Testimony Regarding the Governor's Proposed Budget for K-12 Education

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Committee on Appropriations

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Senator Bye, Representative Walker, and distinguished members of the Committee:

We are testifying today on behalf of Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families.

Summary

Connecticut Voices for Children opposes the Governor's Budget proposal to reduce Education services by $158 million in FY2016. This 4.9% cut to education is 1.75 times greater than the 2.8% cut to all other General Fund appropriations.

We also offer three specific critiques to the proposed budget:

1. **Proposed cuts of $122 million to statutory formula grants that fund essential services like special education and transportation will hit students with disabilities hardest, and will pass costs to local taxpayers.** Of particular concern is the budget's proposed cut of $51 million (26.8%) to the Excess Cost reimbursement to towns for high-cost special education students. Limiting towns' access to reimbursement for high cost special education gives towns a perverse incentive to deny students needed special education services in order to avoid costs. Furthermore, cuts to special education funding will impose a hidden property tax increase, as towns must raise taxes to pay for federally mandated special education services.

2. **As in past years, failure to increase and reallocate the Education Cost Sharing Grant (ECS) grant would disproportionately harm low-income students and students of color.** As shown on page 5, forthcoming research by Connecticut Voices for Children shows that public schools with the largest kindergarten classes and the least experienced teachers are clustered in a small number of towns with very few white residents and extremely high rates of child poverty. Without ECS reform that allocates these towns more aid, schools in segregated, high poverty neighborhoods will be unable to reduce class sizes and hire more experienced teachers, putting students of color and low-income students at a continued disadvantage.

3. **The benefits of the proposed $48 million investment in new slots in charter and magnet schools will be undercut by the aforementioned underfunding of essential education grants.** In fact, even as the State would create 1,800 new slots in inter-district magnet programs, the budget proposes a cut of $1.9 million to magnet schools. Unless the State can maintain funding for basic education services as it invests in expanding choice, *all* schools will struggle to make ends meet, pitting choice programs against local public schools in an unhealthy competition for scarce dollars.

We urge the Committee to reverse cuts to statutory formula grants, increase and reform the ECS grant to target education aid to student need, and maintain Connecticut's commitment to providing *all* children with a high quality education that prepares them for future success.

Introduction

The Governor's proposed budget disproportionately imposes cuts on education, and undercuts our investment in our children's future well-being. The budget would reduce current services funding for the State Department of Education (SDE) by $158 million (4.9%). This 4.9% cut to education is 1.75 times greater than the 2.8% cut to all other General Fund appropriations, and comes alongside an additional 9.3% cut to higher education. Furthermore, as shown in Figure 1, this cut is part of a troubling trend in the proposed budget which asks children to pay more than their fair share: while investments in children make up about a third of state spending, reductions to investments in children make up more than half of all general fund spending cuts.

Figure 1: The Children's Budget

	FY 2016 Current Services	FY 2016 Proposed[1]	Change from Current Services	Percent Change
Young Children				
State Department of Education	$3,209,426,866	$3,051,406,083	-$158,020,783	-4.9%
Office of Early Childhood	$277,262,440	$270,766,769	-$6,495,671	-2.3%
Department of Children and Families	$828,498,662	$812,820,810	-$15,677,852	-1.9%
DSS Medicaid (HUSKY A)[2]	$805,459,200	$748,914,800	-$49,294,400	-6.1%
DSS TANF	$104,370,000	$102,625,380	-$1,744,620	-1.7%
DSS HUSKY B (CHIP)	$33,690,000	$33,690,000	$0	0.0%
DSS CT Children's Medical Center	$15,579,200	$15,579,200	$0	0.0%
DDS Early Intervention	$39,186,804	$39,186,804	$0	0.0%
DDS Voluntary Services	$33,017,277	$12,986,713	-$20,030,564	-60.7%
DOL Jobs First	$18,051,623	$18,040,423	-$11,200	-0.1%
DPH School-Based Health Clinics	$12,048,716	$11,024,576	-$1,024,140	-8.5%
Youth				
Board of Regents	$353,813,840	$336,774,676	-$17,039,164	-4.8%
University of Connecticut	$258,812,447	$219,377,020	-$39,435,427	-15.2%
Office of Higher Education	$47,178,537	$42,276,326	-$4,902,211	-10.3%
DOL Workforce Investment Act	$31,284,295	$31,284,295	$0	0.0%
DMHAS Young Adult Services	$82,898,847	$80,206,667	-$2,692,180	-3.3%
JUD Juvenile Alternative	$28,442,478	$28,442,478	$0	0.0%
JUD Youthful Offender Services	$18,177,084	$18,177,084	$0	0.0%
Total Children's Budget	**$6,197,198,316**	**$5,873,580,104**	**-$316,368,212**	**-5.1%**
Non-Children's Budget	**$12,394,901,684**	**$12,128,219,896**	**-$266,681,788**	**-2.2%**
General Fund	**$18,592,100,000**	**$18,001,800,000**	**-$590,300,000**	**-3.2%**

Simply put, these cuts are shortsighted. Investments in education prepare our children not only to be productive workers, but also to be active participants in democratic society. If we do not invest in our children's education now, we will not have a workforce prepared to support our State's economy in the future. Furthermore, as will be discussed, the proposed budget would have disproportionate negative impact on students with disabilities, as well students of color and low-income students who live in our State's most segregated towns. In other words, this budget could exacerbate the academic woes of these already disadvantaged students, setting them up for

diminished adult life outcomes simply because of the circumstances of their birth. **We urge the Committee to reverse these proposed cuts.**

In addition, we offer three specific critiques to the proposed budget:

1. Proposed cuts of $122 million to statutory formula grants that fund essential services like special education and transportation will hit students with disabilities hardest, and will pass costs to local taxpayers.
2. As in past years, failure to increase and reallocate the Education Cost Sharing Grant (ECS) grant would disproportionately harm low-income students and students of color.
3. The benefits of the proposed $48 million investment in new slots in charter and magnet schools will be undercut by the aforementioned underfunding of essential education grants.

1. Statutory Formula Grants

The vast majority of the proposed education cuts ($122 million) come from extending caps on statutory formula grants that reimburse towns for basic educational services. These grants support towns' ability to provide services such as special education for students with disabilities and public school transportation. In fact, in the 2014 school year (the most recent for which data is available) Connecticut's public schools spent over $1.8 billion on special education, accounting for 22.1% of all public school spending. Another $300 million was spent on public school transportation, accounting for another 3.6% of public school spending. **Yet the proposed budget would offer only $140 million in reimbursement for special education (only 73% of the amount owed) and $25 million for transportation (only 27% of the amount owed), leaving school boards on the hook to pay for about 92% of these essential services from general revenues.**[3]

These services are essential to providing children an education; in fact, special education services are federally mandated. **For this reason, capping statutory formula grants does not save taxpayers money.** Instead, capping grants merely passes costs from the State to local property tax payers. Since Connecticut's local property taxes are highly regressive,[4] this may also have the effect of passing costs from wealthier residents to poorer residents, with no net savings to state and local government.

Furthermore, caps on the Excess Cost grant likely harm students with disabilities. This grant is supposed to reimburse towns for 100% of the "excess costs" of providing special education services to students whose service costs exceed 4.5 times the average per pupil expenditure in the district. Numerous bills have been proposed this session lowering this "excess cost threshold," to provide *more* State support to towns for special education.[5] These bills recognize the challenge that high and unpredictable special education costs can pose to town budgets. However, the Governor's proposed budget would move in the *opposite* direction, instead extending in perpetuity a statutory cap on the Excess Cost grant that has existed since 2008. This cap makes it so that even if districts enroll a student who incurs special education costs exceeding 4.5 times district per-pupil expenditures, they will not receive full reimbursement for these costs, and will not know how much reimbursement they can receive. **This deepens the perverse incentive for districts to deny special education students needed services, to avoid paying for special education services.**

The proposed cuts to statutory formula grants will undercut basic education functions, will particularly harm students with disabilities, and will likely lead to regressive property tax

increases. We urge the Committee to reverse these proposed budget cuts, and fully fund these important educational supports for towns.

2. The Education Cost Sharing Grant

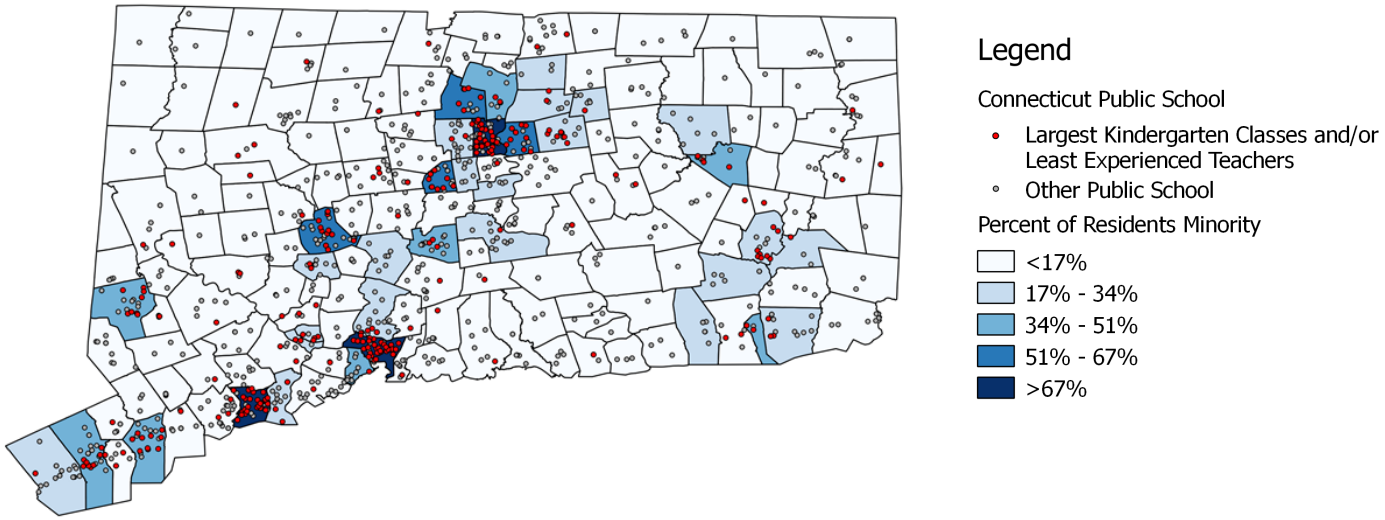
The proposed budget offers no increase in and no reallocation of ECS aid, continuing to shortchange low-income and minority students of their right to an equal education.

Over two-thirds of SDE's budget is dedicated to providing $2.1 billion in general education support to towns through the Education Cost Sharing (ECS) grant. If towns were left to pay for education with no State support, towns with little wealth but high educational costs would be forced to either charge far higher property tax rates or provide a worse education than towns with greater wealth and lower costs. This would arbitrarily shortchange children of their education simply by virtue of where they live, and ask the most in taxes from those who can least afford to pay. The ECS grant is designed to combat this problem, by providing greater State aid to towns with high education costs but very little wealth.

Unfortunately, Connecticut has never fully funded the ECS grant, and also does not distribute funds according to a formula that targets aid to student need. **For this reason, towns vary widely in the extent to which the State is meeting its commitment to provide them with education aid.** In FY 2014, the last year the State presented a formula for calculating ECS grant amounts, the State paid towns on average only 75% of the "target grant" owed according to the formula. *But not all towns received the same percentage of their target grant.*[6] In fact, towns received as little as 22% of their target grant (Orange) and as much as 710% of their target grant (Canaan). This is because, instead of allocating all ECS aid according to the statutory formula, the State followed its longstanding practice of appropriating to each town at least the grant it received the prior year, and allocating only the remaining new aid according to the formula. As a result, grants were based largely on historical artifact, rather than on any measure of student need or town wealth. The problem is compounded by the fact that the statutory ECS formula used to calculate target grants is itself flawed, most notably because when measuring a town's need for education aid, it does not account for the number of students who are identified as English Language Learners (ELL), who necessarily require significant additional investment from their school districts to receive an adequate education because they require language-appropriate instruction. **In short, Connecticut has measured towns' need for education aid using a highly flawed formula, and then failed to even allocate aid according to that formula, making the distribution of education aid effectively arbitrary.** (In FY 2015, no formula was used, and the total ECS appropriation was increased by only 2.4%, making it unlikely that funding adequacy has changed significantly.)[7]

Because the ECS grant is designed to support towns with high educational costs and little wealth, it is likely Connecticut's failure to allocate ECS aid using a formula is having a disproportionately negative impact on schools that enroll students with high need (e.g., students in poverty, students identified as ELL, students with special education needs, students in foster care) and are located in towns with little ability to pay. **Forthcoming research by Connecticut Voices, soon to be released, shows that it is likely that towns with high education costs and little property wealth are struggling to adequately invest in important educational resources, and that this disproportionately harms low-income students and students of color.** This is illustrated by the fact that Connecticut public schools with the largest kindergarten classes and least experienced teachers are clustered in a small number of towns with low property values, few white residents, and high rates of child poverty (see, e.g., Figure 2; further data available upon request).[8]

Figure 2: Schools with the Largest Kindergarten Classes and Least Experienced Teacher are Clustered in Towns with Few White Residents



The Governor's proposed budget would make no changes to the ECS grant, but would simply provide towns with what they received last year. This proposal offers no remedy to low-income and minority students who live in towns where schools overwhelmingly have the largest kindergarten classes and least experienced teachers. Absent an increase in and reallocation of State aid, it is unlikely these schools will be able to reduce class sizes or hire more experienced teachers. This actively puts low-income students and students of color at an academic disadvantage relative to their white and affluent peers, diminishing these students' future life outcomes simply by virtue of the circumstances of their birth.

We urge the Committee to amend the budget proposal to continue annual increases in ECS aid, and to allocate funding so that aid is matched to student need and town tax-capacity. This action is needed to ensure Connecticut offers children an equal education, regardless of race or class. It is also worth noting that, to the extent that reallocating ECS aid by using a more accurate measure of educational need would appropriate additional funding to towns designated as "distressed municipalities," these new expenditures are not subject to Connecticut's statutory spending cap.[9]

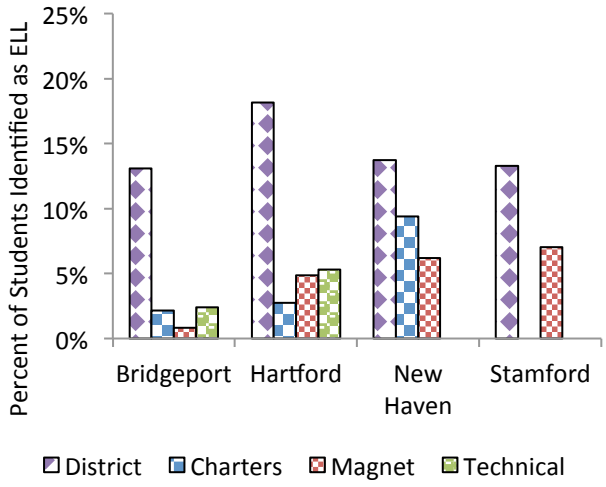
3. School Choice Programs

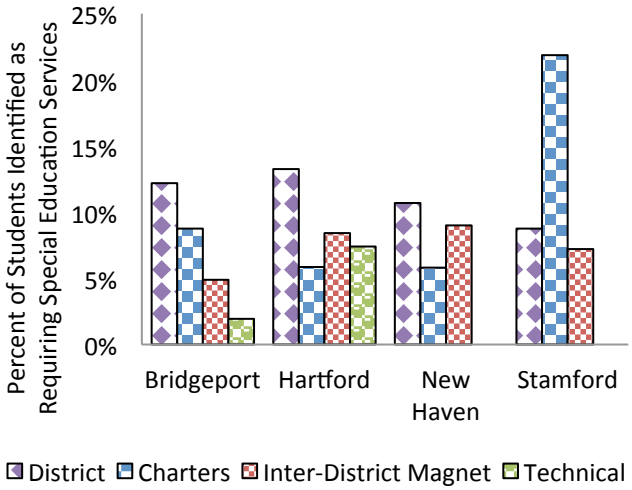
The proposed budget does stay firm in a scheduled $48 million investment in school choice programs, which would create 1,800 new seats in magnet schools and 1,250 new seats in charter schools. Interdistrict magnet schools are designed to offer a high quality academic environment, and to assist the State in reducing student racial and ethnic isolation by enrolling students from a diversity of towns.[10] Charter schools are designed to improve academic achievement, allow for educational innovation, provide vehicles for the reduction of racial, ethnic and economic isolation, and provide a choice of public education programs for students and their parents.[11] Both programs have proven popular with families, and enrollment in both magnets and charters has more than doubled over the past decade.[12] Magnet schools have also proven effective in reducing student racial and ethnic isolation.[13]

However, even as it expands seats, the budget extends a limit on magnet school funding, reducing operating support for these programs by $1.9 million. **In other words, the budget would expand slots in school choice programs even as it both limits funding for those same programs, and reduces funding for other basic educational supports.** If the State cannot maintain adequate investment in both traditional local public schools *and* in new and growing choice programs, then both will likely end up under-resourced, and will be forced to compete against each other for scarce funds.

That magnet and charter schools would compete for funding with local public schools is particularly troubling because there is evidence that both choice programs struggle to enroll students with disabilities and students identified as English Language Learners (ELL).[14]As shown in Figure 3, magnet and charter schools in Connecticut's four largest cities almost always enroll fewer special education students and fewer ELL students than local public schools.[15] Other research shows that, in the Hartford region, students identified as ELL, students requiring special education, students with lower than average test scores, and students from areas with lower average household income are less likely to apply for seats in magnet schools through the school choice lottery. [16]**Although they expand educational opportunities for many children, magnet and charter schools may not currently be a viable educational option for some of Connecticut's most disadvantaged students.**

Figure 3: Comparing ELL and Special Education Enrollment in School Choice Programs and Local Public Schools in their Town





If the budget remains firm in its commitment to expanding school choice, the State should make concurrent investments that help school choice programs serve all students, regardless of English language proficiency or disability status. Furthermore, investments in expanding seats in magnet and charter schools must not undercut investments in local public schools: such insufficient funding will not only leave all schools struggling to provide an adequate education, but will also likely disproportionately harm ELL and special education students who are already at an academic disadvantage. **We urge the Committee to ensure that all Connecticut schools, be they charter, magnet, or local public schools, are adequately funded to provide students a high quality education.**

Conclusion

Connecticut has long recognized the importance of a high quality education in preparing children for successful and meaningful adult lives. Connecticut children have a constitutional right to "substantially equal educational opportunity in free public elementary and secondary schools."[17] This education must be sufficient to prepare students both to participate in democratic institutions and to acquire gainful employment or pursue higher education.[18]

If we intend to make good on our commitment to provide all children with a high quality education – regardless of their race, class primary language, disability status, or town of residence – then we must stay firm in our commitment to adequately and fairly invest in our public schools and our education system. Unfortunately, the proposed budget is insufficient to provide all children with a high quality education; instead, it would inadequately fund the education of all students, with particular harm done to students with disabilities and students attending already under-resourced schools and districts. It would also likely pass costs from the State to towns, increasing the regressivity of Connecticut's tax code without saving taxpayers money.

Connecticut Voices for Children urges the Committee to amend the proposed education budget to restore funding for essential statutory formula investments in special education and transportation, adequately and fairly fund and allocate the ECS grant, and stay firm in our commitment to providing all children a high quality education.

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[1] To ensure accurate comparisons to current services levels, some of the proposed appropriations for FY 2016 were adjusted to reflect transfers from one agency to another. For example, the Early Intervention program, previously housed in the Department of Developmental Services, was split between the Department of Social Services and the Office of Early Childhood in the Governor's budget proposal. This appropriation was subtracted from the line items for both DSS and OEC to maintain accurate year-over-year comparisons.

[2] The Governor's FY 2016-17 proposed budget does not delineate the portion of Medicaid funding spent on children and families, so this amount represents the best estimate given the most recent data available. It assumes all funds cut from HUSKY A will affect children and families, as well as an estimated 32% of the remainder of the funding. The 32% figure, which represents the most recent data available, does not apply to $11.5 million of cuts that would not fall on children or parents whatsoever because they impact only HUSKY C.

[3] See, Connecticut Voices for Children's analysis of SDE data, publicly available through the Bureau of Grants Management website at https://www.csde.state.ct.us/public/dgm/grantreports1/SpTrExpViewRpt.aspx. Available upon request.

[4] See, "Connecticut Tax Incidence Report," *Department of Revenue Services*. December 2014. Available at http://www.ct.gov/drs/lib/drs/DRSTaxIncidenceReport2014.pdf.

[5] See e.g. S.B. 822.

[6] See, CT Voices for Children's analysis of SDE data, provided via e-mail from SDE Bureau of Grants Management, "ECS Targets." Jan 30, 2015. Available upon request.

[7] Connecticut Voices for Children's analysis of Section VIII of the OFA budget, publicly available at http://www.cga.ct.gov/ofa/Documents/year/od/2014OD-20141015_Major%20Appropriated%20Grants%20and%20Other%20Municipal%20AID.pdf. See also, e-mail from SDE Bureau of Grants Management, "ECS Targets." Jan 30, 2015. Available upon request.

[8] Here, "largest kindergarten classes" refers to the fifth of schools with the largest average kindergarten class size, more than 21.8 students. "Least experienced teachers" refers to the fifth of schools with the lowest average years of teaching experience, under 11.3 years on average. See, Kenneth Feder, Sarah Iverson, and Cyd Oppenheimer J.D., "Unequal Schools: Connecticut's Racial, Socioeconomic, and Geographic Disparities in Class Size and Teaching Experience," *Connecticut Voices for Children*. To be released, March, 2015. **All analyses presented here are preliminary.** Data available upon request.
[9] See CGS 2-33a.
[10] *See* Connecticut General Statutes Sec.10-264l.Grants for the operation of interdistrict magnet school programs. Transportation. Special education. Tuition.
[11] *See* "Choose Success! A Guide to Public School Choice for Students and Their Families" page 2.
[12] See, Robert Cotto Jr. and Kenneth Feder, "Choice Watch: Diversity and Access in Connecticut's School Choice Programs," *Connecticut Voices for Children*. April, 2014. Available at http://www.ctvoices.org/publications/choice-watch-diversity-and-access-connecticuts-school-choice-programs.
[13] *Ibid.*
[14] *Ibid.*
[15] *Ibid.*
[16] See, Dougherty, Jack, Diane Zannoni, Marissa Block, and Stephen Spirou. *Who Chooses in Hartford? Report 1: Statistical Analysis of Regional School Choice Office Applicants and Non-Applicants among Hartford-Resident HPS Students in Grades 3-7, Spring 2012*. Hartford, CT: Cities Suburbs Schools Project at Trinity College, May 12, 2014. Available at http://digitalrepository.trincoll.edu/cssp_papers/46.
[17] See, Opinion of the Court in Horton v. Meskill, 195 Conn. 24 (1985). January 15, 1985. Available at http://www.leagle.com/decision/1985219195Conn24_1217.xml/HORTON%20v.%20MESKILL.
[18] See, Opinion of the Court in Connecticut Coalition for Justice in Education Funding v. Rell, (SC 18032). April 22, 2008. Available upon request.