (See page 14.) State construction aid allows Connecticut communities to rebuild and develop new educational infrastructure.

The annual state payments for school construction have been above \$600 million in bond funding for several years. Recognizing the aging stock of schools, the legislature has provided considerable assistance. Since 2001, the Governor and the General Assembly have authorized over \$4 billion in school improvement projects.

**School construction grants are made for a percentage of the total eligible costs, with the poorest communities receiving a grant for up to 80 percent, and the richest receiving as low as 20 percent. Charter schools, magnet schools, and other specialty schools are reimbursed at a rate of 95 percent. Towns and cities are required to approve the local share before submitting the project to the State Department of Education and the General Assembly.**

Each year, the State Department of Education accepts applications from towns planning school construction projects, checks that the projects are in compliance with state laws and regulations, and compiles a list of projects needing funding – called the School Construction Priority List – which it submits to the General Assembly for approval. The State Bond Commission, controlled by the Governor, then decides what projects actually get funded.

Municipalities appreciate their partnership with the State in school construction. The State has contributed significant amounts of money, but municipalities have, too. The winners are the students in towns and cities across Connecticut.



# MANDATES

Many of the cost drivers for local school districts are a result of unfunded and partially funded state and federal mandates. The list of mandates is large and growing, and complying with them is a daunting task under any circumstance but even more so given the current economic and fiscal environment.

Bristol Public Schools did an analysis of the cost of mandates on the district. It estimated that complying with these mandates cost the district almost \$15 million. Information on the mandates and their associated costs can be found in Appendix C.

**Public Act 10-111 imposed new graduation and other requirements on local school districts in the hope that the State would receive funds from the federal Race to the Top (RTTT) program.** According to the Office of Fiscal Analysis, this new mandate will cost local school districts an estimated \$12 to \$18 million. Unfortunately, the State was not awarded the RTTT funds, and **this unfunded mandate must be repealed or modified. Of course it is important for education results to improve – but a new \$12-\$18 million mandate is absurd when (a) the State is already underfunding existing education programs, and (b) ECS is facing a 14% cut because of the loss of federal funds.**

## A DEVELOPING CONSENSUS ON SCHOOL FINANCE

Over the last several years there has been much attention paid to the inadequate state funding of education in Connecticut. Numerous groups have been discussing the issues at hand and there appears to be a developing consensus on what needs to be done. This has been further supported by (1) the work of, and lawsuit filed in November 2005 by, the **CT Coalition for Justice in Education Funding**, as well as by (2) the January 2007 report to the General Assembly of the **Governor's Commission on Education Finance** with recommendations on how to improve Connecticut's financing system for K-12 public education and increase the State's share of funding to 50 percent.

The consensus includes:

**Correct state underfunding of regular education programs by:**

- Increase foundation level biennially based on a statutorily identified cost index.
- Increase the State Guaranteed Wealth Level (SGWL).
- Maintain or accelerate the funding increase phase-in program.

**Correct state underfunding of special education programs by:**

- Decreasing the Excess Cost grant threshold over time to at least 2.5 times the district's average expenditure and eliminating the arbitrary cap on state reimbursement.





Correct state underfunding of school districts with specific student-performance challenges by:

- Increasing funding for categorical grants.
- Expanding school district and school eligibility for these programs to ensure that all performance gaps are addressed.

Meet the statewide need for school construction and renovation by:

- Maintaining the State's unparalleled funding commitment to ensure that aging schools are renovated and replaced to meet rising enrollments and higher technology and quality standards.

**State underfunding of local public education over time has shifted a huge unfair tax burden onto the backs of residential and business property taxpayers.**

When it comes to education, the State's motto should be "do no harm." Despite facing a budget shortfall of almost \$3.5 billion, the State must make it a priority to find the money to maintain funding. This means **an additional \$271 million in state funds** (due to the loss of federal dollars) **next year**.

**The State must take primary responsibility for students with special needs.** Such students are the collective responsibility of all who live and work in Connecticut -- not just their town of residence. Because the costs of special education programs are so high and growing, the State cannot expect individual communities to fund them without significant assistance. When both the state and federal governments underfund mandated programs, regular education programs, other local services and property taxpayers suffer.

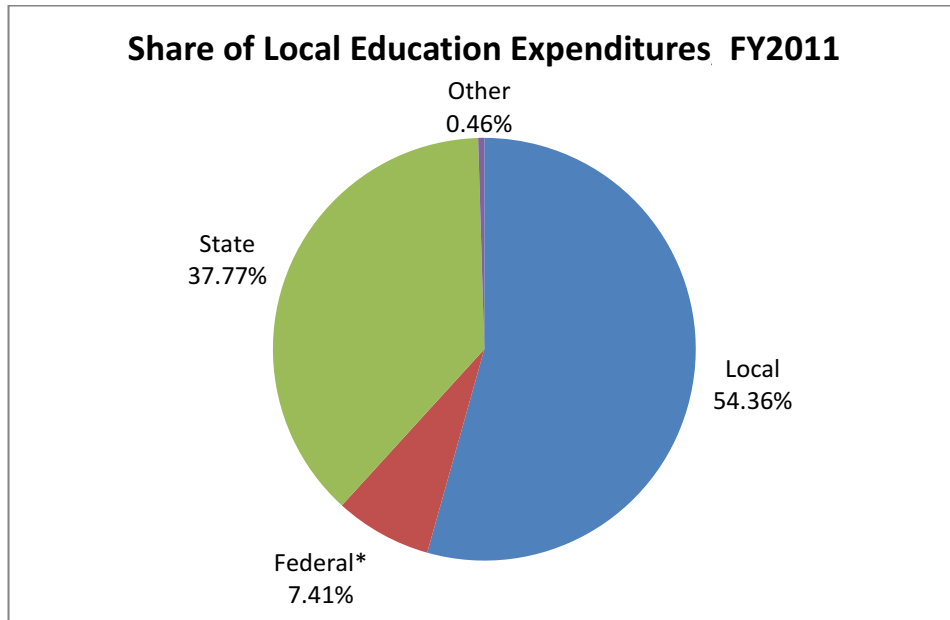
**The State has a legal and moral imperative to meet its funding obligations to Connecticut's schoolchildren and school districts even in the face of budget challenges.** To continue to transfer state budget problems to towns and cities and their property taxpayers is unfair and it shortchanges Connecticut's future. Whether in ECS, special education reimbursements, categorical grants or school construction, it is critical that the State accept and meet its constitutional responsibility, identify the necessary revenues, and provide municipalities, school districts, and our more than 650,000 public school children with the resources they need in good times and bad to ensure the quality of our public schools, now and in the future.

**The State must reduce costly mandates on local boards of education, provide relief from the MBR and repeal or modify the expensive new graduation requirements mandated by PA 10-111.**

**The education needs of Connecticut's schoolchildren don't disappear because of a bad economy. The new Governor and General Assembly must decide whether to provide adequate state resources for K-12 public education or compromise our students' futures.**

# APPENDIX A

## Who Pays for K-12 Public Education in Connecticut?



Source: State Department of Education; CCM calculations

\* Federal funding is unusually high due to one-time recovery act funding. The federal share is usually about five percent.

### Estimated State Share of Local Education Expenses, FY 2011 (billions \$)

	\$	%
<b>Local Share</b>	<b>\$5.65</b>	<b>54.4%</b>
<b>State Share</b>	<b>\$3.93</b>	<b>37.8%</b>
<b>Federal Share</b>	<b>\$0.77</b>	<b>7.4%</b>
<b>Other</b>	<b>\$0.05</b>	<b>0.5%</b>
<b>Total Estimated Local Education Expenditures</b>	<b>\$10.40</b>	<b>100%</b>

CCM estimates based on State Department of Education data.

## APPENDIX B

### School Funding: 37 Years under Fire A History of Education Litigation in Connecticut

- 1973:** Canton parents, led by parent and lawyer Wesley Horton, file suit against then-Gov. Thomas J. Meskill and other state officials charging the system of financing public education violates the state constitution.
- 1977:** The State Supreme Court, in *Horton v. Meskill*, rules that the system for paying for education is unconstitutional because it relies too heavily on the local property tax.
- 1985:** The State Supreme Court, in response to a challenge by the Horton plaintiffs, orders the State to come up with a school financing plan providing more aid to needy towns.
- 1988:** The legislature creates the “Equalized Cost Sharing Formula,” (ECS) a far-reaching remedy providing more money to communities for schools, based on a sliding scale. The formula considers a town’s property wealth, income, number of students, student performance, and poverty when figuring how much additional state aid a school district is eligible for. A minimum “foundation” for an adequate education is also established and set at \$4,800 per pupil.
- 1989:** Another lawsuit is – *Sheff v. O’Neill* – filed by a group of city and suburban parents against then-Gov. William A. O’Neill claiming that Hartford’s segregated and underfunded schools violate the state constitution.
- 1990:** In the first of a series of amendments, the legislature limits the overall amount of education funds available to towns under the ECS formula.
- 1992:** Pressed by the recession, legislators seek to balance the State budget by amending the school funding formula further, cutting overall education grants and placing a cap limiting the increase in aid a municipality could receive. The education foundation is frozen at \$4,800.
- 1995:** State legislators increase foundation for education spending to \$5,711, but place a cap on increases in education aid from the state to no more than 2 percent. The increase in the foundation is attributed to combining the special education reimbursement grant with the ECS grant. No municipality can receive a cut that is more than 9 percent over the previous year. Aid to selected poorly performing districts, particularly Hartford, in creases.
- 1996:** In the *Sheff v. O’Neill* case, the state Supreme Court rules that the racial segregation in Hartford violates the state constitution.
- 1997:** State legislators continue to dramatically increase funds for Hartford schools, but a cap on increases in aid to other municipalities continues. A lobbying group – the Connecticut Conference of Municipalities – estimates that the State has shortchanged schools by nearly \$1 billion through changes in the ECS formula.

- 1998:** Seven children file suit – *Johnson v. Rowland* – against the state claiming that the state Supreme Court’s order in the Horton v. Meskill case is not being implemented. Hartford, with nearly the highest per-pupil expenditure in the state, is not part of the lawsuit.
- 1999:** In response to the Governor’s Task Force to Study the Education Cost Sharing Grant State legislators raise the ECS cap from 0-5% to 0-6% for three years and make plans to eliminate the cap in 2003-04. It is anticipated that the total removal of the cap will result in a \$100-\$120 million balloon payment by the State. Legislators also implement (1) a hold-harmless provision which guarantees municipalities no less funding than they received in the current year; (2) a minimum aid level of funding equal to 6% of the foundation (\$350 per need student), subject to the provisions of the cap; and (3) increasing the foundation by 2%, to \$5,891.
- 2001:** State legislators provide each town whose ECS grant is capped a proportional share of \$25 million for 2001-02 and \$50 million for 2002-03. Each town’s share is based on the difference between its capped grant and the amount its grant would be without the cap (excluding any density supplements). Also implement a minimum grant increase of 1.68% for all towns in 2001-02 and a minimum increase of 1.2% in 2003-03. The foundation of \$5,891 is unchanged.
- 2002:** State budget maintains the prior year commitments to provide \$50 million in cap relief and a minimum increase of 1.2%, but cuts overall municipal aid by .8% and caps funding for special education, adult education, and school transportation.
- 2003:** Funding for the ECS grant was increased by 4.2% in FY 02-03, and by just .5% for FY 03-04. *Johnson v. Rowland* is withdrawn due to a lack of funding for legal costs. Efforts immediately begin to organize a new, broader-based statewide coalition to continue the struggle for school finance reform.
- 2004:** The Connecticut Coalition for Justice in Education Funding (CCJEF) is incorporated, and Yale Law School undertakes to provide pro bono representation. CCJEF commissions and education adequacy cost study to be performed by a nationally prominent consulting firm.
- 2005:** CCJEF files education adequacy and equity lawsuit. *CCJEF v. Rell* challenges the constitutionality of Connecticut’s entire education system, alleging that the State is failing to prepare its schoolchildren to pursue higher education, secure meaningful employment, and participate in the political lives of their communities. The complaint cites deficiencies and disparities in educational resources as the cause of this constitutional violation and Connecticut’s persistent failures in educational outcomes as evidence that the State is failing to meet its constitutional obligations. Plaintiffs ask the court, among other things, to (1) declare the state’s system of funding public education unconstitutional, (2) bar the state from continuing to use it, and (3) if necessary due to inaction by the General Assembly, appoint a special master to evaluate and make recommendations to the court concerning possible reforms.
- 2006:** Governor Rell forms a Commission on Education Finance. The bipartisan Commission meets for several months and hears testimony from a variety of experts.
- 2007:** Governor Rell proposes significant changes to education finance laws, based on the recommendations of the Commission. Her proposals would, among other things, increase the ECS grant \$1.1 billion over the next five years to \$2.7 billion by FY 11-12. She proposed significant changes to the grant to (a) increase the foundation to \$9,867 from the current \$5,891, (b) increase the State Guaranteed Wealth Level (SGWL) to 1.75, (c) raise

the minimum aid ratio to 10% from the current 6%, (d) calculate the "need students" count using the number of students eligible for free and reduced-price meals, and (e) eliminate grant caps. She also proposed increases in other areas, such as reimbursement for special education costs. When finally agreed to by the General Assembly and Governor, the adopted budget included several significant changes, including a \$237 million increase in overall education funding, including \$182 million for the ECS grant. The budget increased the foundation to \$9,687, increased the minimum aid ratio to 9% of the foundation and to 13% for the 20 school districts with the highest concentration of low income students, increased the SGWL to 1.75, and other changes.

**2008:** Oral arguments before the Connecticut Supreme Court are heard in *CCJEF v. Rell* (see below).

**2010:** The Connecticut Supreme Court ruled in *CCJEF v. Rell* that all school children in the state are guaranteed not just a free public education, but a "suitable" one that prepares them for a career or college. The next step is for CCJEF lawsuit to go to trial to determine if, in fact, public-school students in Connecticut have been provided with a constitutionally suitable education.



# APPENDIX C

## Cost of Unfunded and Partially Funded Mandates for 2008-09 Bristol Public Schools Philip A. Streifer, Ph. D., Superintendent of Schools

	Estimated Funds/ Hours for 2008-2009	Hourly Rate Applied	Extended Cost
<b>Partially Funded Mandates</b>			
Adult Education - Bristol Share (Total: \$512,000)	\$308,581		\$308,581
CAPT Testing - Grade 10	100+ hours per year	\$8,300	\$8,300
CMT Testing - Grades 4/6/8 Expanded Testing	500+/ 45 hours per year	\$45,235	\$45,235
Preparation for mandated science testing in grades 5/8 (2007)	60 hours	\$4,980	\$4,980
English Language Learners - ELL & Bilingual	\$547,916		\$547,916
Special Education District Share (65%)	\$7,549,694		\$7,549,694
<b>Un-Funded Mandates</b>			
ADA accommodations (transportation/signs/elevators)	\$100,000		\$100,000
Alternate Education for Expelled Students (\$12,000 per student)	\$33,300		\$33,300
Air Quality	\$4,000		\$4,000
Asbestos Training for Building Grounds Staff (1 day per year)	\$200		\$200
Background Checks and Finger Printing (Follow-up)	\$1,250		\$1,250
BEST Program (Subs & Oversight)	\$17,000		\$17,000
Bullying Policy (investigations/record keeping/follow-up)	\$7,500		\$7,500
Child Abuse Reporting (200 per year @ \$120 per)	\$24,000		\$24,000
Continuing Education Units (CEU Professional Development) 18 hours per year	\$870,166		\$870,166
CPR/First Aid and Heimlich Training (nurses/coaches/staff)	\$2,000		\$2,000
Hepatitis B (@ \$120)	\$120		\$120
Drug Education (health staff)	\$130,000		\$130,000
ED-001 END OF YEAR SCHOOL REPORT (audit cost)	200 hours and \$30,000	\$16,600	\$46,600
ED-014 MINIMUM EXPENDITURE COMPLIANCE CHECK	2 hours per year	\$166	\$166
ED-156 FALL HIRING SURVEY	2 hours per year	\$166	\$166
ED-163 CONNECTICUT SCHOOL DATA REPORT	64 hours per year	\$5,312	\$5,312
ED-166 DISCIPLINE OFFENSE REPORT	360 hours per year	\$29,880	\$29,880
ED-525 STUDENT DROPOUT REPORT	30 hours per year	\$2,490	\$2,490
ED-540 GRADUATION CLASS REPORT	30 hours per year	\$2,490	\$2,490
ED-006S PUBLIC SCHOOL INFORMATION (PSIS)	\$35,000		\$35,000
ED-612 LANGUAGE ASSESSMENT SCALES DATA COLLECTION	100 hours per year	\$8,300	\$8,300
ED-003 TEACHER/ADMINISTRATORS NEGOTIATIONS	\$25,000		\$25,000
ED-162 NON-CERTIFIED STAFF	8 hours per year	\$664	\$664
ED-607 SURVEY OF TITLE IX COORDINATORS	2 hours per year	\$166	\$166
ED-172 REQUEST 90 DAY CERTIFICATION	10 hours per year	\$830	\$830
ED-1723 REQUEST TEMPORARY AUTHORIZATION FOR MINOR ASSIGN.	5 hours per year	\$415	\$415
ED-175 SPECIAL WAIVER FOR SUBSTITUTE	4 hours per year	\$332	\$332

ED-177 REQUEST-DURATIONAL SHORTAGE AREA PERMIT	2 hours per year	\$166	\$166
ED-186 APPLICATION-TEMP/EMERGENCY COACHING PERMIT	2 hours per year	\$166	\$166
ED-017 GRANT APPLICATION NONPUBLIC HEALTH SERVICES	2 hours per year	\$166	\$166
ED-021 OUT OF TOWN MAGNET SCHOOL TRANSPORTATION	6 hours per year	\$498	\$498
ED-111 CASH MANAGEMENT REPORT	60 hours per year	\$4,980	\$4,980
ED-114 GRANT BUDGET REVISION	100 hours per year	\$8,300	\$8,300
ED-141 STATEMENT OF EXPENDITURES FED/STATE PROJECTS	60 hours per year	\$4,980	\$4,980
ED-042 REQUEST FOR REVIEW OF FINAL PLANS	100 hours per year	\$8,300	\$8,300
ED-042CO NOTICE OF CHANGE ORDER	20 hours per year	\$1,660	\$1,660
ED-046 REQUEST FOR SCHOOL CONSTRUCTION PROGRESS PAYMENT	20 hours per year	\$1,660	\$1,660
ED-049 GRANT APP FOR SCHOOL BUILDING PROJECT	100 hours per year	\$8,300	\$8,300
ED-050 SCHOOL FACILITIES SURVEY	2 hours per year	\$166	\$166
ED-053 SITE ANALYSIS	20 hours per year	\$1,660	\$1,660
ED-099-AGREEMENT FOR CHILD NUTRITION PROGRAMS	2 hours per year	\$166	\$166
ED-103 REIMBURSEMENT CLAIM NAT. SCHOOL LUNCH PROGRAM	12 hours per year	\$996	\$996
ED-205 TITLE I EVALUATION REPORT	30 hours per year	\$2,490	\$2,490
SEDAC (SPECIAL EDUCATION INFORMATION SYSTEM)	2,100 hours and \$65,000	\$174,300	\$ 239,300
ED-229 BILINGUAL EDUCATION GRANT APPLICATION	30 hours per year	\$2,490	\$2,490
ED-241/241A ADULT EDUCATION SUMMARY REPORT	30 hours per year	\$2,490	\$2,490
ED-244/244A GRANT APPLICATION FOR ADULT EDUCATION	30 hours per year	\$2,490	\$2,490
ED-245/245A GRANT APPLICATION REVISION-ADULT EDUCATION	10 hours per year	\$830	\$830
ED-236 IMMIGRANT STUDENT SURVEY REPORT	2 hours per year	\$166	\$166
ED-613A STATE DISTRICT CONSOLIDATION APPLICATION	30 hours per year	\$2,490	\$2,490
ED-613B FEDERAL DISTRICT CONSOLIDATION APPLICATION	200 hours per year	\$16,600	\$16,600
Family and Medical Leave Act (@\$6,000 per plus cost of sub)	\$254,200		\$254,200
Sub-cost	\$246,000		\$246,000
Freedom of Information Legal Costs & Administration	\$12,000		\$12,000
Health Insurance Portability and Accountability Act (HIPAA)	5 hours per year	\$415	\$415
Internet Protection Act for Children( software and staff cost)	\$9,000		\$9,000
Jury Duty (50@ cost of sub)	\$3,250		\$3,250
Medicaid Reimbursement (OT/PT/Speech/Psy)	\$60,000		\$60,000
Minority Staff Recruitment	\$7,000		\$7,000
No Child Left Behind Act (NCLB) Report	100 hours per year	\$8,300	\$8,300
Paraprofessional Mandates for Title 1 Schools (highly qualified)	20 hours per year	\$1,660	\$1,660
McKenny-Vento Act	200 hours per year	\$16,600	\$16,600
AYP Reporting/action	350 hours per year	\$29,050	\$29,050
Military Recruitment	40 hours per year	\$3,320	\$3,320
Homeless Transportation (@ \$150 per day for a school year, per student)	\$65,000		\$65,000
Data Collection	750 hours per year	\$62,250	\$62,250
Policy related expenses	300 hours per year	\$24,900	\$24,900

Non-public school transportation	\$982,522		\$982,522
Pesticide Applications Policy	6 hours per year	\$498	\$498
Promotion and Graduation Requirements	500 hours per year	\$41,500	\$41,500
Restraint Training for Special Education and Support Staff	\$10,000		\$10,000
Residency investigation	\$10,000		\$10,000
Restaurant Safety Act (signs)	\$600		\$600
School Records and Retention	\$5,000		\$5,000
School Transportation Safety Reporting	\$5,000		\$5,000
Sexual Harassment Training	\$1,250.00		\$1,250
Student Survey	20 hours per year	\$1,660	\$1,660
Special Education Due Process (proactive)	\$70,000		\$70,000
Special Education Excess Cost our share plus 5% state Reduction	\$700,000		\$700,000
Special Education Coverage at PPT's	5000 hours per year	\$415,000	\$415,000
Gifted and Talented	\$127,722		\$127,722
Strategic School Profiles (SSP) (data collection/reporting)	200 hours per year	\$16,600	\$16,600
Student Physicals and Immunizations (Grades K,7,10)	1000 hours per year	\$83,000	\$83,000
Hearing Screenings	\$30,000		\$30,000
School Medical Advisor	\$6,000		\$6,000
Related Medical Equipment	\$150,000		\$150,000
Summer School or other supplemental services for intervention	\$86,804		\$86,804
Teacher/Administrator Evaluations	\$500,000		\$500,000
Transportation to Regional Vo/AG/Technical Schools	\$297,000		\$297,000
Truancy Reporting (10 per year)	\$30,000		\$30,000
Tuition to Regional Vo/AG schools	\$200,000		\$200,000
Vending Machines	20 hours per year	\$1,660	\$1,660
504 Accommodations	\$35,000		\$35,000

TOTAL COSTS FOR MANDATES: \$14,733,344



# CCM: THE STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation and liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (headquarters) and in Hartford.

**900 Chapel Street, 9th Floor**  
**New Haven, Connecticut 06510-2807**  
**Tel: (203) 498-3000**  
**Fax: (203) 562-6314**

**E-mail: [ccm@ccm-ct.org](mailto:ccm@ccm-ct.org)**  
**Web Site: [www.ccm-ct.org](http://www.ccm-ct.org)**

---

# Do The Math

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

Connecticut Conference of Municipalities

**CUTS** in state aid to your  
Hometown = **INCREASES** in  
your property taxes

