CONNECTICUT VOICES FOR CHILDREN

Education Finance and the Education Cost Sharing Formula in Brief

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Municipalities are responsible for most education costs in Connecticut. Cities and towns provide over half of all funding for K-12 education in Connecticut. In 2004-2005, 55% of such education funding was generated from local sources (property taxes), while 39% came from state sources, and 6% from federal sources. Out of all fifty states, Connecticut ranks highest in the percentage of funding that comes from local sources.

The Education Cost Sharing (ECS) grant is the largest state funding program for K-12 education in Connecticut. It provides nearly half (49%) of all state funding for K-12 education in Connecticut. The ECS grant, however, is not the only source of state funding for K-12 education. State funding is also provided for targeted program aid grants (such as magnet schools, priority districts, school readiness, and charter schools) [10%], categorical aid (such as special education and transportation) [18%], and construction aid [23%].

The ECS formula is the tool used to allocate ECS grant funds across school districts. The formula equalizes spending by targeting more money to poorer districts, and seeks to improve educational equity by adjusting for differences among these local school districts in terms of: (a) student need (as a function of poverty, test performance, and Limited English Proficiency) and (b) district wealth (as a function of property tax wealth and per capita and median household income).

The ECS formula – never simple – has become increasingly complicated over the years, with changes and exceptions made in every legislative session since it became law. Currently, each town's ECS grant is not even determined by the formula directly. Instead, grant allocations for each town are determined by calculating a set annual increase over the grant the town received in 2005. Connecticut has departed so far from the stated formula that, for the past two fiscal years, ***no*** town's ECS grant has been determined by the formula directly.

Nonetheless, to the extent that current ECS allocations are based on past grants that had been set by the formula, and to the extent that the formula remains in statute as the formal funding formula in Connecticut, the formula remains both relevant and important.

The Basic Formula:
ECS GRANT = BASE AID + SUPPLEMENTAL AID + REGIONAL BONUS + DENSITY SUPPLEMENT

Base aid accounts for approximately 99% of ECS grant funding. There are a number of factors that determine the base aid for a district, and subsequently the total ECS grant. Base aid is calculated by multiplying the "foundation" by the "need student count" by the "base aid ratio." Each of these factors needs some adjustment.

- **The foundation has been frozen at an insufficiently low amount.** The foundation is the most important aspect of the base aid formula and has been frozen by statue at $5,891. According to Governor Rell's Commission on Education Finance, if the current foundation were determined by the original ECS formula, it would now be $9,687 (including special education).
- **Weights used to determine the need student count are somewhat arbitrary and the measure for poor students outdated.** This calculation begins with the number of resident students (i.e., the number of students attending all public schools in the town) and then adjusts this

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number upward to take into account the additional costs of educating students who are poor, who perform poorly on standardized tests, or who have limited English language proficiency (LEP). Both poverty and poor performance are weighted at .25, while limited English proficiency receives an additional .10 weight. The poverty count is determined by the number of children aged 5 through 17 who were eligible for Temporary Family Assistance (TFA) in 1996-1997 (a full decade ago). A more appropriate count may be one more current, such as the number of students receiving free and reduced lunch. According to the Legislative Program Review and Investigations Committee, "[t]here is no statistical evidence supporting the size of the current weights for poverty, performance, or English proficiency used in the ECS formula." Other school financing formulas have given poverty a higher weight. In fact, the Guaranteed Tax Base formula, which preceded the ECS formula, added a 50% weight for each student considered eligible for antipoverty assistance (though it did not include performance or limited English proficiency weights). Moreover, in allocating Title I funds, the federal government uses a 40-percent upward adjustment "to determine whether state funding policies are fair to low-income students," and analyses of school funding equity often employ this 40-percent adjustment. Maryland currently uses a 100-percent upward adjustment, based on evidence that it costs twice as much to educate a low-income student.

- **The base aid ratio is the proportion of the foundation that each town should receive from the state per student and is based on the relative wealth of the town.** Currently, it is determined as a function of the ratio of the town's wealth to the state guaranteed wealth level (SGWL). The State Guaranteed Wealth Level is the key factor in determining how much local tax effort is required to meet the foundation. The higher the State Guaranteed Wealth Level, the greater the state's required share will be of the foundation amount. At 1.55, the SGWL is lower than the originally proposed 2.00 at the time the formula was first written.

The remaining components of the ECS formula account for less than 1% of the grant.

- **Supplemental Aid provides additional funding for high-poverty, low-performing districts.** Supplemental Aid was added to the formula in 1995 to compensate for the impact of statutory spending caps on the ECS formula that were first adopted in 1992. These annual spending caps, adopted to decrease state spending, limited the amount each town could receive to a set percentage increase over the previous year's grant regardless of the amount due under formula calculations.
- **The Regional Bonus provides additional funding for regional districts.** Regional school districts consist of two of more towns that share a single school system.
- **The Density Supplement assists towns with higher population densities,** on the theory that these towns must devote more local revenue to municipal services and therefore require additional state education support.

To improve equity in educational funding, the state must understand the true costs of K-12 education in Connecticut, including the true costs of providing equal educational opportunity to students who face education challenges. The first and most important step the legislature should take is to commission a realistic assessment of educational costs so that both the foundation and the student need adjustments are evidence-based, to make the foundation number and the adjustment factors for student need evidence-based and as accurate as possible. Understanding the realistic costs and adjusting the ECS formula to meet the need is the only way to assure each student the "substantially equal educational opportunity" that Connecticut's Constitution requires.