

EDUCATION FUNDING

Education Policy
& Advocacy
Brief No. 1

April 2004

Action Points:

- ? Eliminate the ECS Cap
- ? Raise the ECS Foundation Amount
- ? Use Census 2000 Income Figures in ECS Calculations
- ? Commence Study to Replace the State's Aging and Inadequate School Finance System

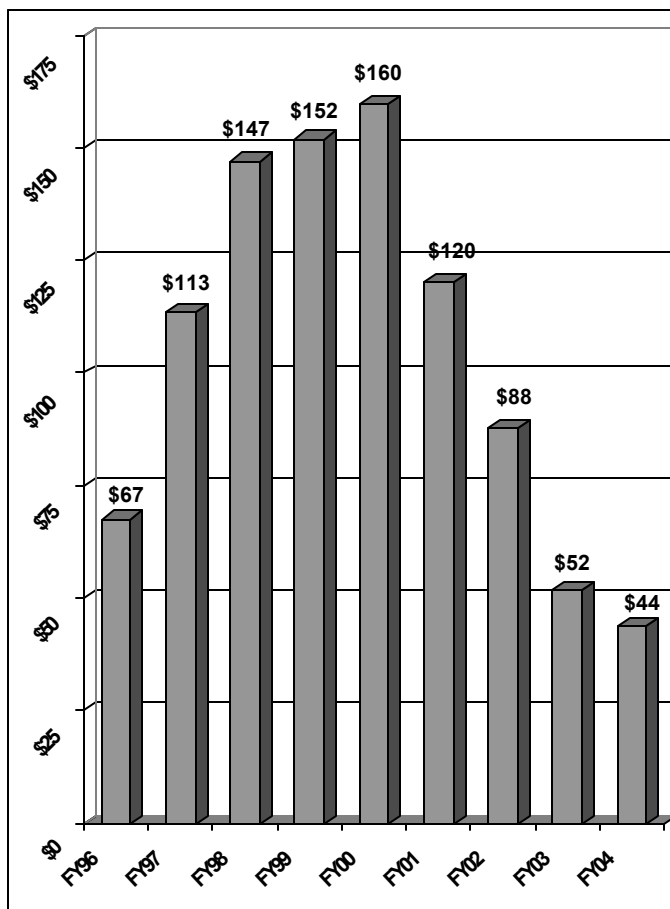


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Lift the ECS Cap

ECS Cap (in Millions)



Over \$943.3 million in state education aid has been withheld from towns since the cap on the Education Cost Sharing formula was imposed in FY96 to reduce state spending.

The cap currently limits annual increases in aid to 6 percent. Thus towns with growing enrollments or declining wealth receive significantly less than the formula originally intended.

Since its inception, the cap has impacted ECS allocations in all 169 towns. For most, the cap has brought a mixed history of cuts in aid some years, hold-harmless (or stoploss) increases in other years, or formula aid. Overall, the cap's varied impact on towns has had a disequalizing effect on the formula.

The cap and the declining value of the foundation grant — plus other funding inadequacies of the ECS formula (see p. 3) — have forced many towns to raise their mill rates to meet the rising costs of public schooling.

Promises to eliminate the cap have been made in the past. P.A. 99-217 specified that no cap was to be added for FY94 or any year thereafter. Then P.A. 03-6 extended the cap to July 1, 2005. Yet numerous legislative studies have urged its phase-out (1998-99 ECS legislative commission, 2002 Legis-

lative Program Review and Investigations Committee, and 2003 Blue Ribbon Commission on Property Tax Burdens and Smart Growth).

There is urgent fiscal need among the towns for the ECS cap to be terminated as of June 30, 2004.

Moreover, the cap no longer saves the state money. In FY03, the state netted only \$8 million in capped funds

once the stoploss provisions were met.

In FY04, for the first time ever, the cap is costing the state more to meet the ECS hold-harmless provisions than it is withholding in capped grant allocations —

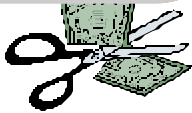
Caps..... \$43,901,434
Stoploss..... \$46,004,624

What compelling state interest does the cap now serve?

88 Towns Capped in FY04

"[T]he cap distorts the intent of the ECS formula. It functions as a secondary distribution system aimed at constraining the amount of state educational funds distributed."

—Connecticut's Public School Finance System report of the CT General Assembly's Legislative Program Review & Investigations Committee, Feb. 2002, p.51



- | | | | |
|---------------|--------------|--------------|---------------|
| Andover | East Lyme | Middlefield | South Windsor |
| Avon | East Windsor | Middletown | Southbury |
| Berlin | Easton | New Britain | Stamford |
| Beacon Falls | Ellington | New Canaan | Stratford |
| Bethlehem | Essex | New Hartford | Suffield |
| Bloomfield | Fairfield | Newington | Thomaston |
| Bolton | Farmington | Old Lyme | Tolland |
| Branford | Franklin | Old Saybrook | Trumbull |
| Bridgewater | Glastonbury | Orange | Warren |
| Burlington | Goshen | Plainville | Washington |
| Canton | Granby | Pomfret | Waterford |
| Colchester | Greenwich | Portland | West Hartford |
| Colebrook | Haddam | Prospect | Westbrook |
| Cornwall | Hamden | Redding | Weston |
| Danbury | Hebron | Ridgefield | Westport |
| Darien | Kent | Roxbury | Wethersfield |
| Derby | Litchfield | Salem | Wilton |
| Durham | Lyme | Salisbury | Windsor |
| East Granby | Madison | Seymour | Windsor Locks |
| East Haddam | Manchester | Sharon | Woodbridge |
| East Hartford | Meriden | Sherman | Woodbury |
| East Haven | Middlebury | Somers | Woodstock |

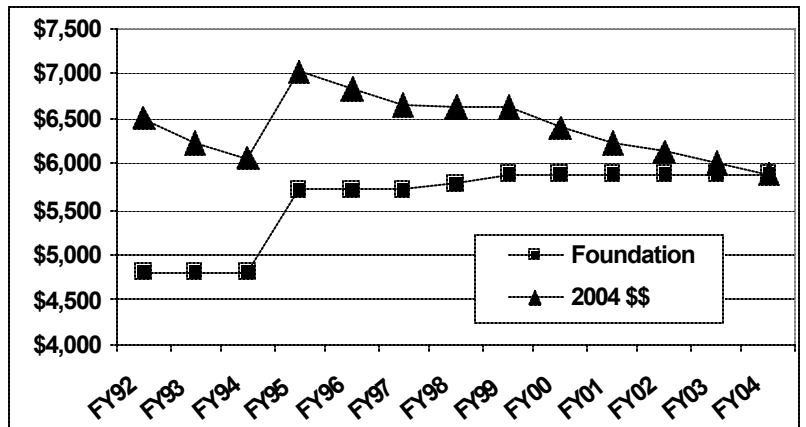
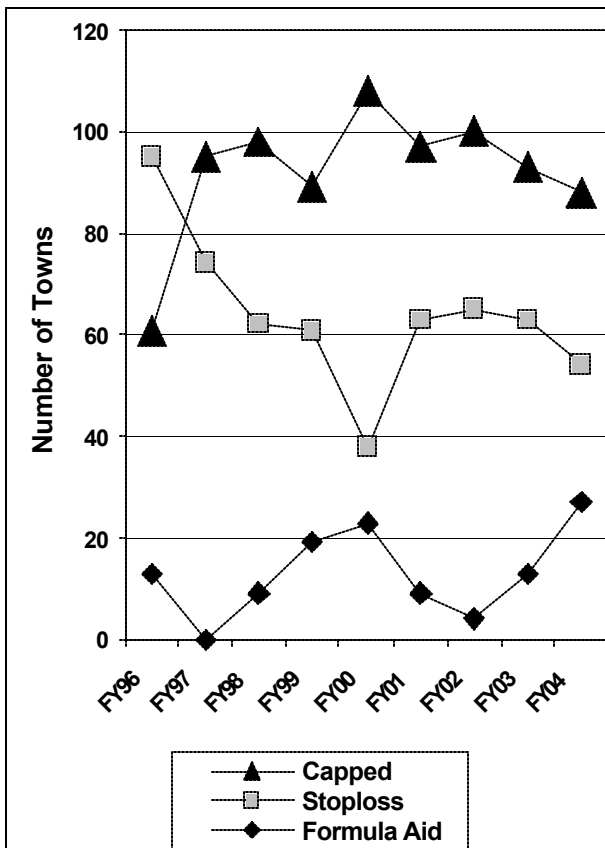
The Declining Value of ECS Foundation \$\$

The ECS foundation was set at \$4800 for FY92-04, then raised to \$5711 for FY95-97, and \$5775 in FY98. From FY99 to present, it has been \$5891. Because foundation increases have been meager and not tied to the Consumer Price Index, the value of the state's education aid has seriously eroded over the 13 years the ECS has been in place.

As depicted in the graph below, the FY92 foundation amount today would have the purchasing power of \$6498 — i.e., it was the equivalent of \$607 per pupil greater than today's foundation. In fact, every year's foundation amount is greater than the FY04 foundation amount. Yet salaries, benefits, books, supplies, transportation, energy costs, facilities maintenance and construction, student enrollments, state and federal education standards, etc. — all have risen precipitously and added to the burden borne by local mill rates.



Trends in ECS Cap Status



Today's ECS: An Aging and Flawed Formula Beyond Repair

Here is a "Top Ten" list of fiscal flaws with the ECS formula.

1. The ECS formula has never been fully funded. (E.g., the foundation was to have been tied to the regular per pupil education expenditure of the town ranked at the 80th percentile in PPE three years prior — it never happened.) Thus the formula's effectiveness in providing educational equity or adequacy of resources remains theoretical.
2. The formula fails to equitably distribute sufficient resources to ensure that students in every Connecticut community have equal access to high-quality schools. Funding equity and adequacy require substantially less reliance on local (property tax) support of education within all communities and a much greater contribution by the state than its current 40.8 percent share. Equity also requires the use of geographical cost indices.
3. The ECS cap has shortchanged and disequalized towns, undermining the very equity goals the formula was intended achieve.
4. There is no rational basis for the ECS foundation (i.e., the level of per pupil spending state aid helps towns achieve). It has no known relationship to the true cost of education, and at \$5891, it is significantly below the per pupil spending of even the lowest-spending town/school district today.
5. The use of outdated income figures in ECS town wealth calculations (see below) is unacceptable and disequalizing.
6. There is no rational basis for the current ECS student weightings. They are unrealistically low, even to the point of imperiling the ability of towns/districts to appropriately address the learning needs of educationally disadvantaged populations. Needed are research-based weightings for:
 - (a) students from low-income families, with the count not artificially restricted to FY97 TANF enrollments;
 - (b) limited-English-proficient students, a count not restricted to just those LEP students eligible for but not receiving bilingual program assistance; and
 - (c) handicapped students.
7. The formula drastically underfunds special education, not only through its merger into the foundation in FY95, but also by omitting any student weightings for higher-cost categories of disability. Reducing SPED excess cost reimbursement threshold from 5 to 4.5 times regular program per pupil expenditures, while delayed, is still too unreasonably high a burden for towns.
8. The MER fails to take into consideration the disproportionate tax effort required by low-wealth municipalities to meet its mandate. It excludes from a town's required contribution such high-cost expenditures as SPED, capital construction, and debt service.
9. Barring a new and vastly improved formula, the density supplement is important, but it was eliminated by P.A. 03-6. It assists towns with higher-than-average population density and which therefore experience higher demands for public services and higher tax rates. These are also the towns that serve the largest populations of disadvantaged students and have lost the most state aid under the cap.
10. The ECS formula lacks transparency. It is a nearly incomprehensible school finance system whose complexity adds to the possibility of administrative error or political interference. The nearly annual legislative "tinkering" with its provisions has eroded public trust in its efficacy.

Why Census 2000 Income Figures?

Connecticut's complex school finance formula relies heavily on town wealth, measured in part by property wealth and income levels in each town.

ECS town wealth adjusts for per capita income (PCI), median household income (MHI), and highest town per capita income (HMHI).

As the chart shows, these figures have changed dramatically over the past decade. On

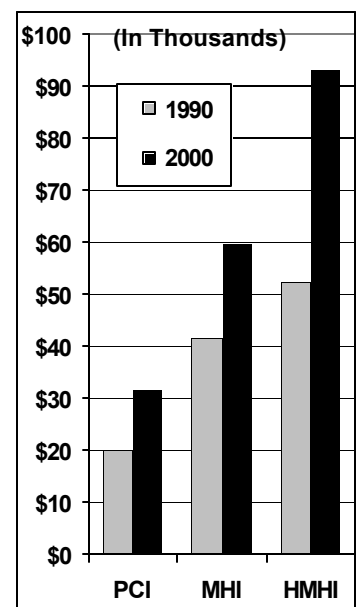
average, per capita income increased by 58 percent and median household income by 43 percent. The highest town per capita income grew by a whopping 77 percent.

Yet ECS town wealth calculations continue to be based on 1990 Census income data.

Not all towns fared equally well over the decade. It is thus imperative that town wealth elements be based on

the most currently available data — not just property wealth (they are kept current), but also income. The ECS formula cannot achieve any reasonable measure of equalization if only selective data elements are updated.

Town wealth is used in numerous other fiscal contexts, further underscoring the importance of current and accurate income data.



Net ECS Cap Loss in 109 Towns, FY96-04

-1,418,186 Andover*	-4,150,896 Granby	-1,664,766 Redding
-380,076 Ansonia	-9,379,120 Greenwich	-4,707,419 Ridgefield
-844,651 Ashford	-859,557 Haddam	-339,268 Roxbury
-2,820,963 Avon	-39,748,578 Hamden*	-737,665 Salem
-401,559 Beacon Falls	-357,383 Hampton	-389,227 Salisbury
-4,598,699 Berlin	-61,176 Hartland	-8,715,566 Seymour*
-402,230 Bethlehem	-1,862,089 Killingworth	-153,458 Sharon
-2,733,358 Bolton*	-131,273 Lebanon	-711,201 Sherman
-1,665,142 Branford	-114,723 Lisbon	-92,324 Somers
-120,133,333 Bridgeport	-6,671,383 Litchfield*	-4,673,718 Southbury*
-18,581,508 Bristol	-311,039 Lyme	-11,611,230 South Windsor*
-380,365 Canaan	2,710 Madison	-388,402 Stafford
-1,780,067 Canton	-24,344,813 Manchester*	-46,127,748 Stratford*
-114,350 Chester	-1,896,544 Mansfield	-3,080,210 Suffield
-14,921,560 Colchester*	-39,413,742 Meriden*	-1,647,410 Thomaston
-437,186 Colebrook	-276,642 Middlebury	-2,212,751 Tolland
-209,296 Columbia	-1,562,841 Middlefield	-9,962,900 Torrington
-246,004 Cornwall	-8,551,559 Middletown	-183,027 Voluntown
-1,242,141 Coventry	-2,435,837 Milford	-8,555,243 Wallingford
-6,741,388 Cromwell	-511,349 Montville	-330,255 Washington
-1,416,537 Danbury	-202,437 Morris	-49,122,618 Waterbury
-4,406,687 Darien	-5,907,373 Naugatuck	-3,135,704 Waterford
-1,493,769 Deep River	-69,312,227 New Britain*	-508,348 Westbrook
-8,457,038 Derby*	-4,377,446 New Canaan	-32,257,453 West Hartford
-193,370 East Granby	-515,118 New Hartford	-15,809,343 West Haven
-3,542,812 East Haddam*	-51,015,732 New Haven	-2,265,471 Weston
-418,841 East Hampton	-8,195,829 Newington	-5,351,348 Westport
-54,609,865 East Hartford*	-3,065,170 New London	-6,207,697 Wethersfield
-23,058,721 East Haven*	-1,263,220 New Milford	-4,818,691 Wilton
-8,957,968 East Lyme*	-3,012,097 Norwich	-2,737,846 Windsor
-947,856 Easton	-1,071,967 Old Lyme	-10,297,648 Windsor Locks*
-4,863,223 East Windsor*	-351,300 Old Saybrook	-3,893,288 Wolcott
-1,838,995 Ellington	-946,302 Orange	-880,168 Woodbridge
-192,773 Essex	-7,455,197 Plainville*	-3,355,642 Woodbury*
-3,668,910 Fairfield	-673,410 Pomfret	-3,272,682 Woodstock*
-3,994,016 Farmington	-2,264,023 Portland	
-10,132,084 Glastonbury*	-190,952 Prospect	
		-\$864,903,606 TOTAL



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Since the cap's inception, towns have lost more than \$943.3 million in ECS grant funds.

Data Sources:

ECS data are from the CT State Department of Education website (www.state.ct.us/sde), Division of Grants Management. FY04 cap and stoploss data are from an April 4, 2004 list issued by CSDE's Office of Grants Analysis (not reflected on web ECS Grant Summary pages). Census data are from the CT State Department of Economic & Community Development website (www.ct.gov/ecd).

Since its inception in FY96, the cap has resulted in a net loss of ECS funding to the above 109 towns. Net losses — or capped formula funds minus any stoploss that may have been received in some years — total nearly \$865 million for these towns, or 92 percent of all capped monies.

The 23 towns marked with an asterisk have had their ECS grants capped all 9 years.

Towns Most Impacted by ECS Cap

Cumulative net losses for 11 towns exceed \$20 million each. Caps for 7 other towns are in the \$10-20 million range. Bridgeport's net ECS loss exceeds \$120 million.

The other 60 towns (not shown) absorbed another \$78.4 million in ECS caps, the remaining 8 percent of all capped monies. These towns, however, realized net gains over the 9 years due to stoploss provisions.

- | | |
|------------------|-------------------|
| 1. Bridgeport | 10. Manchester |
| 2. New Britain | 11. East Haven |
| 3. East Hartford | 12. Bristol |
| 4. Waterbury | 13. West Haven |
| 5. New Haven | 14. Colchester |
| 6. Stratford | 15. South Windsor |
| 7. Hamden | 16. Torrington |
| 8. Meriden | 17. Windsor Locks |
| 9. West Hartford | 18. Glastonbury |