

Horton v Meskill 1977

- State Constitution Article 8: Section 1: There shall always be free public elementary and secondary schools in the state. The general assembly shall implement this principle by appropriate legislation.
- State Constitution Article 1: Section 1: All men when they form a social compact, are equal in rights; and no man or set of men are entitled to exclusive public emoluments or privileges from the community.
- State Constitution Article 1: Section 20: No person shall be denied the equal protection of the law nor be subjected to segregation or discrimination in the exercise or enjoyment of his civil or political rights because of religion, race, color, ancestry or national origin.
- Title 10 CGS: Education: Section 10-4a: Educational interests of state identified. For purposes of sections 10-4, 10-4b and 10-220, the educational interests of the state shall include, but not be limited to, the concern of the state that (1) each child shall have for the period prescribed in the general statutes equal opportunity to receive a suitable program of educational experiences; ...

Horton v Meskill 1977

Summary of Key Data Issues

- State Aid = \$250 Flat Grants per Student
- Share of Costs: Local - 70% State - 25% Federal - 5%
- Property Wealth per Pupil: Highest Town - \$170,000 Lowest: \$20,000
Highest Town = 8-1/2 Times Lowest Town
- Poorest towns were spending 35% less than wealthiest towns but had tax rates 2-1/2 times higher than wealthier towns.
- Court concluded that the disparity in fiscal capacity, coupled with the Flat Grant formula, created an unfair education funding system.

Guaranteed Tax Base (GTB) Formula

- The GTB grant was the legislative response to Horton v Meskill. It was in effect from 1979 through 1989.
- GTB elements were comparable to ECS in many respects but differed in a few key components.
- Town Wealth: Equalized Net Grand List (ENGL) Per Capita adjusted by the Per Capita Income (PCI) of the town compared to the highest town's income
- Town Tax Effort: Local tax dollars used for education as a percentage of a town's ENGL adjusted for the town's PCI as compared to the highest town's PCI
- Student Need: Students educated at the expense of the town plus 50% of the count of children meeting the definition of poverty
- State Guaranteed Wealth Level (SGWL): Set at a level such that about 95% of all towns qualified for some state aid. Minimum aid level remained at \$250 per pupil.

GTB and the Education Enhancement Act

- 1987 through 1989 marked the final three years of GTB and the three-year teacher salary initiative called the Education Enhancement Act (EEA)
- In the final year (1988-89), these two programs paid out over \$760 million in education aid --- \$592 million in GTB aid and \$168 million in EEA funding
- The new Education Cost Sharing (ECS) Grant in 1989-90 combined the funding for these two programs into the single equalization formula that with several key modifications evolved into the current grant

5

Major ECS Formula Components

- Foundation
- Resident Students
- Poverty Weighting
- Mastery Weighting
- Town Wealth
- State Guaranteed Wealth Level (SGWL)
- Capping / Phase-In
- Hold Harmless / Minimum Aid

ECS Base Formula

- Foundation X
- Need Students X
(Resident Students +
Poverty Weighting +
Mastery Weighting +
Other Minor Weighting)
- Base Aid Ratio =
(100% Minus Town Wealth
as a Percentage of State
Guaranteed Wealth Level--
Minimum Aid Ratio = 6%)
- ECS Base Aid

Foundation

- Original Statutory Definition: Per pupil regular program expenditures of the town including the 80th percentile student when all towns are ranked in spending from high to low using three-year-old data
- Basis for the definition: Data showed that figure would approximate the spending level of the town at the 25th percentile in the current year. A goal of the foundation was to raise the lowest spending towns at least to the level of the 25th percentile town.
- The original ECS study committee data indicated a foundation target of \$5,600 at the end of a four-year initial phase-in period before implementing the 80th percentile definition.
- Cost considerations at the time resulted in a \$4,800 phase-in target by 1992-93, the fourth year of ECS.
- In 1993-94, the first year the 80th percentile figure was to be used, the foundation would have been just under \$6,000 (\$5,972).
- The jump from \$4,800 to \$5,972 would have increased ECS by some \$300 million and would have boosted the Minimum Expenditure Requirement (MER) by \$600 million, of which half would have had to come from town tax bases.

Foundation

● Annual Foundation Amount: 1989-90 through 2006-07

89-90	\$3,918	95-96	\$5,711	01-02	\$5,891
90-91	\$4,192	96-97	\$5,711	02-03	\$5,891
91-92	\$4,486	97-98	\$5,711	03-04	\$5,891
92-93	\$4,800	98-99	\$5,775	04-05	\$5,891
93-94	\$4,800	99-00	\$5,891	05-06	\$5,891
94-95	\$4,800	00-01	\$5,891	06-07	\$5,891

● Phase-in period: 1989-90 - 1992-93 \$4,800

● Special Education folded in: 1995-96 \$5,711

● Foundation increased by 1.1%: 1998-99 \$5,775

● Foundation increased by 2%: 1999-2000 \$5,891

● Total increase since completion of phase-in period in 1993 discounting special education adjustment: \$180 3.75%

Foundation

- Foundation growth since 1995-96 compared to other common education spending measures:

	<u>1995</u>	<u>2005</u>	<u>% Change</u>
● Foundation:	\$5,711	\$5,891	Less than 4%
● Net Current Exp. Per Pupil (NCEP):	\$7,424	\$10,682	44%
● Regular Program Exp. Per Pupil:	\$5,941	\$8,120	37%

Student Counts and Weighting

- Resident Students: Students enrolled in public schools at the expense of the town of residence
- Includes resident students in local schools, students sent out to other school districts, regional districts, RESCs and other placements on a tuition basis
- Until 1995 special education students were not included in the count but were added that year when the special education grant was folded into the ECS formula.
- Small amounts of weighting are added to the resident count for extended school year and free summer school programs. (Less than 1% impact)
- Low enrollment growth in recent years and projected going forward tends to keep a district's ECS aid fairly flat with all other factors being equal.
- Resident Students comprise 94% of Total Need Students -- the weighted count ultimately used in the actual ECS formula.

Student Counts and Weighting

Resident Student Enrollments Over Time

<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>
456,000	508,000	550,000	565,000

● 24% growth 1990 to 1995; 11% 1995 to 2005; 3% 2000 to 2005

● Annual growth rate less than 1-1/2% since inception

Annual growth rate just over 1% since 1995

Annual growth rate less than 1% since 2000

Projected annual flat or slightly down at least through 2015

● **Enrollment growth will not drive ECS growth through at least 2015.**

Poverty Weighting

- Children aged 5 to 17, inclusive, eligible under the Temporary Family Assistance (TFA) Program
- Data (1996-97 TFA counts) has been frozen since the 1998-99 ECS grant year, because a narrower definition in the eligibility rules produced drastically lower poverty counts in succeeding years.
- Formula calls for 25% of each town's TFA count to be included in Total Need Students. GTB used a 50% weighting factor for Student Poverty.
- Poverty weighting accounts for less than 3% of the Total Need Student count used in the grant calculation. (16,961 out of 600,895)
- 62% of poverty weighting is concentrated in ERG I towns; 82% is concentrated in ERGs H and I combined.
- Poverty weighting accounts for \$75 to \$80 million in ECS formula aid; about 75% is concentrated in ERG I towns and over 90% in ERG H and ERG I.

Mastery Weighting

- ECS increases its measure of student need based on performance on statewide mastery tests.
- Using test results averaged over three years to reduce the risk of large swings in the data, the percentage of all tests below the remedial standard is applied to the town's resident student count to approximate the number of students deemed in need of additional resources.
- The resulting count is added to Total Need Students at a weighting factor of 25%.
- Like poverty weighting, mastery weighting accounts for less than 3% of the Total Need Student count used in the grant calculation. (16,950 / 600,895)
- 42% of mastery weighting is concentrated in ERG I towns; 64% is concentrated in ERGs H and I combined.
- Mastery weighting accounts for less than \$70 million in ECS formula aid; about 60% is concentrated in ERG I towns and 80% in ERG H and ERG I.

Poverty versus Mastery

- While poverty data has been frozen at 1996-97 figures, the mastery weight has been declining steadily since that time.

Year	TFA Poverty Weight	Mastery Weight
1995	16,774	22,324
2000	16,961	19,838
2005	16,961	16,951
% Change	1.1%	-24%

- ***Given the above pattern, neither of these factors will be a driver of ECS funding growth going forward.***

Other Student Weighting

- Limited English Proficiency (LEP) Weighting was added to ECS in 1995.
- Weight is 10% of a town's LEP count. It adds 979 students to the Need Student count -- less than 2/10 of 1% of Total Need Students.
- Impact on formula aid is about \$5 million (3/10 of 1% of ECS aid), about 80% of which is targeted to towns in ERGs I and H.
- Supplemental weighting (the sum of TFA, Mastery, Extended School Year and Free Summer School weights) was incorporated into the formula in conjunction with a supplemental aid ratio to drive additional aid to the neediest towns at a time when total ECS was essentially being kept flat.
- This provision accounts for only about \$3.4 million of total ECS, about 2/10 of 1%.

Town Wealth

- Town wealth determines the percentage of the Foundation a town receives in ECS formula aid for each of its Need Students.
- Two factors drive this factor: one is property wealth, the other is income.
- Property wealth is measured by a town's Equalized Net Grand List (ENGL) which is the town's tax base adjusted using actual property sales.
- Data for a three-year period is averaged to lessen the impact of any single-year jumps or drops in a town's ENGL. Two, three and four-year-old data are specified in statute based on availability at the time of the ECS calculation.
- GTB measured property wealth on a per capita basis, and prior to 1995 ECS measured property wealth on a per student basis.
- In 1995 the definition was changed to average the two measures, creating a blended definition that is 50% weighted by ENGL per capita and 50% weighted by ENGL per need student.

Town Wealth

- If ENGL is the measure of taxable wealth, income is the measure of ability to pay the taxes levied.
- Income has been used to adjust ENGL dating back to the original GTB formula.
- Per Capita Income (PCI) from the U.S. Census Bureau was used in the GTB formula and was the sole income measure in the ECS formula until 1995.
- In 1995 Median Household Income (MHI) was incorporated so that the income adjustment is now based 50% on PCI and 50% on MHI.
- The adjustment is made by reducing a town's ENGL based on its PCI and MHI as percentages of the highest town's figures.
- U.S. Census updates of income were available every two years during GTB, but updated estimates between decennial censuses are no longer produced. As a result, income data can be up to 10 years old (currently 1999 data from the 2000 Census).

Town Wealth

- Town wealth calculation works as follows:
- Town A and Town B have the same average ENGL: \$5,100,000,000

Other Data:	<u>Town A</u>	<u>Town B</u>
Population	108,000	59,000
Need Students	20,000	7,500

Town A: $(\$5.1 \text{ Bill.} / 108,000 + \$5.1 \text{ Bill.} / 20,000) / 2 = @\$151,000$

Town B: $(\$5.1 \text{ Bill.} / 59,000 + \$5.1 \text{ Bill.} / 7,500) / 2 = @\$383,000$

- On a unit basis, weighting property wealth per capita and property wealth per need student equally, Town A has less than half the equalized wealth of Town B.

Town Wealth

- Town wealth calculation works as follows:
- Town A and Town B have the same unit wealth after dividing ENGL by Population and Need Students and taking the average: 300,000

Other Data:	<u>Town A</u>	<u>Town B</u>
Per Capita Income	21,000	43,000
Median Household Inc.	43,000	80,000
% of High PCI (82,049)	26%	52%
% of High MHI (146,755)	29%	55%

Town A: $(\$300K \times 26\% + \$300K \times 29\%) / 2 = @\$ 82,500$

Town B: $(\$300K \times 52\% + \$300K \times 55\%) / 2 = @\$ 160,500$

- After the income adjustment, Town A with comparable property wealth to Town B but different income data appears to have 1/2 of Town B's fiscal capacity.

Town Wealth

State Guaranteed Wealth Level (SGWL)

- The final piece of the wealth component of the ECS formula is the SGWL, the measure against each town's wealth number is compared to determine what percentage of the foundation it will receive from the state and what the local share will be.
- Unlike certain other state grants which used a fixed percentage scale based on each town's wealth rank from 1 to 169, ECS calls for a single standard against which the actual wealth number for each town is measured.
- The SGWL has been set at 1.55 times the median town's wealth since 1995. The multiplier was originally planned to be 2 in the original formula but was set at 1.8335 in the first year of ECS and was reduced in the early 90s before settling at the current 1.55.
- ***The SGWL is virtually the sole determinant of what the overall state share of the ECS foundation will be.***
- Since 1995 the median aid percentage has been about 35%, and the state share of the foundation has been around 43-45%. The higher share results from the larger urban districts having the most students and the highest aid percentages.

Aid Percentage Table at Various SGWLs

SGWL Multiplier Impact on Aid Percentages

Multipliers	1.55	1.65	1.75	1.9	2
Average Percentage for All Towns	35.8%	38.2%	40.5%	43.6%	45.6%
169th Ranked Town (Neediest Town)	89.5%	90.2%	90.7%	91.4%	91.9%
127th Ranked Town (25th Percentile)	56.2%	58.8%	61.2%	64.3%	66.0%
85th Ranked Town (Median: 50th %ile)	35.5%	39.4%	42.9%	47.4%	50.0%
43rd Ranked Town (75th Percentile)	6.0%	6.3%	11.6%	18.6%	22.7%
1st Ranked Town (Wealthiest Town)	6.0%	6.0%	6.0%	6.0%	6.0%

Note that the neediest town's rates move very little because they appear needy even with a low SGWL. Towns in the middle (25th to 75th percentiles) are impacted most.

Minor Formula Elements

- Regional Membership Bonus: Was \$25 per student from 1989 to 1999 and was increased to \$100 beginning with 2000-01 ECS
- \$100 per student multiplied by the number of regionalized grades divided by 13 (e.g. High School Region: 4 / 13 K-12 Region: 13 / 13)
- Pays out about \$2.5 million -- less than 2/10 of 1% of total ECS aid
- Density aid: Distributes about \$5.5 million to towns in the top half of all towns based on population density.
- Density aid rates run from 0 to a little more than 6/10 of 1%, with the rate being applied to the foundation times total need students.
- Supplemental aid is the product of the supplemental need student count, the foundation and an aid percentage from 0 to 4% determined by district wealth and performance.
- Supplemental aid also distributes about \$5.5 million of total ECS, most of which goes to the neediest towns qualifying for the highest rate.

Capping and Phase-In Provisions

- Capping differs from phase-in in that it limits growth without a timetable to reach full entitlement level.
- ECS had a four-year phase-in period from 1999 to 1993 working toward a foundation of \$4,800.
- Beginning in 1995-96 when formula changes calculated significant increases for many towns, ECS growth was limited by imposing a cap on grant increases. Effects of the cap remain today.
- Capped aid has been as high as \$160 million (1999-2000) and will be about \$52 million in 2006-07 under current law.
- The cap is generally structured so that neediest towns have been eligible for the largest rate increases.
- Traditionally, the cap would impact poor and mid-wealth towns since they were most likely to be due for aid increases, but the minimum aid provision -- 6% or about \$350 per need student -- created a new group of more affluent cap towns because the rules limited their growth as well.
- Of the \$52 million capping impact still in effect, about \$8 million is due to these minimum aid towns; the other \$44 million to all other capped towns.

Hold Harmless/Stoploss/Minimum Aid

- These terms refer to provisions that guarantee eligible towns a specific level of funding regardless of the result of the formula calculation.
- In one form or another they have been a part of ECS and its predecessor GTB from the beginning.
- Included in the various types of guaranteed funding provisions are the following:

Minimum aid per student

Minimum aid percentage

Minimum annual increase

Specified dollar increase

No aid reduction allowed

Limit on aid reduction allowed

- In 2006-07 under current law, 89 towns will receive \$136 million in ECS aid above their calculated formula entitlements.

Closing Thoughts

- The failure of the foundation to grow over time is the single biggest problem with the ECS formula.
- Flat enrollment takes some pressure off -- allowing the focus of new aid to be on other areas of the formula .
- Student weight should not rely indefinitely on a frozen dataset from 1997, and multiple weighting factors may be unnecessary.
- Income data updates only available every 10 years.
- The State Guaranteed Wealth Level is the factor that drives the state share.
- The cap is worse than it appears because of the low foundation.
- The opposite is true of the "hold harmless."
- Different programs are aided at different per pupil rates--why?
- Minor formula elements would be unnecessary if the base formula were more effective.