



The Education Budget in Context: An Analysis of the Governor's Proposed FY 08 Budget

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Why Public Investment Is Important

A well-educated workforce is the cornerstone of a healthy economy, and investments in education are essential to maintaining that workforce. In making decisions about our state budget, Connecticut cannot afford to miss the opportunity we have to prepare *all* the 577,000 students in our K-12 educational system or the more than 75,000 full time students in our public higher educational system with the tools for economic success. Yet Connecticut is slipping. Although the share of our adult population with a college degree increased between 1990 and 2006, our state rank fell from best in the nation to 4th; other states are doing better, faster. Connecticut's state rank in *Measuring Up 2006* on higher education system performance (preparation, participation, affordability, completion & benefits) slipped from 2nd best in 2002 to 7th best in 2006. Our decline was greatest among all states. With rapid changes in the economic landscape, our state's changing demographics, the influx of immigrants from many countries, the emergence of new technologies, the increased economic importance of post-secondary education, and the costly achievement gaps among our cities and towns, it is essential that Connecticut make bold new investment across all levels of our educational system.

Public Investment Over Time

Funding for Education						
	FY 02 (\$M)	FY 02 budget in inflation adjusted 2007\$ (\$M)	FY 07 Revised (\$M)	FY 08 Gov's Recom (\$M)	Difference between Gov. 08 & rev. 07: \$M and %	Difference between Gov. 08 & inflation adjusted FY02: \$M and %
State Dept. of Education	1,995.5	2,257.3	2,270.3	2,576.8	306.5 (13.5%)	319.5 (14.2%)
Dept. of Higher Education	62.7	70.9	48.3	74.3	26.0 (53.9%)	3.4 (4.8%)
College Financial Aid*	38.6	43.7	32.3	57.3	25.0 (57.9%)	13.6 (31.1%)

*"College Financial Aid" is funding for CT Independent College Student Grants and CT Aid for Public College Students (both part of DHE budget)

Budget and Policy Trends

K-12 Funding

The Governor's proposed FY 08 education budget takes a positive step in making long overdue increases to education funding in Connecticut. After years of very slow growth in the K-12 education budget, significant new investment in public education was no longer simply one option among many, but a policy imperative. The proposed increased investment only now begins to make up for the lack of investment during the recession years earlier in this decade.

While few would question the need for greater investment in education, there is less consensus about how best to allocate the increased resources. The Governor's biggest proposed change in education funding is through adjustments to the Education Cost Sharing (ECS) formula. The Governor proposes \$1.1 billion in an ECS increase, increasing the state's share of education funding. Connecticut ranks among the lowest (47th) of all states in the share of state funding for elementary and secondary public school education. While increased funding for ECS is needed, there remain many concerns about how the formula that distributes these funds is to be changed.

- The Governor proposes an increase in the foundation level. Frozen at \$5,891 for nearly a decade, the foundation clearly is in dire need of a significant increase to keep state funding anywhere near current education costs. Her proposed increase to \$9,687, however, is phased in over five years. That means that the foundation *five years from now* (in 2012) would be at the level that it should be *now* (in 2007), according to the Governor's own Commission on Education Finance, had the foundation not been frozen and instead allowed to fluctuate as the formula designed. That is, by FY2012, the foundation level will already be five years out of date. While late is better than never, a more timely increase in the foundation is essential if we are to meet the needs of students *now* in Connecticut's public schools.
- The Governor proposes no automatic cost increase in the foundation. A frozen foundation, even if at a higher level, will soon become inadequate as educational costs continue to increase. Connecticut's own experience with a foundation that remained frozen for nearly a decade shows the importance of automatic cost adjustments; without automatic increases it is virtually guaranteed that the most important component of the formula will *not* increase over time and Connecticut will find itself in a similar situation a decade from now. A far better policy option is for state law to be amended to index the foundation for growth in education costs so that the foundation consistently increases as education costs increase.
- The Governor's proposed increase in the minimum base aid ratio from six percent to ten percent is exclusively of benefit to Connecticut's wealthiest towns. While it is true that all cities and towns across the state would have an increase in their ECS funding under the Governor's proposal, the *percentage* increase is greatest for the wealthiest towns. When a limited amount of money is being distributed for education, it is important that the funds be distributed to the towns where the need is the greatest, as the ECS formula originally intended.
- Currently, the weights used in determining "need student" counts are currently set at 25 percent for students in poverty as defined by the 1996-1997 Temporary Family Assistance counts, 25 percent for remedial students as measured by the Connecticut Mastery Tests, and 10 percent for English language learners. The Governor has proposed lowering the weight given for poverty to 21.89 percent, but measuring the number of students living in poverty using current participation counts in the free and reduced price lunch program (i.e., including more students). Given Connecticut's high cost of living, the more inclusive free and reduced price lunch count (set at 185% of the federal poverty level) is a more accurate indicator and realistic depiction of poverty in Connecticut and will appropriately increase the number of students identified as

“need” students. However, reducing the weight given for poverty is a large step in the wrong direction. Evidence suggests that the costs of educating a poor student are significantly more than the current 25 percent over regular costs, and certainly more than the proposed reduction to 21.89 percent. Some evidence suggests that the costs for educating a poor student are *twice* the average cost.

- Under the original ECS legislation, the State Guaranteed Wealth Level (SGWL) was calculated to be twice the median town wealth. That is, the median town would receive from the state exactly one-half of the foundation amount. However, the State Guaranteed Wealth Level has been reduced several times since 1990, and now stands at 1.55 times the median town wealth. Governor Rell proposes that the SGWL be raised to 1.75. While a step in the right direction, far better would be to return the SGWL to the original level of 2.0. A low SGWL can lead to demands for hold harmless provisions and other distortions of the formula by towns that are not receiving adequate state funding. All towns benefit when the SGWL rises. Those that benefit the most are in the upper-middle wealth levels; their wealth is above 1.55 times the median but below 2.0 times the median.

The Governor proposes, as well, to use \$50 million in FY 07 surplus funds to set up a fund to which school districts could apply for grants for textbooks and deferred maintenance. The grants would be administered by the State Department of Education. Although proposing an increase in the ECS grant and this use of surplus funds, the Governor also proposes to keep multiple other education grants (e.g., adult education, transportation, health services, special education-excess cost) at FY 07 levels, reducing funding from current service needs by \$46 million in FY 08 and \$62 million in FY 09. She also proposes to eliminate other grants (e.g., primary mental health services, Future Math and Science Scholars) for a savings of \$1.4 million in each fiscal year. Further, she proposes to reduce the level of state reimbursement for school construction costs. The *net* benefit of these various changes obviously varies by school district and must be weighed by the General Assembly in preparing its budget.

Higher Education Funding

While moving in the right direction with a significant funding increase for need-based scholarship aid, the Governor’s investment in higher education does not reflect the same commitment as to K-12 Education. Yet both are essential. A highly educated, well-skilled workforce is integral to Connecticut successfully and actively competing in the global economy. Yet, despite a combined 15 percent increase in enrollment in all of Connecticut’s public higher education institutions between 2001 and 2006, the Department of Higher Education would receive only a meager 4.8 percent increase (adjusted for inflation) between fiscal year 2002 and the Governor’s proposed fiscal year 2008 budget. State funding for the University of Connecticut and the Connecticut State Universities under the Governor’s proposed FY 08 budget is *less than* their current services needs; funding for the Regional-Technical Colleges is just slightly above current service needs. The proposed increases do not make up for funding cuts made in the last recession, escalating costs for higher education, and the system’s burgeoning enrollment.

For example, while state investment in the *infrastructure* of the University of Connecticut has been impressive over the last decade – notably the \$2.3 billion UConn2000 and 21st Century UConn initiatives -- state investment in the operational costs of higher education has been far less. Since 1996, for example, the number of students enrolled at the University of Connecticut has increased by 44% while the number of full-time faculty has increased by just 15%. Ten years ago, the student-faculty ratio was slightly more than 14 to 1. Now it is more than 17 to 1, higher than at most peer universities. To address this troubling trend, the University of Connecticut is seeking \$22.5 million in increased funds over the next five years to add 175 more full-time faculty members to its full-time faculty of 1,180. While a not insignificant sum, it is no more than the revenues Connecticut stands to lose each year through the state’s new movie tax credit, through which Connecticut subsidizes movies made in the state. Repeal of the credit could finance the new faculty, should the General Assembly determine that the latter provides greater long-term economic benefit to the state.