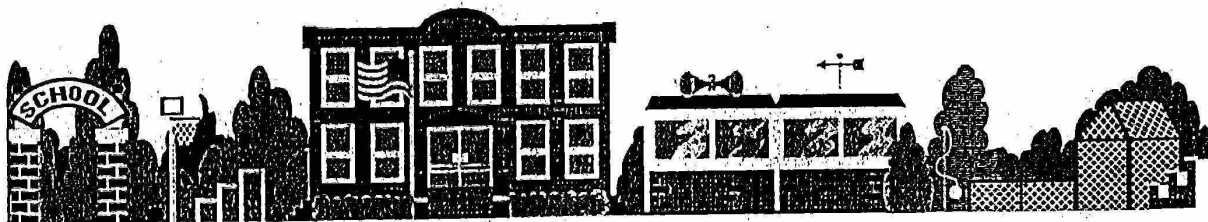




Task Force to Study the Education Cost Sharing Grant

Recommendations

February 2, 1999



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Introduction

February 2, 1999

In establishing the Task Force to Study the Education Cost Sharing (ECS) Grant, Governor Rowland issued the following charge:

"I am seeking your advice and counsel as a Task Force member, ... on the issue of "year-to-year growth of the state appropriation and stability and predictability of revenue for towns." I know that there is also interest in the town-by-town distribution, the formula factors, the data, accountability for student learning, local use of ECS funds, the Minimum Expenditure Requirement, and many other issues. Certainly, all these issues and perhaps others merit our consideration. However, I am asking that you focus your attention to the critical concerns of stability and predictability of state funding. If time allows and the Task Force has been able to make concrete recommendations on the issues of growth and stability, then please feel free to add some of these other topics to your workplan."

In keeping with its charge, during deliberations over five meetings since October 1998, the Task Force has focused its attention most heavily on ECS as the state's major school finance vehicle, but has also considered ECS in the context of total state support for education, particularly with regard to achieving an equal state/local partnership in funding. The place of categorical grants in the mix of Connecticut's long-term fiscal commitment was also a significant factor in the group's discussions.

A number of exhibits detailing trends and concerns regarding the various ECS formula elements were reviewed and follow-up analyses were prepared as requested by Task Force members. Also at the request of individual Task Force members, the group heard presentations and recommendations reflecting the viewpoint of some of the statewide organizations serving on the Task Force. Several ECS simulations were used to illustrate the potential impact of certain policy choices.

Finally, a questionnaire was distributed to each Task Force member to solicit their recommendations on the most important changes needed for ECS in particular and state funding of education in general.

Based on the results of that survey and the ensuing discussion of the responses, the Task Force makes the following recommendations. In doing so, we acknowledge that there are significant fiscal considerations that accompany the implementation of many of these choices and that continuous, consistent progress in achieving all of these goals will require a balance between the number of years of implementation, additional state funds needed, and issues of equity. We recognize that this balancing will yield progress that will seem too slow and too little to some, too fast and too much to others. With an understanding of that biennial (and annual) process including the Governor and General Assembly, the Task Force concluded that a complete set of recommendations will best serve the long-range "growth of the state appropriation and stability and predictability of revenue for towns." These recommendations should serve as clear policy directions to guide the future of state education funding.

I. Major Formula Directions

1. The cap on the growth in each town's ECS grant should be replaced by a phase-in program that begins in 1999-2000 and that results in the full funding by the end of the phase-in period.

After significantly reducing the impact of the cap:

2. The foundation level used in the formula should be increased biennially based on a cost index that is specified in statute and reflects the increasing cost of education and achieves the goal of educational expenditures at the 80th percentile town.
3. The State Guaranteed Wealth Level (SGWL) should be raised to provide a greater state share of the cost of the foundation to most communities. This increase should be incremental and should be phased in to the 2.0 level through a percentage-of-formula-aid methodology.
4. Because of the significant cost implications of these three recommendations, a phase-in program over several budget cycles, but not to exceed 10 years, should be implemented.

II. Major Policy Directions

5. The state should budget and appropriate sufficient funds biennially to demonstrate continuous progress toward equal state and local spending for education.
6. The Task Force recognizes the importance of categorical grants in achieving increased educational achievement and educational equity.
7. There should be a higher level of accountability on the part of all involved for improving student achievement.
8. There should be greater recognition and funding for school districts and schools attaining improved levels of student achievement with support for increased funding of the Student Achievement Grant.
9. The Minimum Expenditure Requirement (MER) should be restored to a per pupil basis that is relevant to the foundation (with annual growth). Provisions should be included to limit the short-term impact of transitioning back to a pupil-based program.

III. Data Recommendations

10. The current definition of need students should be modified to limit the impact of the decline in the poverty count due to the switch in the definition from Aid to Families with Dependent Children (AFDC) to Temporary Family Assistance (TFA), and all possible current ECS formula factors should be computed on the basis of a three-year rolling average to improve predictability and stability. In adopting the definition of need students, the Task Force recommends ceasing to use mastery test results, provided a better measure of need student can be achieved.
11. The present use of multiple property tax base and personal income measures to determine local fiscal capacity should be maintained.
12. The proposed conversion to the American Community Survey method during the 2000-2010 decennial census period should be evaluated to determine whether it will provide timely and appropriate income and child poverty data for ECS and other granting purposes. A study to develop alternative measures should be conducted by the Office of Policy and Management by 2001-03 if the American Community Survey system does not appear to meet Connecticut's needs.

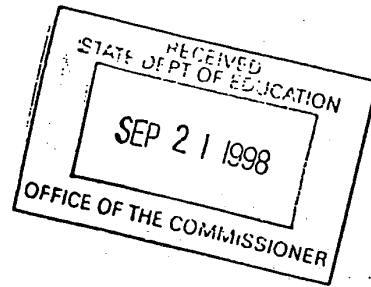
IV. Other Funding

13. The current stoploss provisions should be adjusted through minimum aid or hold harmless to improve the stability of funding to towns with declining formula aid, and every school district should receive minimum state aid per pupil.
14. The regional bonus concept should be expanded to regional efforts other than formal regional school districts, and the effectiveness of the current bonus as an incentive to regionalize should be evaluated.



JOHN G. ROWLAND
GOVERNOR

STATE OF CONNECTICUT
EXECUTIVE CHAMBERS
HARTFORD, CONNECTICUT
06106



September 17, 1998

Theodore S. Sergi
Commissioner of Education
Connecticut Department of Education
165 Capitol Avenue, Room 300
Hartford, CT 06106

Dear Commissioner Sergi

It is a pleasure to invite you to serve for the next few months to a Task Force to Study the Education Cost Sharing (ECS) Grant. As you know, the ECS grant is the single largest source of state revenue distributed to all 169 towns in our state. Its purpose is to support public elementary and secondary education, to reduce disparities amongst towns in their ability to pay and in their expenditures for school. The ECS grant is funded at \$1.3 Billion for 1998-99.

Since the last major study of ECS, the formula has been altered; particularly through the use of caps and stop losses in year-to-year grants to towns. The total public elementary and secondary school enterprise will spend over \$5 Billion this school year with about 42% estimated to come from state sources and 4% from federal and private sources – leaving approximately 54% from local revenues. The importance of this formula warrants re-examination.

I am seeking your advice and counsel as a Task Force member, please see membership attached, on the issue of “year-to-year growth of the state appropriation and stability and predictability of revenue for towns.” I know that there is also interest in the town-by-town distribution, the formula factors, the data, accountability for student learning, local use of ECS funds, the Minimum Expenditure Requirement, and many other issues. Certainly, all these issues and perhaps others merit our consideration. However, I am asking that you focus your attention to the critical concerns of stability and predictability of state funding. If time allows and the Task Force has been able to make concrete recommendations on the issues of growth and stability, then please feel free to add some of these other topics to your workplan.

I have asked Commissioner of Education, Theodore S. Sergi, to chair this Task Force and for his agency to provide the staff work. He will contact you within the week. He has attached to this letter some proposed meeting dates.

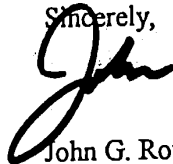
I am interested in a 10-year proposal for the ECS grant – in the context of projections of all other state aid and local education spending, and in the recognition of our need to meet our continuing challenge of Sheff vs. O'Neill. I personally favor some reasonable balance between general equalizing state aid (ECS) and targeted categorical grants (e.g., priority school districts, early childhood).

I have asked Chairperson Sergi to conclude your work and report to me by February 2, 1999; making it available for our consideration during the 1999 General Assembly session and for the next biennial budget.

It is important to me that you personally serve – without a designee or alternate. If you are unable to accept this appointment, please call Brenda Sisco, Assistant to the Governor, at 524-7338.

I look forward to your deliberations and recommendations. I will be receiving your materials and regular updates from Commissioner Sergi. Thank you.

Sincerely,



John G. Rowland
GOVERNOR

Attachments

**TASK FORCE TO STUDY THE
EDUCATION COST SHARING GRANT
SEPTEMBER 1998 – FEBRUARY 1999**

MEETING DATES

Tuesday	October 20
Tuesday	November 17
Monday	December 21
Tuesday	January 19
Tuesday	February 2

10:00 A.M. to NOON

Meetings to be held in:
Room 307
State Department of Education
State Office Building
165 Capitol Avenue
Hartford, Connecticut

TASK FORCE MEMBERS

Daria Plummer	President, Connecticut Education Association
Karen Pasquella	President, Connecticut Association of Boards of Education
John Weichsel	President, Connecticut Conference of Municipalities
Alan J. Chapin	President, Connecticut Council of Small Towns
Marc Ryan	Secretary, Office of Policy and Management
Brenda Sisco	Assistant to the Governor, Governor's Office
Theodore S. Sergi	Commissioner of Education
Craig E. Toensing	Chairperson, State Board of Education
Sen. Kevin B. Sullivan	Senate President Pro Tempore
Rep. Moira K. Lyons	Speaker of the House
Sen. M. Adela Eads	Senate Minority Leader
Rep. Robert M. Ward	House Minority Leader

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**Connecticut Conference
of Municipalities**



**Connecticut Education
Association**



**Connecticut Association of
Boards of Education**

February 8, 1999

The Honorable John G. Rowland
Governor of Connecticut
Executive Chambers
State Capitol Building
Hartford, Connecticut 06106

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Dear Governor Rowland:

Thank you for allowing us the opportunity to serve on the Task Force to Study the Education Cost Sharing (ECS) Grant.

A number of the principles that are embodied in the recommendations made to you by the majority of the Task Force members are critical to meeting the education finance needs of Connecticut. However, the majority report fails to recommend a sufficient commitment to enacting these and other needed changes in a timely manner.


Therefore, our organizations, united in a groundbreaking coalition, submit to you the enclosed minority report. This report provides a comprehensive and realistic blueprint for education finance reform in our state. In this minority report, we urge that the most basic reforms – uncapping the ECS grant and increasing the foundation – occur in two and three years, respectively, rather than over an entire decade.

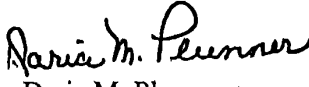
Other important differences between the coalition position, the Task Force recommendation, and the current-law ECS are detailed in the appendix to the minority report.


We look forward to working with you, the General Assembly and others in our mutual quest to ensure that education excellence and equity are a reality in Connecticut.

Again, thank you for the opportunity to participate in this Task Force.

Sincerely,


John Weichsel
President,
Connecticut Conference
of Municipalities


Daria M. Plummer
President,
Connecticut Education
Association


Karyn Pasquella
Immediate Past President,
Connecticut Association of
Boards of Education

Enclosure



Connecticut Conference
of Municipalities



Connecticut Education
Association



Connecticut Association of
Boards of Education

COMMON GROUND

ON

EDUCATION FINANCE

February 2, 1999

A minority report of the Task Force to Study the Education Cost Sharing Grant submitted to Governor John G. Rowland by the Connecticut Conference of Municipalities, the Connecticut Education Association, and the Connecticut Association of Boards of Education.

COMMON GROUND ON EDUCATION FINANCE

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If you have any questions concerning this report, please call Jim Finley or Ben Barnes of CCM at (203) 498-3000, John Yrchik of CEA at (860) 525-5641, or Patrice McCarthy of CAFE at (860) 571-7446.

February 1, 1999

Common Ground on Education Finance

The following are areas of substantial agreement between the Connecticut Conference of Municipalities (CCM), the Connecticut Education Association (CEA), and the Connecticut Association of Boards of Education (CABE) with regard to the need for a new or modified education finance formula:

Eliminate The Cap:

The cap on the ECS Grant is a major obstacle to a fully-functioning equalization aid formula and should be removed within 2 years. State aid payments to any city or town should be free to rise each year by as much as the ECS formula requires.

Raise The Foundation:

The foundation is the basic element in the ECS formula. It is meant to reflect the amount of money that is necessary to educate a student in Connecticut. The foundation should be set annually to equal to the 80th percentile of spending in the third prior year – a figure which is in line with current spending across the state and which is derived from the formula included in the original ECS legislation. By this standard, the foundation should be raised to \$7,250.

The \$7,250 figure is based on the state and locally funded portion (about 95%) of net current expenditures.¹ Since the foundation was adjusted upward to include special education costs, it is appropriate also to use a cost measure which includes such spending.

This foundation should be adjusted in each subsequent year as the 80th percentile rises.

The Minimum Expenditure Requirement Should Equal The Foundation:

The Minimum Expenditure Requirement (MER) – the amount a district is required to spend on education – should be equal to the foundation level times the number of needs students in that district. Additionally, communities may not cut total spending from one year to the next on a per-need-student basis. Communities now spending more than the increased foundation amount would have the option of using increased state aid to lower local property taxes. In determining whether school districts meet the MER requirement, net current spending (including special education) would be compared with the foundation amount, provided that if special education expenditures exceed a reasonable portion of total eligible expenditures, some portion of the excess spending on special education should not be counted toward the MER. This will assure a reasonable level of expenditures on regular education programs.

¹ Net Current Expenditures includes all education spending except spending for capital improvements, debt service and reimbursable transportation costs.

Student Need Should Be Based Primarily On Poverty:

The education formula should address the higher costs associated with educating children who come from poor families or face other specific challenges. This is done with a "need-student" calculation that provides additional state assistance for those students. This calculation should give more weight to students in poverty than the current formula, and should measure student poverty in a broad way that encompasses the working poor as well as those receiving public assistance.

The formula should give more weight to students in poverty than the current formula, which uses the number of children on Temporary Family Assistance (TFA, formerly AFDC) as a basis for measuring poverty. This measure is declining dramatically because of sweeping changes to welfare laws. A new measure, like one contemplated by the U.S. Census Bureau or the number of children eligible for free or reduced price lunch that include children of the working poor as well as those receiving public assistance, should be implemented as soon as possible. Until such an improved measure is available, the weighting for the existing TFA measure should be increased to offset the declines that are resulting from welfare reform.

The three associations disagree at this time on whether to use population density as an additional need-student weighting factor.

Minimum Aid Should Be Provided In All Communities:

Every school district should receive a specified amount of minimum state aid per pupil. The three associations disagree at this time on the amount(s) of minimum aid per pupil.

The Guaranteed Wealth Level Should Be Maintained:

The guaranteed wealth level, which ensures that property tax rates to support education will be no higher than the rate in the town with 1.55 times the median town's property wealth, should be continued at its current level.

The Wealth Measure In The Formula Should Reflect Income As Well As Property Wealth:

As in the current ECS formula, the wealth of each community for the purposes of calculating education aid should consider the income of town residents as well as property wealth, because the income of residents is an essential measure of that community's ability to pay property taxes.

The Regional School District Bonus Should be Increased:

The bonus for students participating in regional school districts should be increased to \$100 so as to provide a meaningful incentive to districts. The current bonus – up to \$25 per pupil – is too low.

Categorical Aid:

Categorical aid is a valuable tool for implementing state policy, but should not be a substitute for reform and enhancement of general education formula aid to municipalities.

Special Education Excess-Costs Grants:

The Excess-Cost Grant, which reimburses school districts for the extraordinary costs of the most expensive special education students, should be increased. This should be accomplished by lowering the threshold that triggers this reimbursement. The current threshold – five-times the local average per-pupil costs – is unreasonably high.

The Transition To A New Or Modified Formula Should Take Place Quickly And Minimize Local Disruption:

A new or modified education finance formula should be fully implemented within three years, with highest priority placed on the speedy removal of the cap on aid increases. No municipality should receive less in ECS aid under a new formula than it does this year under the existing formula. Similarly, no district should be allowed to decrease expenditure on a per-needs student basis. Communities required to increase local expenditures to meet the MER should be allowed to phase in this increase.



This ground-breaking agreement between CCM, CEA, and CABE on the above issues provides a blueprint for education finance reform.

Appendix: Comparison of Current-Law ECS, ECS Task Force Recommendation, and Common Ground Coalition Position

Formula Elements:	Current-Law ECS	ECS Task Force Recommendation	Common Ground Coalition Position: CCM, CEA and CABE
Foundation	\$5,775	80 th percentile expenditures (amount and expenditure measure unspecified)	80 th percentile Net Current Expenditures* (\$7,250)
Guaranteed Wealth Level	1.55 times the median town wealth	2.0 times the median town wealth	1.55 times the median town wealth
Cap	5% Cap on grant	eliminate over 10 years	eliminate in 2 years
Phase-in	not applicable	"Several budget cycles, not to exceed 10 years"	Two years for Cap, three years for foundation.
Minimum Expenditure Requirement	Based on prior year's MER plus new aid. "No-Supplant" provision added in 1998.	"A per-pupil basis that is relevant to the foundation"	Equal to a fully-funded foundation. Enables some aid increases to be used for property tax relief.
Wealth Measure	"Blended wealth" – income-adjusted	"Blended wealth" – income-adjusted	"Blended wealth" – income-adjusted
Income Adjustment	yes	yes	yes
Mastery weight	25% weighting for students below "remedial"	none	none
Poverty weight	25% weighting based on AFDC participation.	Use an improved measure to replace AFDC and mastery weighting	Use an improved measure to replace AFDC and mastery weighting
Regional bonus	Up to \$25 / pupil bonus for regional school districts	\$100 / pupil. Interdistrict programs eligible	\$100 / pupil bonus for regional school districts
Hold Harmless	5% stop-loss, hold-harmless for Priority School Districts	Yes	Yes
Minimum Aid	none	Yes, amount unspecified	Yes, amount unspecified
Special Education	Not included in Foundation or MER. Excess cost threshold set at 5-times average per-pupil spending for district placements.	Not addressed	Included in foundation and MER so that actual special education costs will be reflected. Excess-costs reimbursement threshold lowered.

* Net current expenditures includes all education spending except spending for capital improvements, debt service, and reimbursable transportation costs.
February 2, 1999

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February 2, 1999