PreK-12 Public Education:
How Massive Underfunding Threatens Connecticut’s Social and Economic Future
CCM OFFICERS

President, Mark D. Boughton,
Mayor of Danbury
1st Vice President, Susan S. Bransfield,
First Selectwoman of Portland
2nd Vice President, John A. Elsesser,
Town Manager of Coventry

DIRECTORS

Luke A. Bronin, Mayor of Hartford
Robert M. Congdon, First Selectman of Preston
Michael Freda, First Selectman of North Haven
Joseph P. Ganim, Mayor of Bridgeport
Toni N. Harp, Mayor of New Haven
Barbara M. Henry, First Selectman of Roxbury
Deb Hinchey, Mayor of Norwich
Catherine Iino, First Selectwoman of Killingworth
Curt Leng, Mayor of Hamden
Rudolph P. Marconi, First Selectman of Ridgefield
W. Kurt Miller, First Selectman of Seymour
Neil O’Leary, Mayor of Waterbury
Leo Paul, First Selectman of Litchfield
Lisa Pellegrini, First Selectman of Somers
Scott Shanley, General Manager of Manchester
Mark Walter, Town Administrator of Columbia
Steven R. Werbner, Town Manager of Tolland
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERVIEW</td>
<td>2</td>
</tr>
<tr>
<td>HISTORY</td>
<td>3</td>
</tr>
<tr>
<td>EDUCATION REVENUES</td>
<td>6</td>
</tr>
<tr>
<td>ECS GRANT</td>
<td>8</td>
</tr>
<tr>
<td>SPECIAL EDUCATION</td>
<td>11</td>
</tr>
<tr>
<td>TARGETED ASSISTANCE</td>
<td>13</td>
</tr>
<tr>
<td>EARLY CHILDHOOD EDUCATION</td>
<td>14</td>
</tr>
<tr>
<td>SCHOOL CONSTRUCTION</td>
<td>15</td>
</tr>
<tr>
<td>KEYS TO ADDRESSING EDUCATIONAL FINANCE</td>
<td>16</td>
</tr>
<tr>
<td>ENDNOTES</td>
<td>17</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>18</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>20</td>
</tr>
</tbody>
</table>

If you have any questions regarding this CCM Candidate Bulletin, please contact George Rafael (graful@ccm-ct.org), or Ron Thomas (rthomas@ccm-ct.org) at (203) 498-3000.
Overview

In Connecticut, towns and cities are responsible for funding the majority of preK-12 education. That means that, given the current tax structure, Connecticut is one of the most reliant states on the local property tax to fund preK-12 public education.

In February 2016, former US Secretary of Education, Arne Duncan, spoke of education disparities in the country and singled out over-reliance on the property tax for public education as a major culprit.

The cost for public education in our state is over $11.5 billion, and municipal property taxpayers:

- Fund 50.6 percent of that amount (almost $6 billion). The State contributes an estimated 43.9 percent and the federal government 4.9 percent.\(^1\)
- Pay for about 60 percent of Connecticut’s $1.93 billion in special-education costs.\(^2\)
- Pick-up the bill for numerous other state-mandated education priorities that are not fully funded by the State.

The quality of Connecticut’s 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 own-source 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 preK-12 public education costs.

In order for Connecticut to compete economically with its neighbors and the world, the State must increase and sustain its financial commitment to preK-12 public education. For more than 40 years, courts have ordered the State to do so in order to meet state constitutional requirements (see Appendix A). Some progress has been made, but much more needs to be done.
History

Connecticut has a long history of local control of public schools. At the same time, it is the State that 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 funding assistance from the state and federal governments. State aid comes through several different grants intended to address various public policy goals and priority needs in preK-12 public education.

The local share of education expenditures is financed through local property taxes. Because property tax bases and incomes 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 equal opportunities for educational excellence.

More than three decades ago in Horton v. Meskill, the Connecticut Supreme Court ruled 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 adjusted equalized net grand list per capita (AENGLC) of the wealthiest town (Greenwich) is over 70 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.

CCJEF v. Rell

In 2005, fifteen students and their families from across the state brought action in Hartford Superior Court challenging the constitutionality of Connecticut’s broken education system. The Connecticut Coalition for Justice in Education Funding (CCJEF) helped bring the case to ensure that the interests of all students, whether they attend urban, suburban, or rural school districts, are represented in this action.

The CCJEF v. Rell complaint alleges that the State’s failure to adequately and equitably fund its public schools has harmed thousands of Connecticut students. The funding mechanism does not provide students with the opportunities to meet the State’s own learning standards and results in a system that fails Connecticut’s children and offends the Connecticut Constitution.

The complaint also alleges that the State’s funding failure disproportionately impacts African-American, Latino, and other minority students, in violation of the Connecticut Constitution and federal law.

Please see Appendix A for the latest information on CCJEF v. Rell.
STATE AND LOCAL SHARES OF EDUCATION COSTS

At least 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 total education expenditures reached 45.5 percent, the closest it has ever come to that goal. Since then, the State’s share has been well below the fifty-percent mark.

The Governor’s Task Force to Study the Education Cost Sharing Grant reiterated the 50-50 goal in 1999 when it recommended, “The State should budget and appropriate funds biennially to demonstrate progress toward equal state and local spending for education.”

For FY 15, the State’s share was 43.9 percent. In FY 12, Connecticut ranked 42th in the nation for state share of preK-12 public education funding. While the goal of at least a 50-50 funding partnership remains elusive, any movement toward that mark is important because new state dollars can reduce overdependence on regressive property taxes and lessen the inequity inherent in that dependence.

While the State has invested heavily in school construction over the past decades and introduced a reformed Education Cost Sharing (ECS) grant program enacted in 2013, these measures produced limited progress toward at least an equal state-local partnership.
Revenue for PreK-12 Education Expenditures, FY 15

- State: 43.9%
- Local: 50.7%
- Federal: 4.9%
- Other: 0.6%

Source: SDE (preliminary estimate)

State's Share of Revenue for PreK-12 Education Expenditures

- FY 08: 42.3%
- FY 09: 42.0%
- FY 10: 37.4%
- FY 11: 37.0%
- FY 12: 41.1%
- FY 13: 42.8%
- FY 14: 42.7%
- FY 15 (SDE Est.): 43.9%

Source: SDE
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 about 71 percent of all municipal revenue.9

Rising education costs have outpaced growth in property tax revenue. When these increases are added to unfunded and underfunded mandates, towns and cities have had no choice but to cut back on other municipal services and raise property taxes to pay for rising education expenditures.

**Major Components of State PreK-12 Education Funding**

Because of the importance and high costs of schools, the financing of preK-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 deserves 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.

**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. The ECS grant in its current form is underfunded by more than $600 million.10

**Special Education**

Special education accounts for a significant proportion of education spending in Connecticut. More than one out of every five dollars spent on preK-12 education goes toward special education.11 How, and at what level, the State reimburses municipalities for these mandated costs is one of the hottest state-local issues.

**Targeted Assistance**

This and other categorical aid programs account for over
$500 million of the SDE budget. These include programs addressing school choice, priority school districts, school readiness, vocational agriculture, 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 are available to most school districts, while others, like school readiness and priority grants, are targeted for the state’s needier districts.

**School Construction**

This funding has been especially important in enabling Connecticut to rebuild its educational infrastructure, given the growing importance of technology and the need to refurbish 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 $500 million annually.

The State also funds up to 100 percent of interdistrict magnet construction 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.

**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 System (CTHSS) and Teachers’ Retirement Board (TRB). Over $150 million in the SDE budget goes for CTHSS operations.

The State also funds the annual contribution to the TRB, an expense that would otherwise fall to towns and cities. In FY 16, that contribution was more than $975 million.

The combined cost of these two programs should not be overlooked in the complete picture of state education funding. All these costs are counted toward the State’s share of preK-12 public education, as identified above.

---

**Municipal Revenue Sources, FY 14**

- **71%**: Property Tax
- **25%**: Intergovernmental
- **4%**: Charges, Fees, and Other Sources

Source: OPM, Municipal Fiscal Indicators, 2010-2014
The Education Cost Sharing (ECS) Grant

The Education Cost Sharing (ECS) grant is the State’s largest general education assistance grant. Initially developed in 1988, the ECS formula was intended to equalize a municipality’s ability to pay for education. The most recent changes to the ECS formula occurred in 2013. The grant totaled $2.1 billion in FY 16.

In simple terms, the current ECS formula is determined by multiplying the number of students in each school district (weighted for need) by the amount the State has determined a district should spend to provide an adequate education (the “foundation”) and by an aid percentage determined by the district’s wealth. The fully funded ECS grant is the result of that calculation plus a small regional bonus for regional school districts.

- Need is determined by the number of students that receive free or reduced price lunch. There is a weight of 1.30 assigned for each of these need students.
- The foundation is $11,525.
- Wealth is determined by a town’s equalized net grant list per capita and the town’s median household income. Those values are compared to the values of the town at the median in each of the two wealth categories. These ratios determine the wealth, and subsequently, the aid percentage of the foundation that the State funds.

Major Issues with ECS

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

Underfunding of the Grant

The ECS formula has been modified many times by the General Assembly in ways that have significantly limited its effectiveness and the cost to the State. The formula has never been fully funded and implemented as designed. This gap in funding over the years has shifted an undue funding burden onto local property taxpayers.

If fully funded in FY 15, the ECS grant would total over $2.6 billion. The actual ECS grant for FY 15 was about $2.0 billion, more than $600 million short of the ECS promise.

Another issue, which concerns Alliance Districts (the 30 lowest-performing districts, see Appendix B for list), is that ECS increases for those districts are conditional. This conditional funding goes against the principle of equalization and can magnify the problems associated with the current underfunding of the ECS grant in those lower-performing districts.

Since the increased funding for Alliance Districts must generally be used for new or expanded programming, it does little to address the lack of funding and increasing costs unrelated to these new programs in those districts. The net impact on Alliance Districts is that it can actually cost them more for programs than they receive in an ECS increase.

Lastly, more than 90 percent of the ECS increases in recent years have gone to the 30 Alliance Districts. This has left the other 136 school districts in Connecticut with little or, in some cases, no additional funding through the...
ECS grant. In FY 16, some districts actually experienced a decrease in ECS funding versus the previous year. This is scheduled to happen again in FY 17.

**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 94 and FY 07, the foundation was raised three times, going from $4,800 to $5,891. In FY 07, the foundation was increased to $9,687, and it has remained there until 2013 when it was raised to $11,525. All the while, per-pupil expenditures continue to rise, reaching a statewide average of $15,726 in FY 15.

The failure of the foundation to keep pace with costs limits 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 and/or other critical local services and overburden local property taxpayers.

The foundation is not currently based on any sound analysis of what it costs to provide an adequate education consistent with the state standards, federal requirements, and all that is expected of schools in adequately preparing a highly competitive future workforce. It is also 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 for using research-based cost estimates as the basis for setting the ECS foundation and student weights, rather than relying exclusively on past expenditures. An adequacy study needs to be completed to determine the proper level at which the foundation should be set. Cost measures based on a regional cost index, as resource costs can vary significantly by geographic region in Connecticut, should also be utilized.

CCM also believes that the foundation should be tied to a measurable economic indicator, such as the Consumer Price Index (CPI) or the Personal Consumption Expenditures (PCE) Index. This would ensure that increasing costs and factors such as 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.

**Need Students - capturing additional costs associated with students of need**

There were both positive and negative changes in the new ECS formula regarding need students.

On the positive side, the poverty measure was changed from using Title I students to students eligible for free or reduce-priced lunch. This change is a good step forward and provides a better measure of impoverished students. Unfortunately, the poverty weighting was reduced from 1.33 to 1.30, effectively reducing the benefit of the change.

One of the most concerning of the 2013 changes to the ECS formula was the elimination of the additional weighting given English Language Learners (ELL). There are additional costs associated with educating these students, and to eliminate the additional weight attributable to these students defeats some of the positive benefits of other changes to formula elements.

While the additional 15 percent weight added to ELL students in the previous iteration of the formula was regarded as inadequate, it at least provided some additional resources to districts facing added costs associated with ELL students.

The Wealth Adjustment Factor (WAF) - the mechanism that determines each town’s share of the foundation

The WAF measures the income and property wealth in a town relative to statewide averages. The income measures are weighted at 90 percent for property wealth and 10 percent for income wealth.

To more accurately reflect a town’s overall wealth, the weighting should be increased for income wealth and decreased for property wealth.

Income wealth is measured by the ratio of a town’s median household income to 1.5 times the median household income of the town with the state’s median household income. The property wealth is measured by the ratio of a town’s equalized net grand list per capita (ENGLC) to 1.5 times the ENGLC of town with the state’s median ENGLC.

The lower the multiplier (currently 1.5 for both income and property wealth), the lower the State’s share of total education funding. In fact, the State’s share of the foundation cannot reach 50 percent until the multiplier reaches 2.0.

**The Minimum Budget Requirement (MBR) - a statutory requirement that each town appropriate at least the same amount for education as it did the previous year**

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 towns 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 MER, which set a minimum amount of local funding for education, was in effect until 2007. In 2007, the MBR was put into place. The original purpose of the MBR was to explicitly prohibit a municipality from supplanting local education funding when it received an increase in ECS funding.

For FY 17, municipalities are required to budget at least the same amount for education as they did in FY 16. There are, however, allowable reductions in MBR.

• A district with an enrollment decrease will be able to reduce its education funding by 50 percent of the net current expenditure per pupil (NCEP) times the difference in enrollment. Districts with 20 percent or more of their students qualifying for free and reduced price lunch (FRPL) can reduce their MBR by up to 1.5 percent. Districts with less than 20 percent of students eligible for FRPL can reduce their MBR by up to 3.0 percent.

• Municipalities can receive a waiver to lower the MBR even further if the Commissioner of SDE approves and the town’s board of education votes to approve the reduction.

• Districts that score in the top 10 percent based on their “accountability index score” are exempt from the MBR.

• Alliance Districts will not be allowed to reduce their MBR. The Commissioner of SDE could approve an MBR reduction for an Alliance District if the district could demonstrate that its local funding percentage increased.

• Any district closing a school can reduce its MBR, with approval of the Commissioner of SDE.

• A district can reduce its MBR, up to 0.5 percent, to reflect new and documented savings from increased efficiencies or regional collaboration with one or more other districts. The reduction would again have to be approved by the Commissioner of SDE.

• If a district is set to receive a reduction in ECS funding in FY 17, it can reduce its MBR by the amount of the reduction.

The MBR for Alliance Districts, or those formally designated as such, equals the prior year’s budgeted appropriation.

The MBR is the State’s way of forcing towns and cities to make up for state underfunding per K-12 education. Unfortunately, school boards, superintendents, and teachers unions support the MBR against the wishes of municipal executives who lobby hard for the State to meet its funding obligation to towns and cities. The MBR lets the State off the funding hook.

In an era of frozen or reduced state aid and rising education costs, the MBR is unfair to residential and business property taxpayers. It also means every other local public service, every other local employee, and property taxpayers must pay the price for this mandate and the chronic state underfunding of preK-12 public education.

Recent changes to the MBR have helped, but they have not gone far enough. This outdated policy should be repealed.
The cost of special-education services in Connecticut is over $1.9 billion. This spending accounts for 22 percent of total current expenditures for education in Connecticut. 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.

Debate still continues over the decision, 15 years ago, to fold most state special education funding into the ECS grant. However, this debate only partially outlines the problem. There are three ways in which the local overburden for the cost of special education can be alleviated within the present construct of state and federal aid.

First, the ECS grant is supposed to cover the basic education costs for all students, regular and special education alike, up to the foundation level now ($11,525). 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 programs. At the time special education and ECS funding were merged, special education was about 19 percent of the combined grant, and that figure has generally been used to estimate the current portion of ECS that is for special education (about $390 million in FY 15). 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 threshold varies from town to town because of spending differences, but the statewide average is about $74,000. So, for example, if a municipality spends an average of $15,000 per pupil, it must spend at least $67,500 for a special-education student before being eligible for any state reimbursement. The state grant is supposed to pay for all costs in excess of that figure. Unfortunately, the state appropriation has been capped, even as costs and the incidence of students requiring services have both risen.

Reducing 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, would address this and increase the state share of these costs.

There is also a growing belief that the State should reimburse every town for 100 percent of special-education costs (less federal reimbursement). Under this scenario, the State would also monitor or outsource identification of special-education students and related administrative costs. Such a
step would (a) ensure access to necessary resources for all special-needs students, regardless of community wealth and without draining off vital resources from regular-education budgets, and (b) provide significant property tax relief. In addition, services for severe-needs students could be provided regionally, for more efficiency and effectiveness.

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. This falls far short of 40-percent commitment that came with the federal mandate to provide such services some decades ago.

It is important to point out that Connecticut’s special-education mandates exceed those of federal Individuals with Disabilities Education Act (IDEA) and it is time to reevaluate whether all those additional costly mandates are necessary and affordable.

In addition to direct funding issues, municipalities are also looking for relief from the burden of proof for special-education services. A parent may request a due process hearing if he or she disagrees with the child’s evaluation, placement, or program. School districts may also request hearings when a parent refuses to agree to a child’s placement or program. State Board of Education regulations place the burden of proof on the school district regardless of who initiates the hearing request, resulting in a costly mandate on municipalities. Connecticut policy is contrary to most other states’ policies.

The burden of proof in these hearings should be placed on the initiator of the request. This change would provide needed fiscal relief to municipalities since most requests come from parents.

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.
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), charter schools, inter-district cooperative programs, and a number of smaller programs.

Amounts for these programs now approach 20 percent of the state aid for education. The State increasingly relies on targeted assistance to address the chronic achievement and resource gaps between school districts. These programs, while well-intentioned, have never been adequately funded. Unfortunately, unlike ECS, these categorical grants are considered “soft” funding, making it politically easy for the State to cut or eliminate them.

Funding for magnet schools now exceeds $300 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 (RESCs), which are school districts in their own right and eligible to receive operating grants directly from the State.

Charter schools operate independently as alternatives to public schools with their own self-perpetuating boards whose members have no local residence requirements. They receive a state grant of $11,000 per enrolled pupil. 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 school districts within which the charters operate are also responsible for providing pupil transportation, special education services, and certain other costs.

Funding for state charter schools has historically been outside the ECS formula. This was due in part to the fact that these schools are chartered and regulated by the State and do not answer to local school districts. These schools are free of many of the requirements of traditional schools. They were originally sold to the State as a more efficient and effective deliverer of education services.

Charter schools also benefit from increased autonomy and flexibility. School operators have much more control over decisions related to curricula, scheduling, and staffing. These schools are not hampered by many of the rules and regulations with which tradition public schools must comply.

Another issue is that, through enrollment and retention policies, charter schools do not reflect the general population of the areas they serve. This allows them to avoid dealing with issues traditional schools must address, such as special education and disciplinary actions. The local school district is also responsible for transportation of charter students.
One particular area where there has been across-the-board consensus is that Connecticut needs to improve both access to and the quality of early childhood education. Research has shown that this education results in improved academic outcomes and can also help reduce the achievement gap.

A third of children entering kindergarten in the state’s poorest communities had no preschool experience. In the state’s wealthiest communities, over 95 percent of children attended preschool.

In 2013, the Connecticut Office of Early Childhood was created to coordinate early care and education programs. One of the cornerstones of the Office is a creation of a database that will be used to monitor student, staff, and program development. These data are critical to ensure that early childhood education programs and services are both effective and efficient.

The State must remain committed to funding early childhood education. Funding targeted for these programs must be maintained and not diverted should fiscal issues arise.
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 rise, technology needs grow, families move to previously small towns, and public expectations for quality schools increase - the need for new school infrastructure rises.

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 majority of schools were built before 1970. Moreover, continued growth in pre-K programs and class size reduction initiatives may necessitate more new construction in some towns. State construction aid allows Connecticut communities to rebuild and develop new educational infrastructure.

Each year, the State Department of Administrative Services accepts applications from towns planning school construction projects. DAS 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, chaired by the Governor, then decides what projects receive funding.

Municipalities are required to obtain voter approval for the local share before submitting the project to DAS and the General Assembly.

Recognizing the aging stock of schools, the legislature has provided considerable assistance for a number of years. Since 2000, the State has authorized over $6 billion in school improvement projects.

Grants for new school construction are made for a percentage of the total eligible costs, with the poorest communities receiving a grant for up to 70 percent and the richest receiving as low as 10 percent. The range of reimbursement percentages increases to 20-80 percent for renovations or if it can be shown that new construction is less expensive than renovation.

Charter schools, magnet schools, and other specialty schools are reimbursed at a rate of 80 percent. By court order, the reimbursement rate for magnet schools in Hartford is 100 percent.

The Department of Administrative Services has recently amended regulations regarding construction change orders. The trigger date for the “six-month rule” is now initiated once discussion of the performance of the order has taken place, rather than when the final signature for the order is completed.

This move means change orders must be submitted at the earliest possible point, resulting in decreased flexibility for districts. CCM would like to see a return to the earlier interpretation of the regulations using the final signature date as the trigger for the six-month window.

Municipalities appreciate their partnership with the State in school construction. The State has contributed significant amounts of money, but so have municipalities. The winners are the students in towns and cities across Connecticut.
While there are disagreements among education reform advocates, there is a growing consensus on key actions needed to provide increased equity to our education finance system. The following are elements of a developing consensus on school finance reform.

Correct state underfunding of regular education programs by:
- Increasing the ECS foundation level to reflect the real cost of adequately educating students tied to a statutorily identified cost index;
- Restoring a factor for English Language Learners in the ECS formula and increasing the weighting for poverty; and
- Increasing the Wealth Adjustment factor (WAF) in the ECS formula to increase the State’s share of education funding.

Correct state underfunding of special education programs by:
- In lieu of a complete State takeover of special education delivery, decreasing the Excess Cost grant threshold to at most 2.5 times the district’s average per-pupil expenditure;
- Paying 100 percent of marginal costs for severe-needs students, statewide without equalization;
- Shifting the burden of proof to the plaintiff in due process hearings.

Provide relief to property taxpayers by:
- Eliminating the Minimum Budget Requirement (MBR) mandate.

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 enrollment needs and higher technology and quality standards;
- Returning to completion of the final signature as the trigger for the six-month rule regarding construction change orders.

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

The State must 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 500,000 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, including relief from the MBR.

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.

The education needs of Connecticut’s schoolchildren don’t disappear because of a bad economy. The choice is whether to provide adequate resources or to surrender the futures of today’s school-age children. Connecticut can and should do better.

Endnotes

1. State Department of Education (SDE), FY 15 data. The remaining 0.6 percent comes from private donations and other contributions.
2. Ibid.
3. CCM estimate.
4. SDE, 2016-17 school year.
5. SDE data.
7. 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, magnet schools, charter schools, vo-ag programs, unified school district expenditures, and teachers’ retirement costs.
8. US Census Bureau, Public Education Finances, 2014
9. CT Office of Policy and Management (OPM), Municipal Fiscal Indicators, 2010-14.
10. CCM estimate, based on SDE data for FY 15.
11. SDE data, based on total current expenditures (TCE).
13. Ibid.
14. Ibid.
15. Adopted FY 17 state budget.
16. SDE data.
17. Ibid.
18. CCM calculation based on adopted state budgets and data from the Office of Fiscal Analysis (OFA).
19. CCM calculation based on SDE data. Per-pupil expenditures refer to “net current expenditures per pupil” (NCEP) as defined by SDE. NCEP is commonly referred to as districts’ operating budget minus pupil transportation costs.
20. SDE, 2015 Data.
21. CCM estimate.
23. Based on adopted FY 17 state budget. Excludes school construction and teacher retirement payments.
26. CCM estimate based on adopted state budgets.
Appendix A

A Brief History of Education Finance and Related 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.


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, increases.

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. 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. Among the dozen municipalities funding the lawsuit are Bridgeport, Coventry, East Hartford, Manchester, Meriden, New Britain, and New Haven.

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 previous 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: The 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 0.8% and caps funding for special education, adult education, and school transportation.

2003: Funding for the ECS grant increased by 4.2% in FY 03, and by 0.5% for FY 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 an 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: The Superior Court concludes in CCJEF v. Rell that there is no “constitutional right to ‘suitable’ educational opportunities.” The plaintiffs appeal the ruling to the Connecticut Supreme Court.

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 12.

She proposed significant changes to the grant to (1) increase the foundation to $9,867 from the current $5,891, (2) increase the State Guaranteed Wealth Level (SGWL) to 1.75, (3) raise the minimum aid ratio to 10 percent from six percent, (4) calculate the “need students” using 33 percent of a district’s Title I poverty count and 15 percent of students with Limited English Proficiency, and (5) 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.

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 Court’s opinion included the following.

- “The fundamental right to education is not an empty linguistic shell.”
- A suitable education is one that prepares school children to ...
  - “participate fully in democratic institutions, such as jury service and voting.”
  - “progress to institutions of higher education,”
  - “attain productive employment,” and
  - “contribute to the state’s economy.”

The Supreme Court returned the case to the lower court to determine whether the state has met its obligations and, if not, what remedies it must undertake.

2011: Legislation creates the Education Cost Sharing (ECS) Task Force for purposes of reviewing the effectiveness of the ECS grant and how it relates to state constitutional requirements.

2012: The New York City-based law firm of Debevoise & Plimpton assumes the reins as chief legal counsel for CCJEF plaintiffs, with continued assistance from the Yale Law School Education Adequacy Clinic. Both entities pursue the case on a pro bono basis, given the huge civil rights and equity implications of its claims.

2013: In response to recommendations from the ECS Task Force, changes are made to the ECS formula. The foundation is increased to $11,525 and wealth and need-student calculations are adjusted.

2016: The CCJEF v. Rell trial begins in Hartford Superior Court.

After several months of testimony, Superior Court Judge Thomas Moukawsher issues a decision. He concludes that the State's method for distributing education aid is irrational and unconstitutional. He gives the State 180 days to develop a new formula for distributing education aid.

In addition, Judge Moukawsher gives the State 180 days to propose reforms regarding the following aspects of the elementary and secondary education system:

- the relationship between state and local government in education;
- a definition of elementary and secondary education;
- the teacher evaluation system; and
- the funding and delivery of special-education services.

The State Attorney General appeals the ruling, and the Connecticut State Supreme Court agrees to hear the appeal.
## Appendix B

### Alliance Districts

<table>
<thead>
<tr>
<th>Ansonia</th>
<th>Naugatuck</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomfield</td>
<td>New Britain</td>
</tr>
<tr>
<td>Bridgeport</td>
<td>New Haven</td>
</tr>
<tr>
<td>Bristol</td>
<td>New London</td>
</tr>
<tr>
<td>Danbury</td>
<td>Norwalk</td>
</tr>
<tr>
<td>Derby</td>
<td>Norwich</td>
</tr>
<tr>
<td>East Hartford</td>
<td>Putnam</td>
</tr>
<tr>
<td>East Haven</td>
<td>Stamford</td>
</tr>
<tr>
<td>East Windsor</td>
<td>Vernon</td>
</tr>
<tr>
<td>Hamden</td>
<td>Waterbury</td>
</tr>
<tr>
<td>Hartford</td>
<td>West Haven</td>
</tr>
<tr>
<td>Killingly</td>
<td>Winchester</td>
</tr>
<tr>
<td>Manchester</td>
<td>Windham</td>
</tr>
<tr>
<td>Meriden</td>
<td>Windsor</td>
</tr>
<tr>
<td>Middletown</td>
<td>Windsor Locks</td>
</tr>
</tbody>
</table>
CCM is the state’s largest, nonpartisan organization of municipal leaders, representing towns and cities of all sizes from all corners of the state, with 162 member municipalities. We come together for one common mission - to improve everyday life for every resident of Connecticut. We share best practices and objective research to help our local leaders govern wisely. We advocate at the state level for issues affecting local taxpayers. And we pool our buying power to negotiate more cost effective services for our communities.

CCM is governed by a board of directors that is elected by the member municipalities. Our board represents municipalities of all sizes, leaders of different political parties, and towns/cities across the state. Our board members also serve on a variety of committees that participate in the development of CCM policy and programs. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.