OLR RESEARCH REPORT

EDUCATION COST SHARING FORMULA

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You asked (1) what the formulas are for distributing Education Cost Sharing (ECS) grants to municipalities, (2) when the formula was established and when it was last changed, and (3) what the nature of the changes were.

SUMMARY

The basic ECS formula multiplies the number of students in each school district (weighted for educational 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 result is the district's ECS grant. The law then imposes various minimum and maximum grants and adds supplements for such things as population density and students attending regional school districts. The ECS formula was created in 1988 and substantially revised in 1995. It has been changed every year since 1988.

The legislature's most recent changes in the distribution formula were adopted in the 2004 session and apply to FY 2005 ECS grants. The 2004 changes basically sidelined the formula and distributed $40 million in increased ECS funding proportionately among towns based on the difference between their FY 2004 ECS grants and what their FY 2005 ECS grants would be if each town received its full ECS entitlement. The 2004 law also included a series of minimum grants.

ECS BASIC FORMULA FACTORS

The basic ECS formula uses three main factors: number of students, town wealth, and the foundation (theoretically, the minimum amount needed to provide an adequate education to an average student) (CGS § 10-261 et. seq., as amended by PA 03-6, June Special Session and PA 04-254).

Students

The ECS student count starts with the number of regular and special education students enrolled in public schools at town expense on October 1 ("resident students"). But, the ECS formula also recognizes that not all students are the same. Students who come from poor economic backgrounds or who lack proficiency in English cost more to educate because they need more services. The formula seeks to take this into account by weighting districts' resident student counts for educational need. It does this in three ways.

First, each student on welfare is counted an extra 25%. The student welfare count is fixed at the number on welfare in FY 1996-97. Second, each student who performs below the remedial standard on the state's 4th, 6th, and 8th grade mastery tests also counts an extra 25%. Third, students with limited English proficiency (LEP) who are not served by the state's mandated bilingual programs are counted an extra 10%.

The formula puts these together in a factor called "need students," which is calculated as follows:

Need Students = resident students + (.25 x mastery count) + (.25 x welfare count) + (.1 X LEP count)

In addition to the weightings for educational need, student counts are also weighted extra when a district's school year is extended beyond 180 days or if it provides tuition-free summer school.

Wealth

Each school district's wealth is determined by averaging the property tax base of its component towns and the income of their residents. The property tax base is the value of a town's taxable real and personal property at 100% of market value, averaged over three years. The

property tax base is measured on both a per-student (with the number weighted for need) and a per-capita basis. Income is measured on a per-capita and median-household basis and each town's income is compared to that of the highest-income town in the state.

The ECS wealth formula is as follows:

Income Adjustment = ((PCI/HPCI) + (MHI/HMHI))/2

Town Wealth = ((ENGL/Need Students) + (ENGL/Pop)/2) X Income Adjustment

Where:

ENGL = Equalized Net Grand List (3-year average)
PCI = Per Capita Income
HPCI = Highest Town PCI
MHI = Median Household Income
HMHI = Highest Town MHI
Pop = Total Population
Need Students = Resident Students weighted for educational need (see above)

Foundation

The foundation is the level of per-need-student spending that state aid helps towns achieve. Although originally intended as a measure of the minimum cost to adequately educate an average student, the foundation has been frozen for several years. For FY 2005, the foundation is $5,891. The foundation is the same for all towns. Freezing the foundation has reduced the state's annual costs for ECS grants.

BONUSES, SUPPLEMENTS, MINIMUMS, AND MAXIMUMS

Base Aid

The ECS formula is supposed to allow all towns to tax themselves at the same equalized rate to raise their relative shares of the foundation amount. The state makes up any difference up to the state guaranteed wealth level. That level is 55% above the wealth of the median town. The higher the guaranteed wealth level, the higher the state's share. Each

town's state aid percentage ("base aid ratio") is determined by comparing its wealth to the state guaranteed wealth level. The greater the town's wealth, the lower its base aid ratio. In 1999, the General Assembly set a minimum base aid ratio of 6%, thus ensuring that every town, no matter how wealthy, receives an ECS grant.

Supplemental Aid

In addition to their base aid, towns receive supplemental aid based on their concentrations of poor and remedial students. The maximum supplemental aid ratio is 4%. Any town that has more than 25% of its population aged 5 to 17 on welfare receives the full 4%.

Regional Bonus

Towns that are members of regional school districts receive a regional aid bonus of $100 per enrolled student for a K-12 region or a proportionate share of that amount for regions with fewer grades.

Cap

After each district's ECS grant is calculated according to the formula, the law has limited the year-to-year increases in aid. This constraint is called a "cap." From FY 1999 through FY 2004, the maximum annual increase has been 6%. Actual caps could be less than 6% because they are calculated based on wealth. If a town's wealth is at or below the 90th percentile, it has the highest cap (+6%). For FY 2005, caps are eliminated although they still affect FY 2005 grants because FY 2005 grants are based on prior years' grants (see below).

Density Supplement

The ECS formula also has a factor designed to send additional money to towns with high population densities. These towns tend to have a higher demand for a wider variety of municipal services. Any town whose population density is higher than the state average receives a supplement. The density supplement is not subject to the cap.

The density supplement was eliminated for FY 2004 but restored for FY 2005 and thereafter.

ECS FORMULA FOR FY 2005

Basic Grant

For FY 2005, the General Assembly established a special formula for calculating ECS grants. It requires each town's ECS grant to equal the ECS grant it received in FY 2004 grant plus 23.27% of the difference between its FY 2004 grant and its "full entitlement" (i.e., what its ECS grant would be in FY 2005, calculated as described above, but without any cap).

Minimum Grants

FY 2005 ECS grants are subject to several minimums. They are:

1. every town's grant must be at least 60% of its full FY 2005 entitlement;

2. no priority school district may receive less than $370 per resident student;

3. every town, except Winchester, must receive the greater of (a) its FY 2003 grant or (b) its FY 2004 grant plus 0.07%; and

4. Winchester must receive at least its full entitlement for FY 2003 (i.e., $6,646,668).

1989-1998 CHANGES

The ECS formula was enacted in 1988 to take effect on July 1, 1989. It was to be phased in over four years and be fully implemented in FY 1994. In 1995, the formula was completely revamped and a formerly separate special education grant was merged with ECS. ECS grants for 1995 and after are thus not comparable to those for previous years.

Since 1988, the General Assembly has adjusted the ECS formula or ECS grants in every session. Most of the changes served to reduce the state's costs and, given fiscal constraints, to reallocate available state aid to different kinds of towns.

1999 CHANGES

Base Aid Ratio

PA 99-217 set the base aid ratio at 6% instead of zero, ensuring that every town receives an ECS grant.

Foundation

The act raised the foundation by 2% from $5,775 to $5,891. This change increased aid to all towns.

Need Students – Poverty Weighting

The act froze the welfare count for the student need weighting at the number of students on welfare (whether under Temporary Aid to Needy Families or any predecessor welfare program) in FY 1997. Because of the drop in the state's welfare caseload, the 1997 number is larger than more recent caseloads. This change sent additional aid to poor communities by increasing their weighted student counts.

Caps

PA 99-217 raised the annual cap on aid increases from 5% to 6% for each year through FY 2003 and eliminated the cap entirely starting in FY 2004. (These changes were later delayed-see below.)

Stop-loss and Hold-Harmless

The act eliminated the minus 5% stop-loss and restored the hold-harmless for nonpriority districts, ensuring that no town received less ECS aid than it did the year before. (Priority districts already had hold-harmless protection.)

Density Supplement Hold-Harmless

PA 99-217 added a hold-harmless provision to the density supplement so no town's density supplement could fall below the supplement it received in the prior year even if its population or enrollment changed.

Priority District Alternate Minimum Grant

PA 99-217 added a third alternate minimum grant for priority school districts and made it and the two earlier ones permanent. In addition to requiring that priority districts receive grants at least equal to what they received the prior year and no less than 70% of what they would receive under the statutory ECS formula without the caps, PA 99-217 required them to receive at least the same per-student grant as in the previous year. The effect of the change was to increase aid to priority districts with rising enrollments.

Transitional District Minimum Grant

The act established a minimum grant for the 12 transitional districts (created in 1998) of no less than 40% of what they would receive under the statutory formula without the caps.

2000 CHANGES

PA 00-187 increased the ECS bonus for K-12 regional school districts from $25 to $100 per student and the bonuses for regions with fewer grades by a proportional amount. The proportional amount is the ratio of the number of grades in the district to 13.

2001 CHANGES

Grants to Capped Towns

PA 01-1, June Special Session, gave each town affected by the ECS cap a proportional share of $25 million for FY 2002 and of $50 million in FY 2003. Each town's share was based on the difference between its capped grant and its "target aid" (what its grant, excluding any density supplements, would be without the cap).

Minimum Grant Increase for All Towns

Under the act, for FY 2002, every town, whether or not it was capped, received a grant equal to at least its FY 2001 grant (excluding any density supplement) plus 1.68%. For FY 2003, the act required every town to receive at least its FY 2001 grant (excluding density supplements) plus 1.2%.

2002 CHANGES

PA 02-7, May Special Session required each town to receive at least as much ECS aid for FY 2003 as it did in FY 2002, thus eliminating any grant reduction that could have arisen from the requirement in the 2001 law to use 2001 grants as a base for calculating 2003 grants.

2003 CHANGES

Formula Factors

PA 03-6, June Special Session made several changes leading to reduced grants or postponements of grant increases. It:

1. extended the ECS foundation amount of $5,891 per student through June 30, 2005;

2. postponed elimination of the 6% cap on annual increases in town ECS grants until July 1, 2005 (In 2004, this was moved forward to July 1, 2004 – see above);

3. eliminated the ECS density supplement, (the density supplement was restored in the 2004 session – see above); and

4. eliminated hold-harmless provisions for priority school districts (in the 2004 session, a new priority district minimum grant was added – see above).

FY 2004 ECS Grants

The act:

1. distributed a $53 million "cap supplement" to capped towns in proportion to the difference between each town's capped grant and what its grant would be without the cap ("full entitlement");

2. reduced each town's grant, including the cap supplement, by 3%;

3. required grants to Bridgeport, Hartford, and New Haven to be at least equal to their FY 2003 grants, plus $1 million;

4. required grants to towns eligible for priority school district, transitional school district, or priority or transitional school district phase-out grants to be at least equal to their FY 2003 grants;

5. gave all towns except Bridgeport, Hartford, and New Haven a proportional share of any remaining ECS funds based on their ECS grant; and

6. gave every town the same ECS grant in FY 2005 as it received in FY 2004 (FY 2005 grants were adjusted in the 2004 session – see above).

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