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Report: Most of Governor's Education Aid Increases Would Come from Cuts to Town Aid

Shift from PILOT to ECS Would Distort Education Funding

As legislative committees face deadlines this month to take action on bills, an analysis of the Governor's education and municipal aid proposal finds that two-thirds of the Governor's proposed increase in Education Cost Sharing (ECS) aid to high-need school districts is funded from cuts to other municipal aid. The report by Connecticut Voices for Children, a research-based think tank, warns that cuts to municipal aid could lead to increased property taxes and that the proposed shifts from other municipal aid to education grants could distort local funding for education in ways that have little to do with the educational needs of towns or their capacity to pay for education.

"We appreciate the Governor's support for education," said Wade Gibson, Senior Policy Fellow at Connecticut Voices for Children. "But it would be better to use revenues raised statewide from those who can afford it, rather than shifting money from the tight budgets of troubled cities."

Among the findings of the report:

- **Less than one-third (29%) of the Governor's proposed ECS state aid increases to Alliance Districts is truly new state money.** The vast majority (80%) of the increase in the Governor's ECS aid proposal is targeted to Alliance Districts -- the thirty school districts that perform most poorly on Connecticut's standardized tests. However, most of the increased ECS funds are simply reallocated from other municipal aid grants that the towns were already receiving. In fact, because of shifts from other municipal aid, eight of the thirty towns that house Alliance Districts -- Bloomfield, Bristol, East Windsor, Killingly, Putnam, Winchester, Windsor, and Windsor Locks -- would receive no net state aid increase at all.
- **Cuts in flexible state aid to cities and towns would increase reliance on local property taxes and could lead to property tax increases.** The Governor's proposal would eliminate local funding from the state's Municipal Revenue Sharing Account and the Pequot-Mohegan Fund, cutting flexible state aid for municipalities that can be used for a variety of purposes. The proposal would also shift nearly all funds from the state-owned PILOT grant into the ECS grant. If towns spent all of these shifted municipal funds on education, they would lose

a total of \$223.6 million in flexible state aid. The Governor would also eliminate property taxes on motor vehicles, which would cost towns an additional \$633 million. To plug the budget holes that would be created by approximately \$850 million in lost revenues, towns would likely have to raise property taxes, which would hit low-income residents hardest.

- **The proposed shift of state-owned PILOT grant funds into the ECS grant would distort education funding in ways that have little to do with local educational needs or the capacity of those towns to cover educational costs.** The Governor would shift nearly all funds from the state-owned PILOT grant, which currently can be used for a variety of purposes – into the ECS grant. PILOT grants compensate towns with state aid for property tax revenues lost due to the presence of state-owned property in these towns. Shifting existing PILOT funds into ECS means that ECS increases to these towns would reflect the value of state-owned property in that town, rather than the capacity of the town to pay for school costs or what should be allocated through the ECS formula.

Connecticut Voices for Children recommends that the municipal aid budget should:

- Pay for education reform through other revenue measures, such as closing corporate tax loopholes, rather than by diverting other sources of town aid.
- Allocate ECS funds as required by the ECS formula, which is based on local needs and capacity, and avoid distorting education aid by shifting PILOT funds into education.

“State education aid should be based on the local needs of children and the town’s capacity to pay,” said Kenny Feder, Policy Fellow at Connecticut Voices and author of the report. “Shifting funds from other sources regardless of local needs undermines this basic principle.”

The Connecticut General Assembly’s Appropriations and Finance Committees face deadlines of April 23 and 24, respectively, to vote on legislation, including the Governor’s budget proposals.

The report, “The Impact of the Governor’s Proposed Municipal Aid Budget on Education, Towns, and Children,” is available on the CT Voices website at www.ctvoices.org. Connecticut Voices for Children is a research-based think tank that works to advance policies that benefit the state’s children, youth and families (ctvoices.org).

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