School Finance in Connecticut
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CLOSING THE ACHIEVEMENT GAP is about improving teaching and learning, but it’s also about money: teachers and principals must be paid, books must be ordered, and facilities must be built. How our schools are financed can play a major role in student achievement. Where money comes from, how much is spent, and what it is spent on are issues that drive policy and energize stakeholders.

Connecticut’s school finance system aims to serve a noble purpose: ensuring that our schools, especially our historically underfunded urban schools, receive equitable amounts of state aid. In practice, our school finance system is a confusing hodgepodge that has built up over time. Twenty years of funding debates have not translated into improved student achievement for our neediest students. Our poorest districts now receive significantly more state aid than our richest districts, but the achievement gap between Connecticut’s poor students and their wealthier peers is the worst in the nation.

This brief will examine how our school finance system has evolved—and why it’s still under-serving our kids.
The Basics

The Terms of the school finance debate tend to center around how money is distributed. Should some municipalities receive more money than others? How much money do school districts really need? Does the school finance system reward improvement, incentivize failure, or maintain the status quo? In Connecticut and elsewhere, lawmakers and their constituents have struggled with these questions for decades.

Funding Sources

Nationally, funding debates often focus on the source of school funding. Since the 1850s, when New England states passed compulsory elementary education laws, the amount each source has contributed has varied widely. Only in the second half of the 20th century did the federal government begin to spend money on education. Curriculum and pedagogy is still almost entirely determined on the state or local level.

Federal Funding

Until the passage of the Elementary and Secondary Education Act (ESEA) in 1965, which directed federal funding toward school districts for the first time, the federal government played a miniscule role in local education. ESEA, which was renamed the No Child Left Behind Act in 2002, allocated money for schools with low-income students through its first section, known as Title I. In 2004, the federal government directed $12.3 billion to high-poverty schools via Title I funding. The Individuals with Disabilities in Education Act (IDEA), originally passed in 1975 and revised significantly in 2004, also directs federal funding towards special education. Overall, federal spending makes up an average of 9 percent of national elementary and secondary education expenditures. The 2009 American Recovery and Reinvestment Act will allocate about $100 billion in federal funds towards education. This one-time infusion will include $12.2 billion for special education and $48.6 billion sent directly to governors for state education.

State Funding

State governments vary in the amounts they contribute to local education, funding an average of 49.5 percent of total school spending. In the last three decades, to increase equity in funding across municipalities, many states have increased their share of local education spending. Under the No Child Left Behind Act of 2002, states are required to intervene in districts that fail to meet yearly progress goals, often providing additional funds for these districts in the form of support and technical assistance.
LOCAL FUNDING

Local sources provide the rest of school district budgets, averaging 41 percent of school funding nationally. Municipalities rely largely on property taxes to fund education; almost half of American property tax revenue goes towards education. “Local control” is a common rallying cry for those who are frustrated with an increased federal presence in education because of No Child Left Behind. Yet even ardent supporters of local control do not want to reduce the role of state and federal governments in paying for public education, given the daunting local property tax burden that many municipalities already face. Even as more of the education funding burden has shifted to the state and federal levels, decisions about how the money is spent tend to be made locally.

HOW MONEY IS SPENT

Once money is allocated for education, most of the debate about how it is spent occurs within districts. Districts spend the majority of their budgets on personnel costs: salaries and benefits typically account for at least 70 to 80 percent of all local spending. The remaining 20 to 30 percent of spending covers books, supplies, facilities, transportation, and central administrative staff. In large districts, ballooning central administrative staff costs can quickly inflate district budgets, but educator salaries and benefits are still generally districts’ fastest-growing expense. Most teachers union contracts include annual salary increases for teachers according to seniority, meaning that district education budgets must increase automatically each year to account for the salary and benefit increases.

EQUITY

The question of funding sources for education is closely linked to a debate about how much money we should spend on education. States rely heavily on local property taxes to fund education, but the amount of money that each town brings in from property taxes varies widely. In many states, this variation produces gaps in the amount of money that municipalities spend on education. It has also created a movement to increase fiscal equity across districts, particularly between urban and suburban districts. Equity, in this case, refers to the difference in per-pupil spending on education in urban and suburban areas; wealthier municipalities with more taxable property tend to have more revenue to spend on public education than poorer areas with fewer property owners.

ADEQUACY

In contrast to equity, adequacy refers to the minimum amount of money that it takes to “adequately” educate a student. Dollar-for-dollar equity in spending between urban and suburban schools may not be enough, advocates of adequacy argue, because poor students require so many more resources (after-school programs, extra tutoring time, breakfast at school, reading intervention programs). It takes more money to educate poor students to a given standard, and states should fund districts with more of these students accordingly, they say. Following this logic, states would funnel disproportionately more money to cities to pay for extra resources that poor children need.

Most state constitutions guarantee students the right to an adequate education, and lawsuits in 45 of 50 states have accused state government of providing inadequate education to urban students in particular, despite increased equity in spending. The adequacy discussion centers on a spending floor: how much money is enough to educate poor students, and where should that money come from?

To determine how much money would be “adequate” in urban districts, property-rich suburban districts with high student achievement are often used as a model. One prominent example of court-driven “adequacy” spending comes with the settlement of the “Abbott” case in New Jersey, resulting in per pupil spending levels greater than $20,000 among the 31 urban districts included in the settlement. But even a huge influx of state funding into urban districts cannot guarantee that poor students will be “adequately” educated. So far, no urban school district in America has successfully closed the achievement gap between poor and non-poor students.
Connecticut in Context

CONNECTICUT FOLLOWS NATIONAL SCHOOL funding patterns in some ways, but several unique factors have led to a particularly complicated school finance system. Connecticut ranks close to the bottom in the percent of school funding that comes from the state (39 percent, compared to a 49.5 percent national average). Nationally, the trend is toward increased state education funding, but Connecticut still relies heavily on local property taxes to fund schools. At the same time, Connecticut is third in the nation in average per-pupil spending—$13,151 in the 2006–07 fiscal year—trailing only New Jersey and New York. We also have a small and shrinking student population, with fewer than 600,000 children enrolled in public school. Despite low enrollment numbers, Connecticut is home to 166 individual school districts, many of which serve fewer than 1,000 children. Poverty is also highly concentrated in several of Connecticut’s cities, meaning that urban school districts enroll much higher percentages of poor children than do neighboring suburbs.

HISTORY

Connecticut’s school finance system is the product of 30 years of debates about equity and local control. In the landmark Horton v. Meskill lawsuit, decided in 1977, the Connecticut Supreme Court ruled that the state, in delegating responsibility for education to the towns, had failed to provide students in poorer municipalities with a high-quality education. Because of the Connecticut Constitution’s provision that all children will have “equal opportunity to receive a suitable program of educational experiences,” the court held that the education funding system as it existed was unconstitutional.

In 1977, property tax earnings varied widely between rich and poor towns: while the richest towns’ tax bases yielded about $170,000 in revenue per student, the poorest towns took in only $20,000 per student. As a result, poor towns spent much less on education—because they had so much less to spend. At the time, about 70 percent of education funding came from the local tax base, with the federal government chipping in 5 percent and the state funding between 20 and 25 percent of per-pupil costs. Because the state did not step in to fund a higher percent of the poor towns’ education budgets, schools in poor areas simply received fewer resources.

EDUCATIONAL COST SHARING GRANTS

As a result of the Horton v. Meskill decision, the state began to craft a solution that would make school funding more equitable. Instead of funding rich and poor municipalities at roughly the same rate, the new system (originally called the Guaranteed Tax Base formula and renamed the Educational Cost Sharing (ECS) grants in 1989) increased the state’s share of education funding overall. It also increased funding for poor students and those with limited English proficiency, among other factors, allowing more money to flow to districts with the neediest students.

HOW ECS WORKS

Since their inception, ECS grants have been the source of continuous debate. In 1989, the intent of ECS grant supporters was for the state to fund 50 percent of all education spending. Two decades later, the state funds 39 percent of public K–12 education, leading to frequent calls to “fully fund” ECS. Layers of changes to ECS over the years caused district grants to become so confusing that frustrated legislators have proposed bills with titles such as, “An Act Providing Information to the Public Regarding the ECS Formula.”

THE FORMULA

The state uses a per-pupil formula to determine the amount of money each school district receives through ECS, and the formula is key to understanding the ECS debate. The amount of money each district receives is based on the number of students in the district, the town wealth, and the foundation, or the minimum amount of money necessary to provide a student with an “adequate” education.

Districts receive more money for students who are poor or have limited English proficiency. These two categories are weighted based on how much more money it takes to educate these types of students, a calculation determined by the State Department of Education. Currently, districts receive 33 percent more per-pupil funding for poor students and 15 percent more per-pupil funding for students with limited English proficiency. Districts receive more money, therefore, if more poor and limited English proficient students are enrolled. These weighted student counts help the state fulfill the Horton v. Meskill requirements by distributing more money to areas with more poor students.

The second component of the formula is the town wealth calculation. In theory, this calculation provides wealthier towns with less state funding and poorer towns with more to make up for their lack of property tax revenue. The wealth calculation combines the town’s average property tax base and the town’s average income.

Each town receives a percent of the foundation aid based on the town’s wealth. The state contributes towards towns’ spending so that they can spend at least the “foundation” amount per student. Through the 2006–07 fiscal year, districts could receive a base foundation grant of up to $5,891 per student, but this number increased in 2007. Every town,
even the wealthiest towns, receives at least some money from the state. On top of the base aid, districts can also receive supplemental funding for a variety of reasons. For example, regional districts, or those made up of students from several neighboring towns, receive more per-pupil money depending on whether their regional schools serve elementary, middle, or high school students. Some districts also receive supplemental funding based on their poverty level, and a density supplement distributes more aid to more densely populated towns. As a result, the wealthiest districts receive much less state aid than the poorest districts. In the 2008-09 budget, districts in the wealthiest “district reference group” received $11,011,176, while districts in the poorest group received 66 times that, or $729,319,535. For example, Bridgeport received over $164 million in its ECS grant in 2008-09, while wealthier Fairfield received about $3.6 million (Bridgeport received $7,483 per pupil while Fairfield received $367 per pupil).

**RECENT CHANGES TO ECS**

In 2007, Governor M. Jodi Rell worked with legislative leaders to prioritize ECS funding, resulting in an increase in the highest possible foundation grant by 67 percent, from $5,891 to $9,687 per student. In addition, a “hold harmless” provision requires that districts always receive at least as much money, in real dollar amounts, as they did in the previous fiscal year. This provision means that the actual application of the formula is almost always superseded by a legislative appropriation awarding every town a fixed percentage increase over the previous year’s allocation. Still, stakeholders spend extraordinary amounts of energy competing for changes to the formula that will benefit individual towns, turning school funding into a zero-sum game.

**WHAT IT MEANS FOR CITIES AND TOWNS**

The ECS formula generally ensures that poorer communities receive more state aid than richer communities. For example, in 2008, New Haven received $7,366 per-pupil from its ECS grant, which made up 45.7 percent of its overall per-pupil spending. The nearby town of Milford received much less, $1,384 per pupil, which made up only 12 percent of the district’s overall spending. Not only do fewer students live in Milford than New Haven, but fewer of them are low-income and Limited English Proficient. Milford’s per-capita income is much higher than New Haven’s ($28,882 compared to $16,393), while the median household income in Milford is twice that of New Haven ($61,183 compared to $29,604).

The ECS formula generates political controversy, however, because of the differences in allocations for each municipality. Local elected officials take heat from constituents who want to know why a neighboring town receives a larger ECS grant—and the disputes about grant increases can overshadow substantive questions about spending efficiency.

**OTHER SOURCES OF STATE EDUCATION FUNDING**

In addition to the ECS grants, Priority School District grants are distributed to nineteen Priority School Districts that serve the highest percentage of students in poverty. These grants provide targeted funding for programs that serve children in poverty. They are not incorporated into the ECS formula but are instead distributed through a separate state budget line overseen by the State Department of Education. Other districts with smaller percentages of poor students, the 50 Competitive School Districts, can also receive supplemental funding if they apply for grants.
Beyond Equity and Adequacy

IN THE 30 YEARS since the debate over school finance began in earnest, we’ve changed what school looks like for many Connecticut children. In our urban centers, families can choose which public school their children attend, crossing neighborhood and sometimes even district boundaries, choosing from public charter and specialized magnet schools to meet their children’s needs. Although fewer Connecticut kids are attending a neighborhood school, our funding system has not adjusted to properly deal with the reality of school choice.

INCREASED EQUITY

Since the implementation of the ECS system in 1988, Connecticut’s cities have received increasingly large transfers of state money, and per-pupil spending in most urban districts matches or exceeds the state average. Districts with the least amount of property tax revenue contribute roughly the same percentages of their total revenue to education as districts with more revenue to spend. Overall, per-pupil spending in Connecticut cities rivals spending in suburbs. New Haven, for example, spent slightly more per pupil than wealthy Fairfield ($13,883 per pupil in New Haven compared to $13,576 per pupil in Fairfield). But while ECS has increased equity, Connecticut’s school finance system has not adapted to the new ways that education is provided. Our school finance system relies heavily on local property taxes, despite increasing numbers of students who leave local districts to attend schools of choice, whether charter, magnet, technical or other district schools through the state’s Open Choice program.

At the same time, towns find themselves bearing an ever-increasing burden for education spending as property values stagnate and education costs continue to rise.

FUNDING AND SCHOOL CHOICE

An increasing number of students statewide, particularly those living in and around urban centers such as Hartford and New Haven, attend magnet schools, charter schools, technical high schools, or Open Choice schools, with many more students on waiting lists. But our current funding system limits school choice. One way to examine the complexity of school choice funding is to focus on magnet and charter schools, among the highest-profile choice options.

Public charter schools do not receive any funding from ECS grants. Instead, they are funded entirely through a separate line item in the state budget. In most cases, when families choose to send their child to a charter school, that student remains in the ECS student count for the district because “hold harmless” provisions prevent readjustments in the ECS formula. In effect, the district continues to receive funding for the charter student, and the state often ends up paying twice to educate one child.

Further, the charter school line item provides only 70 percent of the state per-pupil average to charter school operators, who must either make do with fewer resources or try to make up the difference with donations. This funding gap—and the fragility of line items in the budget—means that charter schools must fight each year for enough funding to remain open.

The Sheff v. O’Neill lawsuit against the state—ongoing but originally decided in 1996—was brought to court by a group of Hartford families who argued that Connecticut’s racial isolation had negatively impacted the quality of their children’s schools. After the court decided in favor of the plaintiffs, the state was required to set aside funding to reduce racial isolation in Hartford-area schools, and many Hartford-area magnet schools were born. Magnet schools are funded from a combination of money from sending districts, receiving districts, and a separate magnet line item in the state budget. Magnet schools face similar funding battles to public charter schools.

Connecticut now spends over $100 million on magnet schools and nearly $50 million on charter schools annually. Students attending magnet schools are weighted slightly less in the ECS formula, meaning that sending schools lose 25 percent of ECS per-pupil funding for magnet students. Districts continue to receive most of their ECS funding for charter and magnet students, however, even though the state funds these students separately through the charter and magnet line items.

The current funding system limits geographic choice, as well. Despite the physical proximity of many of our small state’s 166 districts, our funding system discourages travel across districts because funding streams would not follow children to a school in a neighboring district.

EFFICIENCY IN SCHOOL SPENDING

Connecticut spends more money on education than almost any other state in the country, and our teachers are among the highest-paid in America. The gap in spending between our city and suburban districts is among the smallest in the country. The “adequacy” of our current spending level is debatable, but relative to the rest of the country it is clear that Connecticut spends more money than most states, and it is relatively equally distributed.

Equitable spending among urban and suburban districts has not translated into equitable achievement, however. Connecticut has the nation’s largest achievement gap between poor and non-poor students. State resources flowing into our urban schools are much greater than
they were 30 years ago, but the outcomes have not improved: only 12 percent of Bridgeport tenth-graders read at grade level, compared to 87 percent of students just 10 miles down the road in Westport.44

The widening achievement gap despite increased funding for urban education points to a need for efficiency: we’ve increased inputs to school districts, but how do we improve outcomes? The question is relevant not only in Connecticut but nationally, as well. In the recent Gates Foundation funded report “Facing the Future: Financing Productive Schools,” researcher Paul Hill writes, “Like an outdated computer, our school finance system was not built to support today’s work: making sure all students learn what they need to be competent, productive adults.”45

Attempts to ensure greater efficiency in the way we finance schools are likely to bring with them a fair amount of controversy, but it is clear that getting education right in Connecticut means getting school finance right. Instead of debating the particulars of the current funding formula, we need to fundamentally re-imagine our school finance system. That will mean building on gains made in equity and adequacy with a new focus on how to more efficiently use the $8.6 billion we spend annually on our K–12 school system—so that we can finally reach the goal of “Great Schools for All.”

Notes


5 The federal government contributes an average of 9 percent of Connecticut education funding. The state contributes an average of 49.5 percent and local revenue therefore accounts for an average of 41 percent.


8 Data is available at http://ftp2.census.gov/govs/school/06f33pub.pdf. Ranking completed by the author and Natasha Ushomirsky of the Education Trust.

In contrast, Rhode Island has only 41 districts, while Delaware has 37.

The Connecticut Department of Education has a statutory responsibility to provide students with a “suitable program of educational experiences.” More information is available at the State Department of Education’s website, http://www.das.state.ct.us/Digest/Digest_2005/Education,%20State%20Department%20of.htm, accessed on April 20, 2009.

The wealth formula includes both the “income adjustment” and the “town wealth.” Income adjustment is the town’s per capita income divided by the highest town per capita income in the state plus the median household income divided by the highest median household income in the state. This number is then divided in half. “Town wealth” is composed of the three-year average of the equalized net grand list divided by the student count weighted for need plus the equalized net grand list divided by the town’s total population, divided by two. This number is then multiplied by the income adjustment.

The base aid ratio is a comparison of the town’s wealth to the state guaranteed wealth level (55% above the wealth of the median town). The minimum base aid ratio was set at 6 percent in 1999. Therefore, even if the ECS formula calculates a zero grant, the state requires that a minimum grant supplant it.


Milford received a total of $10,296,397 in ECS grants in 2008, with an average per-pupil count of 7,439 students. The district spent an average of $11,662 per pupil, according to Milford’s Strategic School Profile, available at http://www.csde.state.ct.us/public/der/ssp/dist0607/dist052.pdf (accessed on April 20, 2009).
Compared to 6,305 students who qualify for federal Title I poverty funding in New Haven, only 584 students qualify for Title I funding in Milford. While 333 students with limited English proficiency attend New Haven public schools, 189 attend school in Milford.

Milford received a total of $10,276,359 in ECS grants for 2007–08, while New Haven received $128,491,056.

As an additional complication, the state formula makes a determination about whether a community has made sufficient effort in financing education, known as the minimum budgetary expenditure requirement. The requirement has resulted in grant disparities between, for example, Bridgeport and Hartford.


Urban families can choose to send their students to suburban schools through the state’s Open Choice program. More information is available at the State Department of Education’s website at http://www.sde.ct.gov/sde/cwp/view.asp?a=2681&Q=320444, accessed on April 20, 2009.

Though ECS student counts are in theory readjusted annually to reflect student movement out of districts, “hold harmless” provisions mean that the counts have not been adjusted in practice.

In the 2006–07 school year, the most recent year that data is available, charter schools received $8,000 per pupil in state funding, while the state spent an average of $11,558 per pupil. For more information, see “State Budget Funds Key Programs for Closing Achievement Gap,” ConnCAN, June 2007, available at http://conncan.org/matriarch/MultiPiecePage.asp_Q_PageID_E_101_A_PageName_E_NewsRelease062607.


CONNCAN

THE TWIN ACHIEVEMENT GAPS—BETWEEN the rich and poor students in our state and between all of our students and their peers around the world—are the most urgent social and economic problems facing Connecticut.

In the tradition of Connecticut’s great advocacy movements—from the Connecticut Woman Suffrage Association to Harriet Beecher Stowe and the abolitionists—the Connecticut Coalition for Achievement Now (ConnCAN) is an advocacy organization building a new movement of concerned Connecticut citizens working to create fundamental change in our education system.

ConnCAN is a platform for citizens to effectively voice their concerns. Through public communication, research and policy work, community outreach and legislative advocacy, ConnCAN does the legwork so that Connecticut citizens can effectively speak up for kids.

We will not rest until every child in our state, regardless of race, ethnicity, or socioeconomic status, has access to a great public school.

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