



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
EDUCATION COMMITTEE

March 9, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

Governor's Bill 830 "An Act Concerning the Governor's Recommendations Regarding Education"

This bill would implement certain portions of the Governor's proposed biennial budget by, among other things, level funding the Education Cost Sharing grant, postponing the effective date for the in-school suspension mandate, and capping education grants at the level of appropriation.

The Governor's proposal to flat-fund major education grants, coming at a time of great budget turmoil, was a courageous one. Her proposal demonstrates sensitivity to the great impact education funding has on local budgets. The cost of local public education is by far the largest one in municipal budgets – about 70% of those budgets, statewide. Although it is a big and tempting target for those looking to cut the state budget, reductions in ECS and other education grants would be devastating. The result would be layoffs and cuts in education programs across the state – classes would be larger and education would suffer. Moreover, property taxes would skyrocket. Flat-funding of major education grants won't keep up with inevitable increases in local education costs, but in this current economic climate, and with so many competing demands, Governor Rell's leadership in supporting education funding and reducing unfunded mandates is critically needed to maintain the quality of local public education and help reduce property tax pressures throughout Connecticut.

BACKGROUND: EDUCATION FUNDING

According to the U.S. Census, Connecticut's towns and cities bear a larger financial burden for public education than do municipalities in any other state. The cost for public primary and secondary education across the state for the current school year will exceed \$9 billion, and municipal property taxpayers already will:

- Finance approximately 54% of that amount (\$4.9 billion).
- Pay about 64¢ of every \$1 raised in property taxes toward K-12 public education.
- Pay for at least \$840 million (56%) of the State's \$1.5 billion in special education costs.
- Pick-up the bill for numerous other state-mandated education priorities that are not fully funded by the State.

Any reductions to the major education funding streams to towns and cities will exacerbate the current fiscal crisis occurring on the local level. Even under the Governor's proposal, the state's share of the statewide cost of local public education, presently 41% will drop to 39.6%.

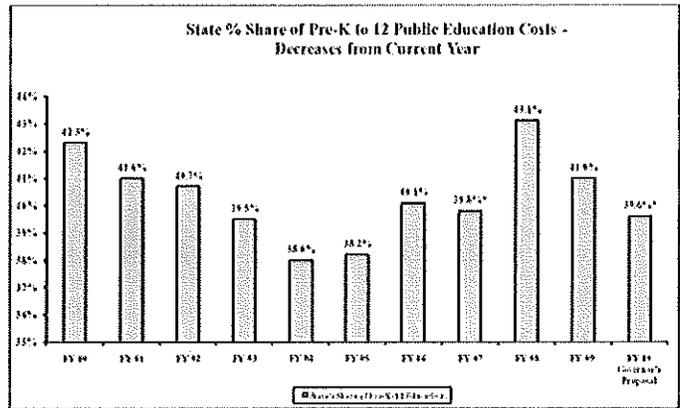
The quality of Connecticut's educated workforce is one of the key assets in attracting and retaining businesses. A first-rate education system – and education finance system – is vital for Connecticut's prosperity and quality of life. State law limits municipalities primarily to the property tax for revenue, and if State education aid is reduced, they are forced to raise property taxes, cut other vital services, or both - which they have been doing already in responses to the economic downturn. Local property taxes cannot shoulder an increased share of K-12 public education costs.

While Connecticut has a long history of local control of public schools, it is the State that has the constitutional responsibility to ensure that all children, regardless of where they live, receive equal access to quality public schooling.

A full discussion of the state of education funding in Connecticut is in the attached CCM Public Policy Report: *K-12 Public Education: The State Of The State And Local Partnership*.

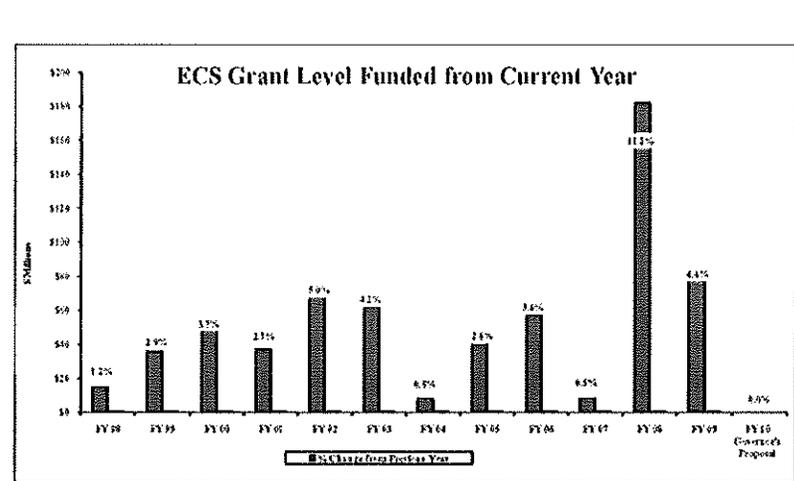
EDUCATION COST SHARING (ECS)

The Education Cost Sharing (ECS) grant is the largest state grant to local governments, and the principal mechanism for state funding of regular education and the base costs of special education programs (equal to the foundation spending level set in statute) in Connecticut.



Note: State's share of education grant adjustments into the Teacher Retirement Fund, State's contribution to Health Service Cost, Health Affairs Health Insurance Cost, and School Construction Fund are included.

Source: Department of Education, Governor's Budget Proposal, and CCM, February 2009



Source: Department of Education, Governor's Budget Proposal, and CCM, February 2009

If it had been fully funded this fiscal year (08-09), ECS would be \$2.6 billion. The actual phased in ECS grant for 2008/09 is just under \$1.9 billion, about 34% of the \$5.6 billion foundation level spending statewide. This means that 66% of the foundation spending level statewide already comes from local revenue sources.

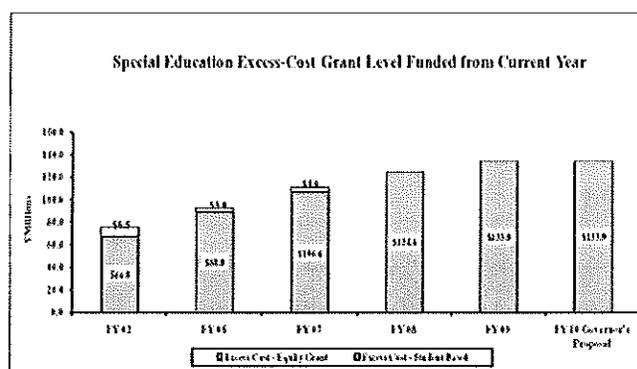
ECS was originally intended to fund about half of total education costs. In 2006-07, ECS aid accounted for less than 30% of such expenditures given actual local spending.

- ECS reforms adopted and phased-in beginning in 2007-08 increase that figure to 32%, and if fully funded would result in a State share of these costs at or above 43%.
- Nevertheless, after accounting for inflation, today 1 in 4 municipalities still receives less per pupil in ECS aid than under the \$250 per pupil flat-grant funding system that was determined to be unconstitutional in 1977.

SPECIAL EDUCATION

With special education expenditures now topping the \$1.5 billion mark, the local share at around 56% will soon reach \$1 billion. Special education spending accounts for 14% of all education spending in Connecticut and costs keep growing faster than other school spending (5%-6% vs. 3%-4%). Complicating matters, unforeseen demands for the most expensive special education services too often result in local mid-year budget shuffling, supplementary appropriations, and other extraordinary measures. This is particularly true in smaller towns where the arrival of a single new high-cost special education student during the school year can create a budget crisis.

The Excess Cost Grant (Student Based) provides a circuit breaker once the expenditures for a student exceed a certain level—currently 4.5 times the per pupil spending average of the district. The state grant pays for all costs in excess of that figure. The threshold varies from town to town because of spending differences, and for most towns, falls somewhere between \$40,000 and \$70,000. Proposals to reduce the threshold factor from 4.5 to a lower level would allow the state grant to pick up more of these high costs, relieving some of the local burden. Also the reliance on individual town per pupil spending to set the thresholds results in a wide disparity in the amount of out-of-pocket costs for towns. Higher spending towns end up with the highest contribution rates before state aid is triggered. A single threshold per pupil dollar amount, perhaps equivalent to the foundation level for all towns set at the low end of the range would address this and increase the state share of these costs.



Note: The Excess Cost-Student Based grant is a new program that will be phased in over time by the Department of Education and is subject to additional state funding. For both equal and student based grants, the amount of state funding is based on the total cost of special education for a student in excess of the local share of the total cost. For both equal and student based grants, the amount of state funding is based on the total cost of special education for a student in excess of the local share of the total cost. For both equal and student based grants, the amount of state funding is based on the total cost of special education for a student in excess of the local share of the total cost.

Source: Previous Budgets, Governor's Budget Pages 4, and CEM, February 2005.

Even in these tough fiscal times, the State should make every effort to reduce the threshold. As special education costs continue to rise, maintaining the threshold factor at 4.5% means higher local costs, an impact on funds available for regular education, and higher property taxes.

IN-SCHOOL SUSPENSIONS

This bill would also delay implementation of Public Act 07-66, which requires schools to do in-school suspensions unless a student poses a threat or danger to other students or faculty. The costs associated with this mandate for staffing, administrative and facilities would deplete already limited education funding. The delay in the implementation date will provide municipalities an immediate savings on costs associated with

housing such students on-site during their suspension periods and allow municipalities more time to implement a long-term plan for meeting the intent of the law.

CCM estimates that implementing the mandate would cost towns and cities from \$9,000 per year (small town) to \$4.5 million per year (city). The average cost per student is approximately \$197.

This mandate should not just be delayed, it should be repealed unless full state funding is provided for it. At the very least, the Committee should clarify that the purpose of the postponement is to secure state funding to reimburse towns and cities for costs associated with the mandate.

CAPPING GRANTS AT THE LEVEL OF APPROPRIATIONS

The bill would cap reimbursement for numerous funding streams to municipalities – *special education, health services, transportation; adult education, bilingual programs, minority recruitment, school readiness, charter schools, magnets schools* – at the level of appropriations.

CCM understands the dire fiscal straits in which the State finds itself, but we want to underscore that capping reimbursements for grants such as Special Education will inevitably shift costs to local governments. For many years the General Assembly would come back later in the fiscal year and make supplemental (“deficiency”) appropriations to grant programs to make sure municipalities were reimbursed according to statute. The trend away from this in recent years is part of the reason for the increasing local share of the cost of public education.

SUMMARY

CCM applauds the Governor for making education funding a priority in her budget proposal and we urge the General Assembly to do the same. *The State must meet its funding obligations to Connecticut's schoolchildren and school districts even in the face of budget challenges.* To continue to transfer State budget problems to towns and cities and their property taxpayers is unfair. It shortchanges Connecticut's future. Whether in ECS, special education reimbursements, categorical grants or school construction, it is critical that the State accept and meet its constitutional responsibility, identify the necessary revenues, and provide municipalities, school districts, and our more than 650,000 public school children with the resources they need in good times and bad to ensure the quality of our public schools now and in the future.

State funding of K-12 public education is an investment in Connecticut's greatest resource — our youth. It is a wise and critically needed investment even during the most difficult of economic times.

##

If you have any questions, please contact me, Jim Finley, Executive Director and CEO for CCM, or Kachina Walsh-Weaver, Senior Legislative Associate, at (203) 493-3000.

Attachment

CCM PUBLIC POLICY REPORT

K-12 PUBLIC EDUCATION: THE STATE OF THE STATE AND LOCAL PARTNERSHIP



January 2009

Public Policy Report

K-12 PUBLIC EDUCATION: THE STATE OF THE STATE AND LOCAL PARTNERSHIP

January 2009



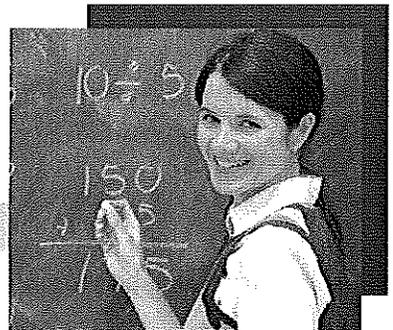
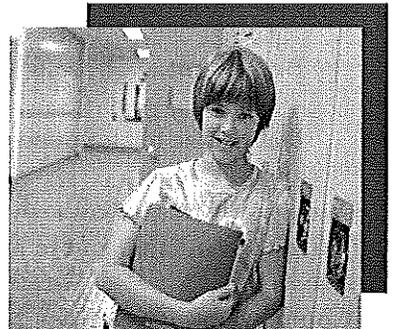
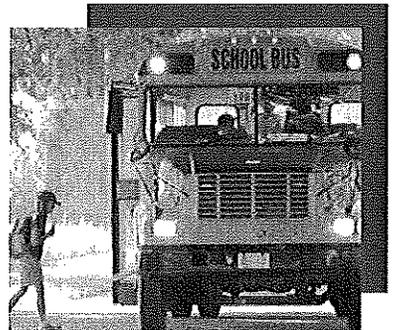
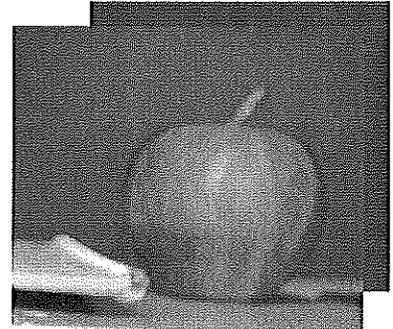
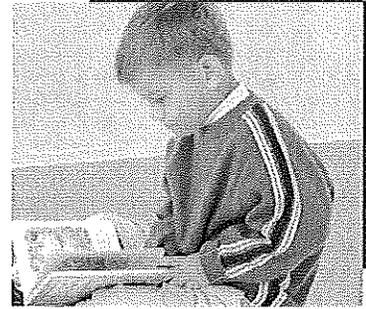
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If you have any questions concerning this CCM public policy report please contact Jim Finley, Executive Director and CEO; Gian-Carl Casa, Director of Public Policy and Advocacy; or Kachina Walsh-Weaver, Senior Legislative Associate, at (203) 498-3000.



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STATE-LOCAL PARTNERSHIP FOR EDUCATION

What Are The Major Issues?

This document is meant to educate state and local policymakers, other public servants, citizens and the media about Connecticut's education finance system. It should serve as a useful primer for anyone seeking to better understand Connecticut's K – 12 public education system.

OVERVIEW

In Connecticut, the State's share of pre-school and K–12 public education costs is too low. According to the U.S. Census, Connecticut's towns and cities bear a larger financial burden for public education than do municipalities in any other state.

The cost for public primary and secondary education across the state for the current school year will exceed \$9 billion, and municipal property taxpayers will:

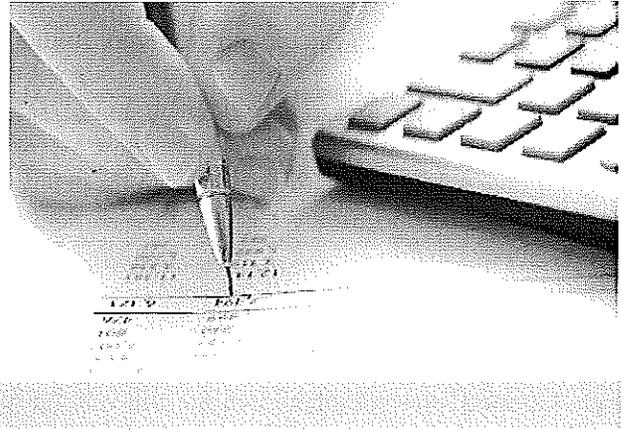
- Finance approximately 54% of that amount (\$4.9 billion).
- Pay about 64¢ of every \$1 raised in property taxes toward K-12 public education.
- Pay for at least \$840 million (56%) of the State's \$1.5 billion in special education costs.
- Pick-up the bill for numerous other state-mandated education priorities that are not fully funded by the State.

The quality of Connecticut's educated workforce is one of the key assets in attracting and retaining businesses. A first-rate education system – and education finance system – is vital for Connecticut's prosperity and quality of life. State law limits municipalities primarily to the property tax for revenue, and when municipalities do not receive adequate State education aid, they are forced to raise property taxes, cut other vital services, or both. Local property taxes cannot continue to shoulder the lion's share of K-12 public education costs.

Connecticut's cities and towns bear a larger financial burden for public education than do municipalities in any other state.

Source: U.S. Census of Governments, 2006.

For Connecticut to compete economically with its neighbors and the world, the State must increase and sustain its financial commitment for K–12 public education, even during tough financial times. For over 30 years, court decision after court decision has ordered the State to do so in order to meet state constitutional requirements.



HISTORY

Connecticut has a long history of local control of public schools. At the same time, it is the State that has the constitutional responsibility to ensure that all children, regardless of where they live, receive equal access to quality public schooling.

Meeting Connecticut’s education needs is accomplished through a system under which local governments operate public schools – and local property taxpayers pay for them – with the assistance of state aid and a small contribution from the federal government. State aid comes through a number of different grants intended to address various public policy decisions and priority needs in K-12 public education.

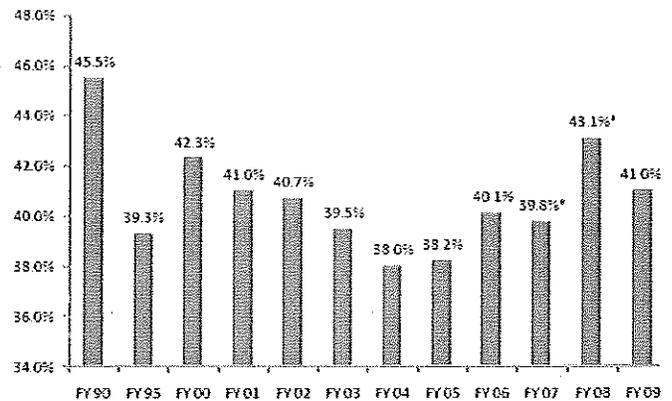
The local share of education expenditures is financed through local property taxes. Because property tax bases differ enormously among towns, a critical function of state aid is to “equalize” the ability of towns to pay for public schools that provide students with opportunities for educational excellence.

Three decades ago in *Horton v. Meskill*, the court decreed the State must distribute education aid in a manner that would make up for disparities in local property tax bases. At that time the grand list per pupil of the wealthiest town was 8 times greater than that of the poorest town. Now it is 23 times greater. **The greater the disparity in property wealth becomes, the greater the need for additional state aid to try to balance the scales.**

STATE AND LOCAL SHARES OF EDUCATION COSTS

An equal partnership between state and local revenue sources has been a longstanding goal of the CT State Board of Education (SBOE). In 1989-90, the State’s share of the total education costs reached 45.5%, the closest it has ever come to that goal. Over the years since then the State’s share has fallen well below that mark -- to as low as 38.0% in 2004-05.

State % Share of Pre-K-12 Public Education Costs



For 2008-09, CCM estimates the State’s share will be 41%. In 2005-06, the latest year for which data is available,

Connecticut ranked 45th in the nation for state share of K-12 education funding. While the goal of a 50/50 partnership remains far off, any movement toward that mark is important because new state dollars reduce dependence on

property taxes and lessen the inequity inherent in that dependence.

While the State has invested heavily in school construction over the past decades, and has begun to fund the Education Cost Sharing (ECS) grant reform program enacted in 2007 (discussed in more detail further on in this document), these measures have yet to produce marked progress toward an equal state-local partnership.

Although municipal officials and educators are pleased that the State has attempted to increase support for local public education, there is still a long way to go. Connecticut's schoolchildren are still waiting for the State to fulfill the promises it made in the late 1980s when the Equalized Cost Sharing (ECS) grant began and the State Board of Education set out its 50-50 goal: (To) "increase state aid for education so that the state will pay at least 50% of the total statewide expenditures."

The Governor's Task Force to Study the Education Cost Sharing Grant reiterated this goal in 1998 when, in the final report, *the Task Force recommended, "the State should budget and appropriate funds biennially to demonstrate progress toward equal state and local spending for education."*

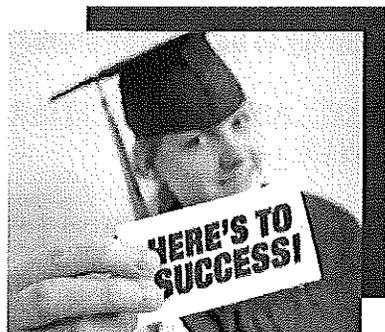
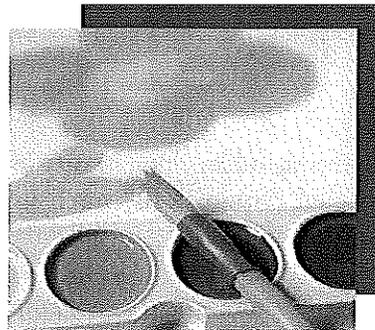
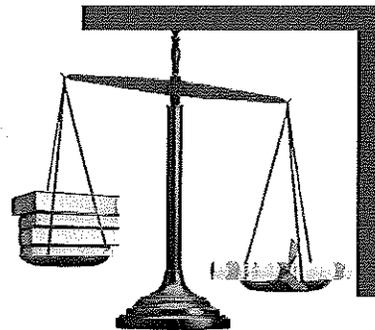
EDUCATION REVENUES

While the State has multiple sources for revenues -- personal income tax, sales tax, business taxes, fuel taxes, utility taxes, gaming revenues, and user fees -- municipalities are almost entirely limited to the property tax to raise funds to meet public service needs. Property taxes account for about 69% of all municipal revenue.

For the last decade, municipalities have been forced to eliminate or reduce other municipal services because the rise in education costs has out-paced growth in property tax revenue. In many communities, the general government -- non-education -- side of municipal government has gotten smaller over the last decade.

- *Since 1994-95, the average growth in the property tax base has been 1.9%, while education expenditures have increased between 2.5% and 6% annually.*

Towns and cities have had no choice but to cut back on other municipal services and raise property taxes.



¹This share includes school operations, pupil transportation, adult education, debt services, payments to the teacher's retirement fund, and facilities/capital expenditures.

²US Census Bureau, Governments Division, Public Education Finances, 2006

MAJOR STATE FUNDING COMPONENTS OF K-12 PUBLIC EDUCATION

Because of the importance and high costs of schools, the financing of K-12 public education has long been a central topic of public debate in our state. Within this broad topic are several critical pieces of state funding each of which is subject to scrutiny in its own right.

How Connecticut's state government lives up to its obligations in these critical areas will determine whether public schools have the appropriate resources to achieve the lofty goals set for them by the State Board of Education, the General Assembly, our state constitution and the federal government.

◆ **EDUCATION COST SHARING (ECS)**, the largest state grant to local governments, and the principal mechanism for state funding of regular education and the base costs of special education programs (equal to the foundation spending level set in statute) in Connecticut;

◇ *Please see page 6 for details on this major component of K-12 education funding.*

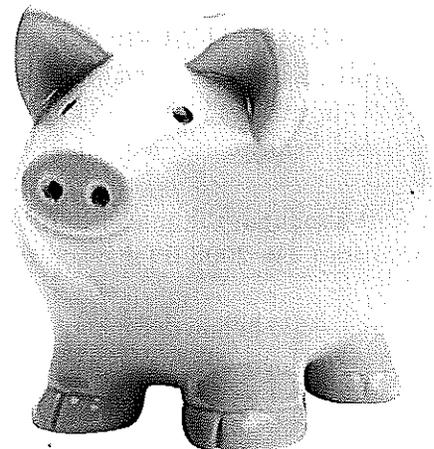
◆ **SPECIAL EDUCATION**, the single largest cost accelerant of education spending in Connecticut. It is estimated that special education costs grow 5%-6% per year, 1%-2% faster than most other education costs. How, and at what level, the State reimburses municipalities for these mandated costs is one of the hottest state-local issues.

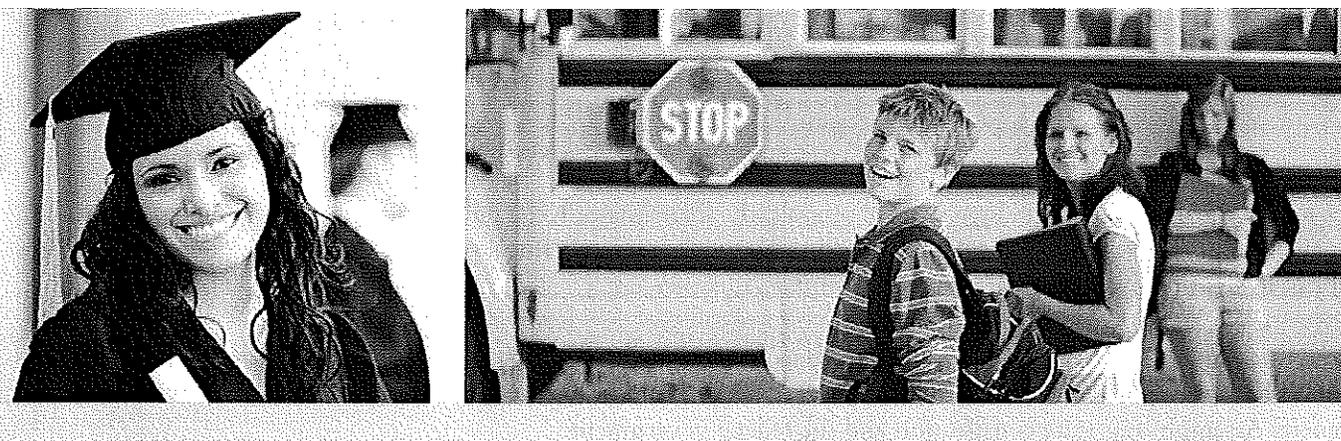
However, often overlooked in this debate is the fact that special education is first and foremost a federal mandate that originally came with a promise of substantial federal funding -- promises that have fallen woefully short of expectations despite some increases in recent years. While the skyrocketing costs of special education should not be falling upon local shoulders, any effort to address this problem should not look solely to the State Capitol but must look beyond to Congress.

◇ *Please see page 10 for details on this major component of K-12 education funding.*

◆ **TARGETED ASSISTANCE**, and other categorical aid programs account for over \$400 million (about 15%) of the State Department of Education (SDE) budget. These include such programs as school transportation, priority school (neediest) districts, adult education, school readiness, child nutrition/meals, youth service bureaus, vocational agriculture, magnet schools, charter schools, and many others. State funding for some of these programs, magnet and charter schools in particular, have grown substantially over the past decade. Some, like transportation, are available to most school districts, while others, like school readiness and priority grants are targeted for the state's needier districts.

Funding for magnet schools now exceeds \$120 million and continues to grow. These schools, largely a product of relatively recent state desegregation efforts, rely extensively on state support, supplemented in many cases by tuition provided by sending towns. Some magnets are operated by town school districts, but many are operated by Regional Education Service Centers, which are school districts in their own right and eligible to receive operating grants directly from the state.





Charter schools are also relatively new in Connecticut. They operate independently as an alternative to public schools with their own board, and receive most of their funding from the state charter school grant, now totaling about \$41 million. Charter schools also receive proportional amounts of other targeted state and federal grants since their students would otherwise be entitled to benefit from those programs had they remained in their local school districts. The urban school districts within which the charters operate are also responsible for providing pupil transportation, special education services, and certain other costs.

❖ *Please see page 11 for details on this major component of K-12 education funding.*

◆ **SCHOOL CONSTRUCTION**, which has been especially important to enable Connecticut to rebuild its educational infrastructure to accommodate rising enrollments, the growing importance of educational technology, and the refurbishment of aging buildings. The state commitment to school construction has run in the billions of dollars over the past decade. Equalized so that property and income poor towns receive higher percentages of state support than other towns, this program currently costs the State in excess of \$600 million annually.

The State also funds 100% of interdistrict magnet school costs and makes available construction funding for charter schools. Municipalities, however, must be able to find suitable land for new buildings, manage the complexities of design and construction processes, and bond their share of costs, all of which have proven to be challenging in many communities.

❖ *Please see page 11 for details on this major component of K-12 education funding.*

◆ **OTHER MAJOR PROGRAMS**, which carry considerable costs, but do not involve direct payments to municipalities, are the CT Technical High School (CTHS) system and Teachers' Retirement. Over \$130 million in the SDE budget goes for CTHS operations, but the total annual cost with fringe benefits (paid by the State Comptroller) and facility construction is closer to or in excess of \$200 million.

The State also funds the annual contribution to the Teachers' Retirement Fund, an expense that would otherwise fall to towns. For 2008-09 that contribution is well over \$300 million.

The combined ½ billion dollar cost of these two programs should not be overlooked in the complete picture of state education funding. All these costs are counted toward the State share of K-12 public education costs.

The Education Cost Sharing (ECS) grant is the State's largest general education assistance grant. If fully funded in 2008-09, ECS would be \$2.6 billion. The actual phased-in ECS grant for 2008-09 is just under \$1.9 billion, about 34% of the \$5.6 billion foundation level spending statewide. This means that 66% of the foundation spending level statewide still must come from local revenue sources.



THE EDUCATION COST SHARING (ECS) GRANT

The Education Cost Sharing (ECS) grant is the State's largest general education assistance grant.

- ECS was originally intended to fund about half of total education costs. In 2006-07, ECS aid accounted for less than 30% of such expenditures given actual local spending.
- ECS reforms adopted and phased-in beginning in 2007-08 increase that figure to 32%, and if fully funded would result in a State share of these costs at or above 43%.
- Nevertheless, after accounting for inflation, today 1 in 4 municipalities still receives less per pupil in ECS aid than under the \$250 per pupil flat-grant funding system that was determined to be unconstitutional in 1977.

To distribute ECS funds to municipalities, the State uses a complex formula that is based on the (1) number of students in each town, weighted for poverty and other factors that tend to increase education costs (2) the property wealth and income in each town; and (3) the foundation, which represents the cost of educating an individual student. Initially developed in 1988, ECS has been modified numerous times by the General Assembly in the years since in ways that have significantly limited its effectiveness and the cost to the State. **The ECS funding formula has never been fully funded and implemented as designed [see Appendix B], and as a result, has paid out billions of dollars less to towns and cities than it would have.** This gap in funding over the years has shifted an undue funding burden onto local property taxpayers.

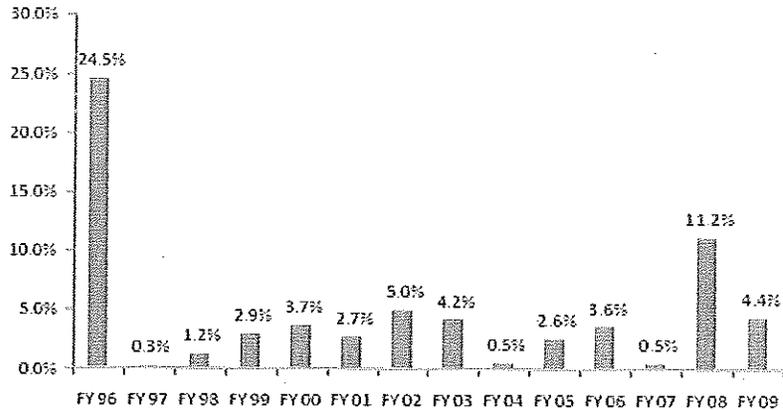
MAJOR ISSUES WITH ECS

- **THE ECS CAP** – An artificial threshold above which education grants to towns cannot exceed. For many years ECS was hampered by various legislatively-enacted capping provisions that limited a town's grant increase from year to year. Most recently, the ECS cap took the form of a sliding scale from 0% to 6% that permitted the neediest communities to receive increases of up to 6%, but capped most towns at increase rates much lower than that. Under this type of cap not only were most towns unable to receive the aid amount calculated based on their needs, a number of towns had cap percentages so low that they were prohibited from reaching their target aid levels indefinitely.

This ECS cap was supposed to be eliminated in 2007, but the State Department of Education has yet to post the funding data for towns that would verify this. From FY 1995-96 through FY 2006-07, a total of \$1.2 billion were capped from municipalities that should have received those funds via the ECS grant, while another \$637 million was paid out in hold harmless (stop-loss) funds to other municipalities above what the formula said they should receive. The net result of all this: a net loss in state aid over the years of \$528 million.

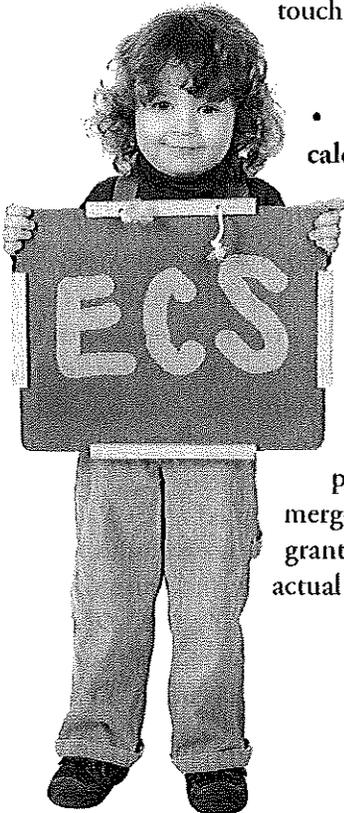
The billion-dollar plus ECS increase resulting from the revised formula was originally proposed to be phased in over 5 years, from 2007 through 2012, an average annual increase of about \$200 million. So far, over 2 years, \$260 million (about 26%) of the \$1 billion increase has been paid to towns. This leaves about \$750 million of the target increase to be implemented in the years ahead.

ECS Grant Increases Over Last Decade



Source: CT Office of Fiscal Analysis, January 2008

If the current pace is maintained, full phase-in will take 6 more years. But if the current economy results in a significant drop in the pace of the phase-in, it could take much longer. While a phase-in program is a reasonable way to implement such a large increase, if extended over too long a period of time, it can become as penal and disqualifying as the ECS cap had been. This is particularly true in this instance because the current ECS reform package is basically catching the formula up to where it should have been in 2007. The longer the phase-in period, the further out of touch with real needs ECS will become.



- **THE FOUNDATION** - The per-pupil figure on which the ECS calculation is based.

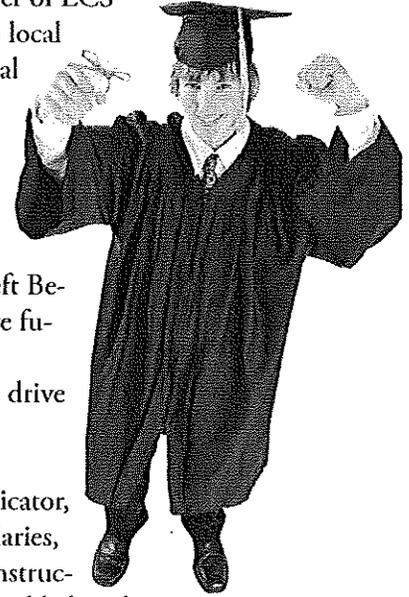
In the original formula, the foundation was used to adjust to costs each year, starting in 1993-94. That way, as actual costs rose, the foundation – and each town’s ECS grant – would rise as well.

In practice, the foundation remained significantly below actual costs. Between fiscal years 1993-94 and 2006-07 the foundation went from \$4,800 to \$5,891, nearly \$4,000 behind actual education spending. Even worse, approximately \$900 of the increase occurred in 1995-96 to accommodate the merger of ECS with the previously separate special education reimbursement grant. In reality the foundation only grew by \$180 over that 13 year span while actual education costs rose by nearly \$4,000 per pupil.

The failure of the foundation to keep pace with costs devastated the efficacy of the ECS formula. Even though needier towns have the highest aid ratios, the foundation gap erodes the equalizing power of ECS because towns of moderate or low fiscal capacity are least able to fund the gap with local property tax revenues. Their only options are to underfund schools (or other critical local services) or overburden local property taxpayers.

ECS reform in 2007 brought the foundation up to \$9,687, a figure closer to the average per pupil expenditure. Nevertheless, that figure is not based on any sound rationale of what it costs to provide appropriate learning opportunities consistent with the State's high standards, the performance improvements under No Child Left Behind, and all that is expected of school in adequately preparing a highly competitive future workforce. Moreover, the foundation level was not tied to any cost index, the consequences of which will be that the foundation will become less and less able to drive appropriation levels of ECS aid.

CCM has long advocated that the foundation be tied to a measurable economic indicator, such as the Consumer Price Index, thus ensuring that gradually increasing costs - salaries, benefits, books, supplies, transportation, energy costs, facilities maintenance and construction, student enrollments, state and federal education standards, etc., are not simply added to the burden borne by local mill rates. CCM also supports the use of research-based cost estimates as the basis for setting the ECS foundation and student weights, rather than relying exclusively on past expenditures, backwards calculations driven by how much the State wishes to spend on education, political bargaining, etc.

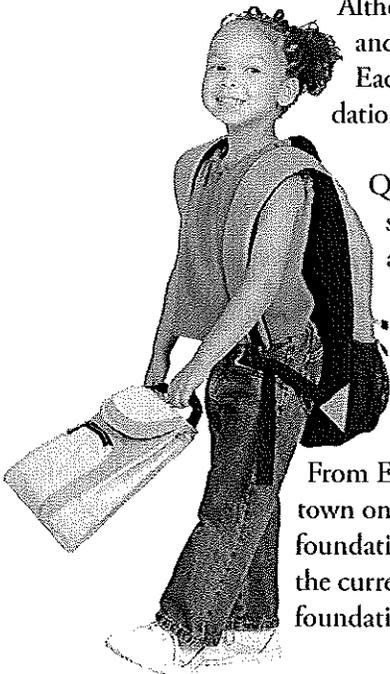


- **THE STATE GUARANTEED WEALTH LEVEL (SGWL)**— The mechanism that determines each town's ECS aid percentage.

Although one of the more complex ECS calculations, the SGWL has a very simple purpose and is the single factor that drives the ultimate state share of foundation level spending. Each town's wealth is compared to the SGWL to determine what percentage of the foundation it will receive from ECS and what will have to come from local revenue sources.

Quite simply, the higher the SGWL, the needier each town will appear by comparison and the higher its aid percentage will be. Originally the SGWL was to be set at a level that would give the median town -- the town ranked 85th in fiscal capacity out of the state's 169 communities -- 50% of the foundation per student from ECS. Towns below the median would be spread over rates higher than 50%, and those above the median at rates less than 50%. At this proposed SGWL rate, the average state share of K-12 public education costs would tend to be around 50%.

From ECS' inception, the SGWL was reduced several times to a point where the median town only qualified for a 35% aid percentage, thereby reducing the State's overall share of the foundation accordingly. In 2007 the SGWL was increased, but not to its original level. At the current level, the median town percentage is up to 43%, and the aggregate state share of foundation spending, once full phase-in is achieved, will gravitate to that number. The overall



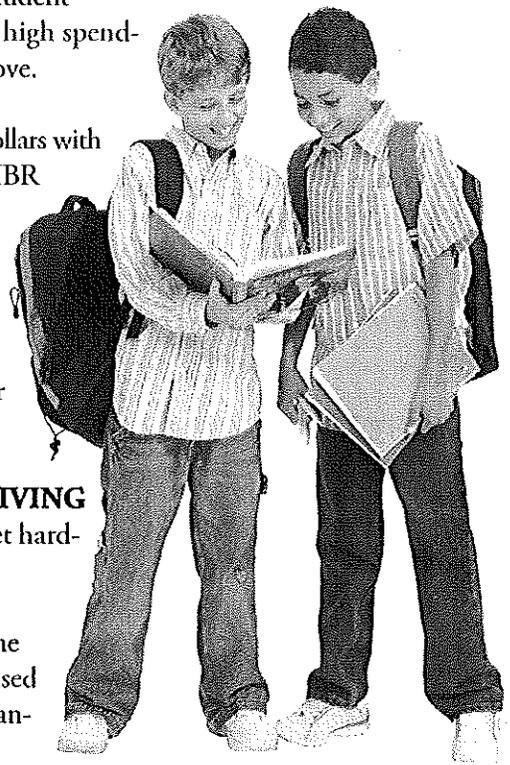
state share of the foundation cannot reach 50% until the SGWL is restored to its originally intended level.

- **THE MINIMUM BUDGET REQUIREMENT (MBR)** – A statutory requirement that each town increase their education spending by a certain percentage of increased state education aid.

The MBR, and its predecessor the Minimum Expenditure Requirement (MER), were originally intended to be companions to ECS that would require towns to spend at least the foundation amount for each student. However, with the foundation remaining virtually flat over the years, minimum spending evolved into a requirement for towns to commit all or most new ECS aid they receive to local education budgets. Eventually any connection to per pupil spending or the foundation ceased to exist.

Currently, the MBR requires towns to expend on education a percentage of increased state education funding determined by each town's relative current education spending, wealth, and student achievement. The MBR percentages range from below 30% in relatively high spending towns to nearly 60% in towns ranking low in the measures listed above.

The new MBR does afford municipalities the opportunity to supplant local dollars with state ECS dollars, since the portion of a town's ECS increase that exceeds its MBR may be used for other town services, may be used for education, or need not be spent at all. As a practical matter most towns' education budgets for 2008-09 have increased by more than their ECS grants, meaning no supplanting has occurred in those towns. But some towns have taken advantage of the new rules, especially last year when the ECS increase exceeded \$180 million. Comparing a town's education budget increase to its ECS increase for that year will indicate whether all new money went to education or not.



- **HOLD-HARMLESS, MINIMUM AID, AND COST-OF-LIVING ADJUSTMENTS (COLA)** - Safeguards in the program to prevent budget hardship for all towns, regardless of wealth.

Hold harmless and minimum aid provisions have been a part of ECS in one form or another since its inception. The 2007 changes to ECS have increased formula entitlements enough to eliminate the need for hold harmless guarantees. With the recent ECS reforms, the town that received the lowest per pupil aid, \$233 in FY 2006-07, received \$343 in FY 2007-08 and \$360 in FY 2008-09. After accounting for inflation, however, this is still less than what the town received pre-1977.

Similarly the minimum aid percentage, having been raised from 6% to 9%, ensures that no town will receive less than \$871 per student (at full phase-in).

As noted earlier, the 2007 revisions to ECS did not include a cost of living adjustment. As a consequence, the foundation—the logical ECS factor to be driven by such a provision—will again lag behind actual education costs as the years go by. Unless corrected, the lack of a COLA provision will continually weaken ECS as the State's major education equalization vehicle.

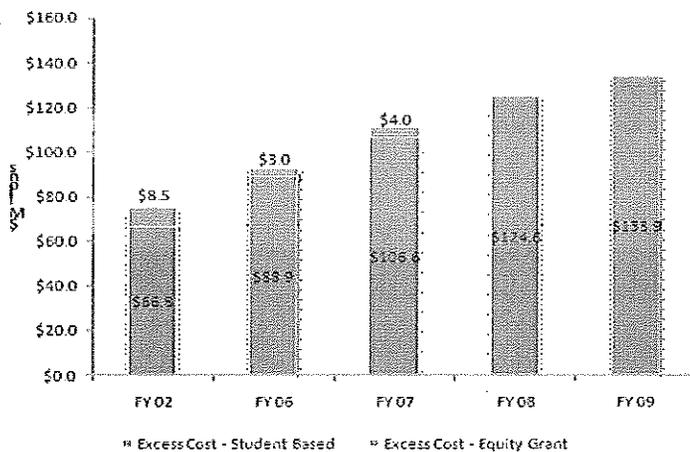
SPECIAL EDUCATION

With special education expenditures now topping the \$1.5 billion mark, the local share at around 56% will soon reach \$1 billion. Special education spending accounts for 14% of all education spending in Connecticut and costs keep growing faster than other school spending (5%-6% vs. 3%-4%). Complicating matters, unforeseen demands for the most expensive special education services too often result in local mid-year budget shuffling, supplementary appropriations, and other extraordinary measures. This is particularly true in smaller towns where the arrival of a single new high-cost special education student during the school year can create a budget crisis.

◆ *Total cost of special education statewide for the 2006-07 school year, was nearly \$1.5 billion, of which over 60% was local, 31% state and less than 9% federal.*

Debate still continues over the decision to fold most state special education funding into the ECS grant thirteen years ago, but that is not the real problem. There are four ways in which the local overburden for the cost of special education can be alleviated within the present construct of state and federal aid.

Special Education Excess Cost Grants



First, the ECS grant covers the basic education costs for all students—regular and special education alike—up to the foundation level of \$9,687. Funding ECS fully and providing for foundation growth over time will increase the state share of base level costs for all students including those receiving special programs. At the time special education and ECS funding were merged, special education was about 19% of the combined grant, and that is the figure the SDE generally uses to estimate the current portion of ECS that is for special education (just under \$360 million in 2008-09).

Second, the state Excess Cost Grant (Student Based) provides a circuit breaker once the expenditures for a student exceed a certain level—currently 4.5 times the per pupil spending average of the district. The state grant pays for all costs in excess of that figure. The threshold varies from town to town because of spending differences, and for most towns, falls somewhere between \$40,000 and \$70,000. Proposals to reduce the threshold factor from 4.5 to a lower level would allow the state grant to pick up more of these high costs, relieving some of the local burden. Also the reliance on individual town per pupil spending to set the thresholds results in a wide disparity in the amount of out-of-pocket costs for towns. Higher spending towns end up with the highest contribution rates before state aid is triggered. A single threshold per pupil dollar amount, perhaps equivalent to the foundation level for all towns set at the low end of the range would address this and increase the state share of these costs.

Third, there is a strong argument that the State should reimburse every town for 100% of special education costs (less federal reimbursement). Under this scenario the State would also handle identification of special education students and related administrative costs. Such a step would (a) provide equal special education services in all municipalities, and (b) provide significant property tax relief. A special education student should be the responsibility of all of Connecticut, not just the community of residence.

Fourth, and most often overlooked, is the failure of the federal government to fund its fair share of special education costs. Despite significant increases in federal special education funding around the beginning of the decade, the federal share in Connecticut lingers at about 9%, compared to 31% state and 60% local. This falls far short of the original commitment that came with the federal mandate to provide such services.

TARGETED ASSISTANCE

TO THE NEEDIEST DISTRICTS AND/OR SPECIFIC STATE GOALS

Grant programs that address specific state initiatives or target the neediest school districts have been created and/or have grown the fastest over the past dozen years. These include major initiatives such as magnet schools, priority school districts (neediest and lowest performing), school readiness, early reading (currently unfunded), choice, charter schools, inter-district cooperative programs, and a number of smaller programs.

In total these programs now command some 12%-14% of the total SDE budget depending on which grants are included. The State increasingly relies on targeted assistance to address the chronic achievement and resource gaps between school districts. These categorical grants enable state leaders to be more “hands-on” in guiding educational policy by tying such funding to specific educational initiatives and outcomes.

SCHOOL CONSTRUCTION

Local governments in Connecticut have difficulty affording school building and renovation projects as a result of their forced reliance on property tax revenues and the relatively small size of school districts. This is particularly true during the present difficult economic times. In many communities, as school age enrollments rise, technology needs grow, families move to previously small towns, and public expectations for quality schools increase - the need for new school infrastructure rises.

STATE AID FOR SCHOOL CONSTRUCTION

Aid for capital projects is a vital part of the State's education finance system. Despite aggressive building and renovation programs in many districts over the past 10-15 years, many towns have yet to upgrade facilities. The average Connecticut school is still close to 50 years old, and the vast majority were built before 1970. Moreover, continued growth in pre-K programs and class-size reduction initiatives may ne-

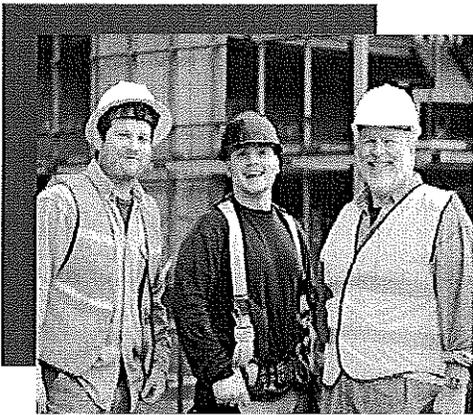


cessitate more new construction in some towns, as will a proposed plan to significantly increase high school program requirements. State construction aid allows Connecticut communities to rebuild, and develop new educational infrastructure.

The annual state payments for school construction have been above \$600 million in bond funding for several years and are not expected to fall much below that mark for several more. Recognizing the aging stock of schools, the legislature has provided significant assistance. Since 2001, the Governor and the General Assembly have authorized \$3.6 billion in school improvement projects. School construction grants are made for a percentage of the total eligible costs, with the poorest communities receiving a grant for up to 80%, and the richest receiving as low as 20%. Charter schools, magnet schools, and other specialty schools are reimbursed at a rate of 95%.



Each year, the State Department of Education accepts applications from towns planning school construction projects, confirms that the projects are in compliance with state laws and regulations, and compiles a list of projects needing funding – called the School Construction Priority List – which it submits to the General Assembly for approval. The State Bond Commission, controlled by the Governor, then decides what projects actually get funded.



Municipalities appreciate their partnership with the State in school construction. The State has contributed significant amounts of money, but municipalities have too. The winners are the students in towns and cities across Connecticut.

OTHER CHANGES IN SCHOOL CONSTRUCTION

In 1997, the State changed the way the school construction program reimburses municipalities. Prior to the change, the State had paid its share of the costs over time by paying a share of the debt service each year. But this required the municipality to bond the entire cost of the project at the same time that the State was borrowing for its share of the payments, resulting in higher overall costs. In 1998, the State began to make progress payments to municipalities for its share of the costs as construction progressed, so that by the end of the construction, the State will have paid its contribution in full.

In 2000, the School Construction Program received considerable attention because the Department's annual Priority List surpassed \$1 billion worth of school construction and renovation for the first time. **In 2002, the priority list hit \$1.7 billion. The increase in construction activity is mostly the result of a statewide focus on education issues, including both the academic and environmental quality of our facilities, coming at the same time that many of our school buildings are reaching an age where they require major renovation or replacement.** This is compounded by the need to accommodate a number of recent state education priorities, such as early childhood education, technology, remedial programming, full-day kindergarten, school choice programming, and school security issues, in schools that were built decades ago.

Recognizing that (1) some of the school construction projects approved by the General Assembly never get built and (2) Connecticut has been constructing and renovating schools at an unprecedented pace, **the 2002 session made changes to the program.** Towns have been required to obtain voter approval for their local share before submitting the project to the State Department of Education and the General Assembly.

A DEVELOPING CONSENSUS ON SCHOOL FINANCE

Over the last decades there has been much attention paid to the inadequate state funding of education in Connecticut. Numerous groups have been discussing the issues at hand and there now appears to be a developing consensus on what needs to be done. This has been further supported by the work of, and lawsuit filed in November 2005 by, the CT Coalition for Justice in Education Funding. The Governor's Commission on Education Finance issued a report in 2004 with recommendations on how to improve Connecticut's financing system for K-12 public education and *increase the State's share of funding to 50%*.

There is growing support to:

Correct State underfunding of regular education programs by:

- *Increasing the foundation level biennially based on a statutorily identified cost index.*
- *Increasing the State Guaranteed Wealth Level (SGWL).*
- *Maintaining or accelerating the current phase-in program.*

Correct State underfunding of special education programs by:

- *Decreasing the Excess Cost grant threshold to at least 2.5 times the district's aver age expenditure and eliminating the arbitrary cap on state reimbursement.*

Correct State underfunding of school districts with specific student-performance challenges by:

- *Increasing funding for categorical grants.*
- *Expanding school district and school eligibility for these programs to ensure that all performance gaps are addressed.*

Meet the statewide need for school construction and renovation by:

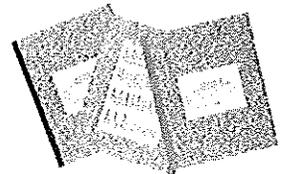
- *Maintaining the State's unparalleled funding commitment to ensure that aging schools are renovated and replaced to meet rising enrollments and higher technology and quality standards.*

State underfunding of local public education over time has shifted a huge, unfair tax burden onto the backs of residential and business property taxpayers.

The State must take primary responsibility for students with special needs. Such students are the collective responsibility of all who live and work in Connecticut -- not just their town of residence. Because the costs of special education programs are so high and growing, the State cannot expect individual communities to fund them without significant assistance. When both the State and Federal governments underfund mandated programs, regular education programs and other local services, property taxpayers suffer.

The State must meet its funding obligations to Connecticut's schoolchildren and school districts even in the face of budget challenges. To continue to transfer State budget problems to towns and cities and their property taxpayers is unfair. It shortchanges Connecticut's future (see Appendix A.) Whether in ECS, special education reimbursements, categorical grants or school construction, it is critical that the State accept and meet its constitutional responsibility, identify the necessary revenues, and provide municipalities, school districts, and our more than 650,000 public school children with the resources they need in good times and bad to ensure the quality of our public schools now and in the future.

State funding of K-12 public education is an investment in Connecticut's greatest resource — our youth. It is a wise and critically needed investment even during the most difficult of economic times.



APPENDIX A

Resolution Adopted by the State Board of Education Warning Against Education Funding Cutbacks

State Board of Education Resolution -- 12/3/08

WHEREAS, the Office of Policy and Management (OPM) has instructed agencies, including the State Department of Education (SDE), to prepare 10 percent reduction options on their 2009-10 current services budgets; and

WHEREAS, over 92% of the approximately \$2.8 billion current services budget of the State Department of Education consists of grants to local municipalities and school districts, the largest of which is the Education Cost Sharing (ECS) grant; and

WHEREAS, the Connecticut Technical High School System (CTHSS) represents the next largest portion of the SDE budget, at just under 5%, and OPM has specifically directed the Department to identify budget reduction options of at least \$3 - \$5 million in the budget of the CTHSS; and

WHEREAS, in light of the high percentage of the SDE budget represented by funds designated for local districts and municipalities, it is impossible to identify cuts of the required magnitude without reducing those funds, which we recognize to be nothing more than a transfer of the fiscal crisis from the State to local districts and municipalities that will not be able to make up the lost funds without curtailing their support for education; and

WHEREAS, the State Board of Education also recognizes the extraordinary fiscal problems faced by the State and the difficult choices faced by the Governor and the General Assembly; and

WHEREAS, the State Board of Education believes that the SDE and the State Board are duty-bound both to comply with OPM's directive and to advise the Governor and the General Assembly that the identified budget reduction options will be harmful to the educational interests of the State, to its economic future, and to the well-being of its children, whose growth and need for an appropriate, challenging education will not pause until the economy recovers;

NOW, THEREFORE, BE IT RESOLVED

That the State Board of Education, pursuant to the directive from the Office of Policy and Management, accepts the submission of the Budget Reduction Options for Fiscal Year 2010 and approves the Budget Expansion Options for Fiscal Years 2010 and 2011, if sufficient funds are available, and directs the Commissioner to take the necessary action; and be it further

RESOLVED, that the State Board of Education directs the Commissioner to inform the Office of Policy and Management, the Governor, and the General Assembly of the Board's firm belief that education is the basic infrastructure on which the future rests, and that cutting aid for education should be the last budget option considered; and be it further

RESOLVED, that the State Board of Education directs the Commissioner to inform the Office of Policy and Management, the Governor, and the General Assembly that while the Board believes the recommended suspension of operations at J.M. Wright Technical High School is the least harmful option for effecting reductions of the requested magnitude in the budget of the CTHSS, implementing that option will, during the period of the suspension, deprive students in the Stamford area of a promising alternative high school model that has been received with considerable enthusiasm in the Stamford community; and be it further

RESOLVED, that the State Board of Education directs the Commissioner to inform the Office of Policy and Management, the Governor, and the General Assembly that it believes that if cuts are implemented in ECS and other forms of aid to local districts and municipalities, which the State Board urges not be done, it is essential to maintaining the integrity of the State's commitment to the equal protection principle embodied and enforced in the Connecticut Supreme Court's opinion in *Horton v. Meskill* that those cuts be applied on a per student basis, not as a uniform percentage cut in the amount of aid flowing to each district or municipality.



APPENDIX B

School Funding: 30 Years Under Fire **A History of Education Litigation in Connecticut**

1973: Canton parents, led by parent and lawyer Wesley Horton, file suit against then-Gov. Thomas J. Meskill and other state officials charging the system of financing public education violates the State Constitution.

1977: The State Supreme Court, in *Horton v. Meskill*, rules that the system for paying for education is unconstitutional because it relies too heavily on the local property tax.

1985: The State Supreme Court, in response to a challenge by the Horton plaintiffs, orders the State to come up with a school financing plan providing more aid to needy towns.

1988: The legislature creates the “Equalized Cost Sharing Formula (ECS),” a far-reaching remedy providing more money to communities for schools, based on a sliding scale. The formula considers a town’s property wealth, income, number of students, student performance, and poverty when figuring how much additional state aid a school district is eligible for. A minimum “foundation” for an adequate education is also established and set at \$4,800 per pupil.

1989: Another lawsuit is – *Sheff v. O’Neill* – filed by a group of city and suburban parents against then-Gov. William A. O’Neill claiming that Hartford’s segregated and underfunded schools violate the state constitution.

1990: In the first of a series of amendments, the legislature limits the overall amount of education funds available to towns under the ECS formula.

1992: Pressed by the recession, legislators seek to balance the State budget by amending the school funding formula further, cutting overall education grants and placing a cap limiting the increase in aid a municipality could receive. The education foundation is frozen at \$4,800.

1995: State legislators increase foundation for education spending to \$5,711, but place a cap on increases in education aid from the state to no more than 2 percent. The increase in the foundation is attributed to combining the special education reimbursement grant with the ECS grant. No municipality can receive a cut that is more than 9 percent over the previous year. Aid to selected poorly performing districts, particularly Hartford, increases.

1996: In the *Sheff v. O’Neill* case, the state Supreme Court rules that the racial segregation in Hartford violates the State Constitution.

1997: State legislators continue to dramatically increase funds for Hartford schools, but a cap on increases in aid to other municipalities continues. A lobbying group – the Connecticut Conference of Municipalities – estimates that the State has short-changed schools by nearly \$1 billion through changes in the ECS formula.

1998: Seven children file suit – *Johnson v. Rowland* – against the state claiming that the state Supreme Court’s order in the *Horton v. Meskill* case is not being implemented. Hartford, with nearly the highest per-pupil expenditure in the state, is not part of the lawsuit.

1999: In response to the Governor's Task Force to Study the Education Cost Sharing Grant State legislators raise the ECS cap from 0%-5% to 0%-6% for three years and make plans to eliminate the cap in 2003-04. It is anticipated that the total removal of the cap will result in a \$100-\$120 million balloon payment by the State. Legislators also implement (1) a hold-harmless provision which guarantees municipalities no less funding than they received in the current year; (2) a minimum aid level of funding equal to 6% of the foundation (\$350 per need student), subject to the provisions of the cap; and (3) increasing the foundation by 2%, to \$5,891.

2001: State legislators provide each town whose ECS grant is capped a proportional share of \$25 million for 2001-02 and \$50 million for 2002-03. Each town's share is based on the difference between its capped grant and the amount its grant would be without the cap (excluding any density supplements). Also implement a minimum grant increase of 1.68% for all towns in 2001-02 and a minimum increase of 1.2% in 2003-03. The foundation of \$5,891 is unchanged.

2002: State budget maintains the prior year commitments to provide \$50 million in cap relief and a minimum increase of 1.2%, but cuts overall municipal aid by .8% and caps funding for special education, adult education, and school transportation.

2003: Funding for the ECS grant was increased by 4.2% in FY 02-03, and by just .5% for FY 03-04. *Johnson v. Rowland* is withdrawn due to a lack of funding for legal costs. Efforts immediately begin to organize a new, broader-based statewide coalition to continue the struggle for school finance reform.

2004: The Connecticut Coalition for Justice in Education Funding (CCJEF) is incorporated, and Yale Law School undertakes to provide pro bono representation. CCJEF commissions and education adequacy cost study to be performed by a nationally prominent consulting firm.

2005: CCJEF files education adequacy and equity lawsuit. *CCJEF v. Rell* challenges the constitutionality of Connecticut's entire education system, alleging that the State is failing to prepare its school children to pursue higher education, secure meaningful employment, and participate in the political lives of their communities. The complaint cites deficiencies and disparities in educational resources as the cause of this constitutional violation and Connecticut's persistent failures in educational outcomes as evidence that the State is failing to meet its constitutional obligations. Plaintiffs ask the court, among other things, to (1) declare the State's system of funding public education unconstitutional, (2) bar the state from continuing to use it, and (3) if necessary due to inaction by the General Assembly, appoint a special master to evaluate and make recommendations to the court concerning possible reforms.

2006: Governor Rell forms a Commission on Education Finance. The bipartisan Commission meets for several months and hears testimony from a variety of experts.

2007: Governor Rell proposes significant changes to education finance laws, based on the recommendations of the Commission. Her proposals would, among other things, increase the ECS grant \$1.1 billion over the next five years to \$2.7 billion by FY 11-12. She proposed significant changes to the grant to (a) increase the foundation to \$9,867 from the current \$5,891, (b) increase the State Guaranteed Wealth Level (SGWL) to 1.75, (c) raise the minimum aid ratio to 10% from the current 6%, (d) calculate the "need students" count using the number of students eligible for free and reduced-price meals, and (e) eliminate grant caps. She also proposed increases in other areas, such as reimbursement for special education costs. When finally agreed to by the General Assembly and Governor, the adopted budget included several significant changes, including a \$237 million increase in overall education funding, including \$182 million for the ECS grant. The budget increased the foundation to \$9,687, increased the minimum aid ratio to 9% of the foundation and to 13% for the 20 school districts with the highest concentration of low income students, increased the SGWL to 1.75, and other changes.

2008: Oral arguments before the Connecticut Supreme Court are heard in *CCJEF v. Rell* following a pre-trial ruling that school-children have no right to a suitable, adequate, or quality education under the Connecticut constitution. A decision is expected in Fall 2008. The case will then be remanded to the Hartford Superior Court for full trial, either on both the adequacy and equity claims, or solely on the equity claims, which were not contested by the State.



CCM - CONNECTICUT'S STATEWIDE ASSOCIATION OF TOWNS AND CITIES

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation and liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the national League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (headquarters) and in Hartford.

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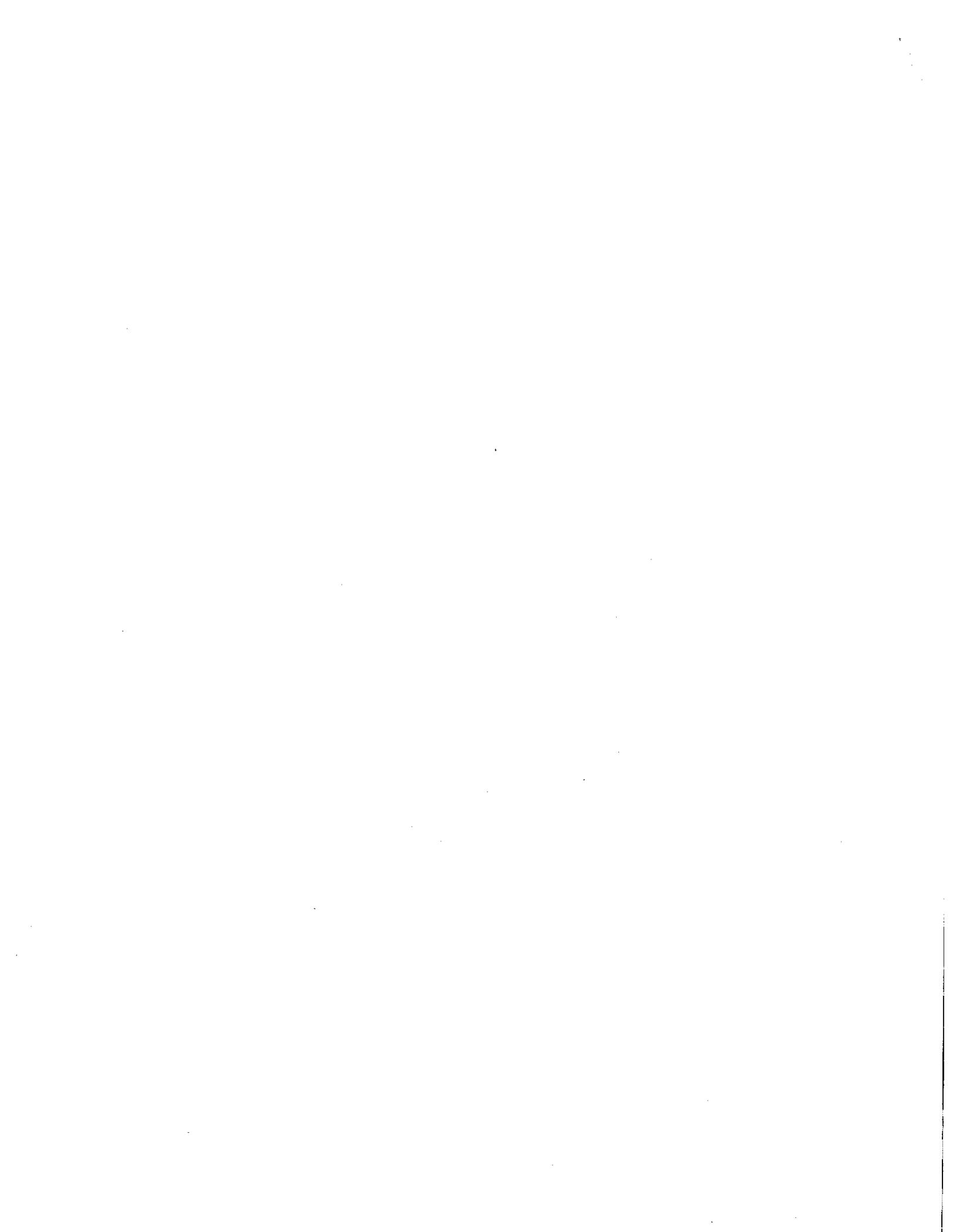
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THE VOICE OF LOCAL GOVERNMENT





CCM Analysis:

Governor's Proposed Budget for FY 2009-10 and FY 2010-11

February 5, 2009-R

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For more information on the state budget and how it impacts your community, visit the CCM website at www.ccm-ct.org.

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Note: Specific aspects of the Governor's proposal are spread over many individual bills. CCM is reviewing these bills and will keep you apprised of any new details affecting municipalities.

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If you have any questions, please call Barbara Rua, Gian-Carl Casa, or Jim Finley of CCM at (203) 498-3000.

Impact on Municipalities: Overview

On February 4, 2009, the Governor released her proposed budget for FY 2009-10 (\$18.8 billion budget) and FY 2010-11 (\$19.5 billion budget). Overall, municipal aid would decline by \$45.2 million (-1.6%) next year under the Governor's proposal compared to this year. The Governor's Proposed Budget for FY 2010 level-funds major education grants including Adult Education, Education Cost Sharing, Priority School Districts, School Transportation and Excess Cost-Student Based (Special Education), but makes cuts to several non-education grants. More specifically, the Town Aid Road Grant, PILOT: State-owned Property, PILOT: Colleges and Hospitals, and Pequot-Mohegan Fund would be decreased by the value of state surplus funding used in FY 2009. In total these four grants would be reduced nearly \$29 million. Coupled with no funding for the Department of Economic and Community Development (DECD) Tax Abatement grant, no funding of the DECD Housing PILOT program, and other grant reductions, non-education state aid for FY 2010 would decrease \$45 million from FY 2009.

Education Grants

The Governor has proposed level-funding for the following programs: Adult Education, Education Cost Sharing, Priority School Districts, School Transportation, and Excess Cost-Student Based (Special Education). Please note grants to individual cities and towns may vary due to changes in grant formula elements. Additionally the Governor has proposed increasing Magnet School funding by \$13.5 million. Statewide this aid translates to:

- Adult Education: \$20.6 million
- Education Cost Sharing: \$1.9 billion
- Excess Cost-Student Based: \$133.9 million
- Magnet Schools: \$135 million
- Non Public School Transportation: \$4 million
- Priority School Districts: \$41.4 million
- Public School Transportation: \$48 million

The After School Program grant will see a noteworthy reduction of \$5 million statewide. Early Childhood funding will be reduced \$7.4 million statewide. The School Based Health Clinics grant will see a \$1.5 million reduction. Similarly the Young Adult Learners grant will be eliminated. Statewide this aid translates to:

- After School Program: \$500,000
- Early Childhood: \$68.8 million
- School Based Health Clinics: \$9 million
- Young Adult Learners: \$ 0

Please see page 7 of this publication for an expanded breakdown of more education grants.

Non-Education Grants

The Governor has also proposed level-funding major non-education grants from the State's general fund. However, because state surplus money was used in the past biennium to supplement state general fund appropriations, the result will be reductions in the following programs: TAR (\$8 million reduction), PILOTs (\$7 million reduction) and the Pequot-Mohegan Fund (\$6.7 million reduction). PILOT for New Manufacturing Machinery and Equipment will be level funded and capped at the level of appropriation, with proportional reductions in what municipalities receive if the appropriation does not cover all costs. The Governor included no funding for the Department of Economic and Community Development's Tax Abatement and Housing PILOT programs (\$3.9 million FY 2009). Statewide this aid translates to:

- LoCIP: \$30 million
- Pequot-Mohegan Fund: \$86.3 million
- PILOT: Colleges and Hospitals: \$115.4 million
- PILOT: New Mfg Machinery and Equipment: \$57.3 million
- PILOT: State-owned Property: \$73 million
- Town Aid Road Grant: \$22 million
- DECD Tax Abatement: \$0
- DECD Payment in Lieu in Taxes: \$0

There are several non-education grants which will receive relatively large reductions including: the Capital City Economic Development grant (-\$1.5 million), Heating Assistance to Schools (-\$6.5 million) which would be unfunded in FY 2010, and Local and District Departments of Health (-\$2.4 million). Statewide this aid translates to:

- Capital City Economic Development: \$6.4 million
- Heating Assistance to Schools: \$0
- Local and District Departments of Health: \$3 million – elimination of grants to non-regional health districts. Also decreases amount of grants to regional health districts.

Please see page 7 of this publication for an expanded breakdown of more non-education grants.

Other Aid

The Governor's 21st Century Bottle Bill proposal will entitle towns that collect recyclables curbside to 3.5 cents per every container covered under the expanded bottle bill.

Please see page 7 of this publication for an expanded breakdown of many more municipal grants.

Bonding

The Governor's Budget includes general obligation bond authorizations of \$687 million in FY 2010, and \$641 million in FY 2011 for school construction grants; however, the Governor recommends reducing state reimbursement percentages from a range of 20% to 80%, to a range of 15% to 65%. The Governor's Budget also includes general obligation bond authorizations of \$90 million for the Clean Water Fund, in each year of the biennium, and \$30 million each year for both the LoCIP and the Urban Act programs.

Mandates Reform

The Governor proposed numerous mandates reform measures, including:

- Enacting a statutory prohibition to prohibit the enactment of new unfunded or underfunded "costly" state mandates without a 2/3 vote of both chambers of the General Assembly. Costly mandates are defined as \$100,000 or more, or .5% of local budget (HB 6388);
- Providing a 2-year delay for the effective date of the mandate for police treatment of 16 and 17-year olds as juveniles (from 1/1/10 to 1/1/12);
- Providing a 2-year postponement of the effective date of the in-school suspension mandate (from 7/1/09 to 7/1/11);
- Providing municipalities with 30 days to post minutes on town websites, and suspending the mandate until 1/1/10;
- Permitting municipalities to post their annual budgets electronically, rather than in print;
- Permitting municipalities to post certain information online, rather than publishing such information in the newspaper, as long as Freedom of Information (FOIA) requirements are met;
- Encouraging state agencies to accept electronic submission of reports from municipalities;
- Removing the mandate that municipalities store and collect the possessions of evicted residential tenants;
- Allowing towns and local boards of education to extend an expired or expiring contract for 2 years, providing current "wage and benefit package and other work rules remain in effect";
- Requiring that arbitrators not include municipal fund balances under 10% in determining a municipality's ability-to-pay under the Teacher Negotiation Act (TNA) and Municipal Employees Relations Act (MERA);
- Limiting the mandatory subjects of collective bargaining to wage and salary benefits and "matters of health and safety only";

- Requiring that **Teacher Negotiation Act (TNA)** stipulated agreements be approved by the local legislative body (if rejected, must be done by a 2/3 vote);
- Requiring arbitrators to take into consideration a municipality's ability to "keep the property tax levy increase to a percentage change in the **Consumer Price Index (CPI)**" for the most recent 12-month period;
- Allowing for **collective bargaining over the concept of "regional consolidation of services"**, but not over whether consolidating should occur; and
- Allowing municipalities to **negotiate multi-municipal master contracts** with municipal employee and teacher unions.

Regional Cooperation

The Governor proposed numerous measures to promote regional cooperation among towns and cities. However, she also proposed eliminating state grants to regional planning organizations. Her proposals include:

- Establishing a \$10 million bond-funded program called the "**Municipal Capital Expenditure Grant Program**" (MCEP) for regional purchasing of equipment. The grant would equal 75% of the joint municipal costs up to a maximum of \$250,000. Such equipment must have a useful life of at least 5 years;
- Establishing a bond-funded "**Regional Incentive Grant**" of \$40 million, for regional efforts such as trash collection and recycling, highway maintenance, animal control, "centralized administrative functions" (tax collection, payroll, assessment, etc.), merging municipal police departments, merging emergency communications centers, and parks and recreation. Under the Governor's plan, three or more municipalities with a combined population of at least 50,000 would be eligible for a grant of up to \$3 million; 4 or more municipalities with a combined population of less than 50,000 would be eligible for a grant of up to \$1 million;
- Establishing a **10% bonus for the Local Capital Improvement Program (LoCIP)**, for 3 years, for municipalities that undertake eligible regional projects. Note, however, that the 10% would be taken from total existing funds (HB 6389);
- Establishing a **10% bonus for the Town Aid for Roads (TAR)**, for 3 years, for municipalities that undertake eligible regional projects. The 10% is taken from total existing funds (HB 6389);
- Allowing municipal chief executive officers who want to enter into interlocal agreements for the "purchase of products or services" to select a **municipal attorney to review and approve such agreements and to permit a "lead" municipality to administer the purchase agreement or service contract**;

- Sponsoring an annual “**regional incentive seminar**” for municipal officials to apprise them of the cost-effectiveness of regionalism. This would be done “within available appropriations;”
- Authorizing the Secretary of OPM to **delay revaluation for up to 2-years, to allow the municipality to enter into an interlocal agreement** with another town or towns for revaluation services;
- **Allowing STEAP grants to be used jointly by multiple towns (HB 6367);**
- **Prohibiting the creation of new magnet schools unless the Commissioner of Education deems them necessary to meet the goals of the Sheff decision (Section 14 of SB 830);**
- Amending the state Constitution to **require 75% of any surplus to be put in the rainy day fund and disallows any to be used for recurring costs (HJR 45);**
- **Increasing municipal fees for birth certificates, death certificates, marriage certificates and vital records (SB 877);**
- Reconfiguring state reimbursement to encourage regionalization of health districts by **eliminating funding to local health districts and decreasing funding to regional districts.** Municipal departments would be defunded and the per-capita grant to regional departments would be cut to \$1.25, from \$2.43 for those presently with populations under 5,000, and \$2.08 for towns with populations over 5,000 (SB 847);
- **Redirecting all boating fund money to the General Fund as opposed to municipalities (Section 3 of HB 6371) and increasing the land use application fee from \$30 to \$60 (Section 5 of HB 6371);**
- **Creating a new “Community and Social Services Block Grant Program” and “Employment Services Block Grant Program (SB 843).”** The Department of Social Services would divide the state into regional boards for each program. Municipalities within the regions would get a seat on the board and may also receive grant funding; and
- Eliminating the \$1 million in state funding for **regional planning organizations (HB 6365).**

Resident State Troopers

- One of the Governor’s budget bills proposes to **eliminate state subsidy of the Resident State Trooper Program** – requiring towns with resident troopers to pay 85% of the cost of resident state troopers beginning 7/1/09 and 100% of the cost of the troopers beginning 7/1/10 and thereafter (HB 6363, Section 5). Towns currently pay 70% of the costs of resident state troopers.

Firefighter Training I Program

- One of the Governor's budget bills proposes to suspend funding for the Fire Training I Program – requiring towns to incur the total cost of Firefighter 1 certification and recruit training.

Regional Education Service Centers (RESC)

- One of the Governor's budget bills proposes to require local or regional boards of education to provide transportation services to high school students who wish to participate in supervised extracurricular activities. Previously RESCs provided this service.

Dial-A-Ride

- The Governor's Proposed Budget would cut approximately \$3.9 million in state matching funds to 136 municipalities for the Dial-A-Ride program, putting the program in jeopardy in many communities.

APPENDIX: Breakdown of Municipal Grants

Total State Aid

	2008-2009 Funding	Governor's 2009-10 Proposed	Governor's Proposal (FY 2009-10) over Current Year (FY 2008-09)	
			Change:	
			\$	%
Education and Non-Education Assistance	\$2,823,522,055	\$2,778,322,901	-\$45,199,154	-1.60%

Education Aid

	2008-2009 Funding	Governor's 2009-10 Proposed	Governor's Proposal (FY 2009-10) over Current Year (FY 2008-09)	
			Change:	
			\$	%
Adult Education	\$20,596,400	\$20,594,371	-\$2,029	-0.01%
After School Program	\$5,500,000	\$500,000	-\$5,000,000	-90.91%
Bilingual Education	\$2,129,033	\$2,129,033	\$0	0.00%
Early Childhood (School Readiness)	\$76,230,000	\$68,810,000	-\$7,420,000	-9.73%
Early Reading Success	\$2,403,646	\$2,314,380	-\$89,266	-3.71%
Education Equalization Grants	\$1,889,182,288	\$1,889,182,288	\$0	0.00%
Excess Cost - Student Based	\$133,891,451	\$133,891,451	\$0	0.00%
Extended School Hours	\$2,990,000	\$2,990,000	\$0	0.00%
Fuel Cell Projects	\$0	\$0	\$0	n/a
Health Serv for Pupils Private Schools	\$4,775,000	\$4,775,000	\$0	0.00%
Interdistrict Cooperation	\$14,127,369	\$14,127,369	\$0	0.00%
Magnet Schools	\$121,509,285	\$134,980,742	\$13,471,457	11.09%
Non-Public School Transportation	\$3,995,000	\$3,995,000	\$0	0.00%
OPEN Choice Program	\$14,115,002	\$14,115,002	\$0	0.00%
Priority School Districts	\$41,410,000	\$41,410,000	\$0	0.00%
School Based Health Clinics	\$10,440,646	\$8,970,646	-\$1,470,000	-14.08%
School Breakfast Program	\$1,634,103	\$1,634,103	\$0	0.00%
School Safety	\$0	\$0	\$0	n/a
School to Work Opportunities	\$213,750	\$213,750	\$0	0.00%
School Year Accountability (Summer School)	\$3,500,000	\$3,500,000	\$0	0.00%
Transportation of School Children	\$47,964,000	\$47,964,000	\$0	0.00%
Vocational Agriculture	\$4,560,565	\$4,560,565	\$0	0.00%
Young Adult Learners	\$500,000	\$0	-\$500,000	-100.00%
Young Parents Program	\$229,330	\$229,330	\$0	0.00%
Youth Service Bureaus	\$2,944,598	\$2,903,413	-\$41,185	-1.40%
Total Education Grants	\$2,404,841,466	\$2,403,790,443	-\$1,051,023	-0.04%

Non-Education Aid

	2008-2009 Funding	Governor's 2009- 10 Proposed	Governor's Proposal (FY 2009-10) over Current Year (FY 2008-09)	
			Change:	
			\$	%
Capital City Economic Development	\$7,900,000	\$6,400,000	-\$1,500,000	-18.99%
Child Day Care	\$5,263,706	\$5,263,706	\$0	0.00%
Community Services	\$191,358	\$0	-\$191,358	-100.00%
Distressed Municipalities	\$7,309,000	\$7,800,000	\$491,000	6.72%
Elderly and Disabled Demand	\$0	\$0	\$0	n/a
Heating Assist. Schools	\$6,500,000	\$0	-\$6,500,000	-100.00%
Housing/Homeless Services	\$686,592	\$686,592	\$0	0.00%
Human Resource Development	\$31,034	\$0	-\$31,034	-100.00%
Human Resource Development- Hispanic Pgms	\$5,900	\$0	-\$5,900	-100.00%
Local Capital Improvement Program	\$30,000,000	\$30,000,000	\$0	0.00%
Local & District Departments of Health	\$5,352,419	\$3,000,000	-\$2,352,419	-43.95%
Payment in Lieu of Taxes (DECD)	\$2,204,000	\$0	-\$2,204,000	-100.00%
Pequot Mohegan Fund	\$92,998,519	\$86,250,000	-\$6,748,519	-7.26%
PILOT: Colleges & Hospitals	\$122,430,256	\$115,431,737	-\$6,998,519	-5.72%
PILOT: State Owned Property	\$80,019,144	\$73,019,215	-\$6,999,929	-8.75%
Prop Tax Relief Elder-Circuit Breaker	\$20,505,899	\$20,505,899	\$0	0.00%
Prop Tax Relief Elderly Freeze Program	\$900,000	\$610,000	-\$290,000	-32.22%
Property Tax Relief for Veterans	\$2,970,099	\$2,970,099	\$0	0.00%
Reimb Property Tax-Disability Exempt	\$576,142	\$400,000	-\$176,142	-30.57%
Services to the Elderly	\$44,405	\$0	-\$44,405	-100.00%
Tax Abatement (DECD)	\$1,704,890	\$0	-\$1,704,890	-100.00%
Teen Pregnancy Prevention	\$870,326	\$0	-\$870,326	-100.00%
Town Aid Road Grants	\$30,000,000	\$22,000,000	-\$8,000,000	-26.67%
Venereal Disease Control	\$216,900	\$195,210	-\$21,690	-10.00%
Total Non-Education Assistance	\$418,680,589	\$374,532,458	-\$44,148,131	-10.54%

Note: For purposes of this report, PILOT: New Manufacturing Machinery and Equipment (PILOT: MM&E) is not included in the total non-education aid figure above. However, PILOT MM&E would be reduced to \$57,348,215 in FY 2010 from \$103,080,000 in FY 2009 due to natural decline from lower demand.

CCM – CONNECTICUT'S STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation, liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

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