

2017 Changes to the Education Cost Sharing (ECS) Formula

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December 20, 2017 | 2017-R-0319

Issue

Describe the changes [PA 17-2, June Special Session, §§ 225-230](#) made to the ECS aid formula, the largest municipal aid grant that Connecticut provides to towns.

Revisions to the ECS Formula

The act revises the state education equalization formula, commonly referred to as the ECS formula. (The state has not used the formula since FY 14; instead it has set a specific aid amount in statute for each town.) The act makes changes to key factors in the formula and establishes a method to determine each town's aid amount for FY 18 and the following years. For FY 18, alliance district towns receive the same ECS grant they received in FY 17; non-alliance district towns receive 5% less than they received in FY 17.

More on ECS

For a history of changes to the ECS aid formula see OLR Report [2016-R-0167](#), "Education Cost Sharing Grants"

Formula Factors

The ECS formula has the following three key factors:

1. the foundation dollar amount (\$11,525);
2. the student count with weightings for high need students, referred to as total need students; and
3. the base aid ratio, which is a measure of town wealth.

Under the formula, the foundation is multiplied by the number of need students, and the result is multiplied by the base aid ratio, to produce the grant amount. A small bonus is added for regional schools (if applicable), and this results in a town's fully-funded grant. For example, under prior law, a school district with no regional bonus and 1,000 need students that has a base aid ratio of .50 would receive a grant of \$5.76 million (1,000 x \$11,525 x .50).

The act modifies the student count and the base aid ratio, but leaves the foundation dollar amount unchanged.

Student Count

Beginning with the 2017-18 school year, the act modifies two aspects of student need weightings. Specifically, it:

1. changes the student poverty weighting from 30% of students eligible for free or reduced priced meals or free milk (FRPM) to 30% of FRPM-eligible students plus an additional 5% of any FRPM-eligible students above 75% of the total number of resident students; and
2. adds a new 15% weighting for the number of students who are English language learners, as identified by the school district.

Base Aid Ratio

The base aid ratio (also known as the aid percentage) is a measure of a town's property and income wealth in relation to a median town wealth level set in the formula. Poorer towns have higher ratios than wealthier towns. The higher a town's ratio, the closer the town comes to receiving the maximum aid.

Wealth Adjustment Factor. By law, in calculating a town's base aid ratio, town wealth is compared to the wealth adjustment factor (WAF) (formerly called the guaranteed wealth level). The WAF is determined by a three-step process: (1) determining the property and income wealth measures with each expressed in a ratio, (2) applying weights to each, and (3) adding the ratios together.

The act alters the way the WAF is determined by lowering the multiplier from 1.5 to 1.35. By lowering the multiplier, this part of the formula decreases the state's share of total education funding.

The property wealth measure is the ratio of (1) a town’s equalized net grand list (ENGL) per capita to (2) the ENGL per capita of the town with the state’s median ENGL multiplied by 1.35. The income wealth measure is the ratio of (1) a town’s median household income to (2) the state’s median town household income multiplied by 1.35.

Balance of Property Wealth and Income Wealth. The act also modifies the proportion of property to income wealth in the WAF. Under prior law, WAF was calculated using 90% property wealth and 10% income wealth. Under the act, it is calculated using 70% property and 30% income, thus increasing the weight for income wealth in the aid ratio part of the formula.

Minimum Aid Ratios. The act maintains the minimum aid ratio for alliance districts at 10% and reduces the minimum aid ratio for all other districts from 2% to 1%. The minimum aid ratio guarantees that wealthier towns receive at least a minimum amount of ECS aid.

New Factor: Base Aid Ratio Adjustment

The act creates the base aid ratio adjustment factor, which is a bonus added to a town’s base aid ratio if the town is ranked in the top 19 Connecticut towns based on points awarded through the eligibility index for public investment communities (PIC) (i.e., towns with the lowest relative wealth). The PIC eligibility index measures towns’ relative wealth and need by ranking them in descending order by their cumulative point allocations for five categories: (1) per capita income, (2) adjusted equalized net grand list per capita, (3) equalized mill rate, (4) per capita temporary family assistance, and (5) unemployment rate ([CGS § 7-545](#)).

Under the act, the adjustment factor gives towns anywhere from three to six percentage points bonus in their base aid ratio if they rank in the top 19 of all towns in total eligibility index points as shown in Table 1 below.

Table 1: Base Aid Ratio Adjustment Factor Bonus

<i>Town Rank Based on PIC Eligibility Index</i>	<i>Bonus % Points Added to Base Aid Ratio</i>
1-5	6
6-10	5
11-15	4
16-19	3

Town Aid Determination for FYs 18 and 19

The act establishes a new “base grant amount” for each town from which future aid is based. The base grant amount is the ECS grant amount a town was entitled to for FY 17 under the 2016 budget act ([PA 16-2, May Special Session](#)), minus authorized cuts that were implemented during FY 17.

For FY 18 the act entitles a town to receive an ECS grant in an amount determined by its alliance district status:

1. an alliance district town receives the same ECS grant amount it received in FY 17 (i.e., the “base grant amount”), and
2. a non-alliance district town receives the ECS amount it received in FY 17, reduced by 5%.

For FY 19, the act compares a town’s new base grant amount to its fully-funded grant. For some towns the fully-funded grant is an amount greater than the aid they had received in the past. For other towns, especially those with declining student enrollments, the fully-funded grant may be less than the town is receiving (this is primarily due to the past practice of keeping ECS aid at least level for all towns, even if student enrollment dropped).

The act entitles a town to receive, for FY 19, an ECS grant as follows:

1. If a town’s fully funded ECS grant is greater than its FY 17 amount received, then the town is entitled to its base grant amount, plus 4.1% of the difference.
2. If a town’s fully funded ECS grant is less than its FY 17 amount received, then the town is entitled to its base grant amount, minus 25% of the difference; however, if this town is an alliance district, it is entitled to its FY 17 amount received with no reduction.

Town Aid Determination for FYs 20 to 27 and Out Years

The act entitles a town to receive, for FYs 20 through 27, an ECS grant in an amount determined by comparing its base grant amount to its fully funded grant, with an exception for alliance districts:

1. If a town’s fully funded ECS grant is greater than the base grant amount, then the town is entitled to the prior year’s amount, plus 10.66% of the difference.

2. If a town's fully funded ECS grant is less than the base grant amount, then the town is entitled to the prior year's amount, minus 8.33% of the difference; however, if the town is an alliance district, it is entitled to the base grant amount with no reduction.

For FY 28 and all years following, towns will receive their fully-funded amount, except alliance districts continue to receive their base grant amount if that is higher than the fully-funded grant.

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