AN ACT CONCERNING THE MINIMUM BUDGET REQUIREMENT.

SUMMARY

This bill extends, to FYs 20 and 21, the prohibition in current law against a town budgeting less for education than it did in the previous fiscal year (i.e., the minimum budget requirement (MBR)). Under current law, the MBR provisions expire at the end of FY 19.

The bill (1) continues to exempt certain high-performing school districts from the MBR, (2) expands a town’s authority to reduce its MBR under specified conditions, and (3) continues to prohibit an alliance district from reducing its MBR under any circumstances.

It modifies the allowed MBR reduction for reduced student enrollment by allowing a district to look back over five years to choose any or all five years, with certain limitations, when calculating a drop in student enrollment. Under current law, a district can only count the enrollment decrease from one year to the next. In doing so, the bill also eliminates the maximum cap on this type of MBR reduction.

The bill also creates a new MBR cost exemption for any self-insured school district that increases its education budget due to a catastrophic loss during the prior year.

The bill also renews and extends several MBR reduction options in current law, allowing a town to reduce its MBR in certain circumstances. These include if a town: (1) received a decrease in Education Cost Sharing (ECS) aid compared to the previous year, (2) can demonstrate savings through increased efficiencies or regional collaborations, (3) is a district without a high school that paid tuition for fewer students to attend an out-of-town high school compared with the previous year, or (4) closed a school due to enrollment decline. As
under current law, a district may seek one or more of the permissible MBR reductions.

The bill also updates current law’s calculations for whether a town’s ECS grant for FYs 20 and 21 is an increase or decrease in aid as it relates to the MBR calculation. When the ECS grant increases from one year to the next, a district’s MBR increases by the same amount as the grant.

It also makes conforming and technical changes.

EFFECTIVE DATE: July 1, 2019

MBR EXEMPTIONS
The bill continues MBR exemptions through FY 21 for the following: (1) any school district among the top 10% of districts as measured by the State Department of Education’s (SDE) accountability index (see BACKGROUND) and (2) member towns of a newly formed regional school district during the first full FY following its establishment.

NEW OR MODIFIED MBR REDUCTIONS
The following reductions are available for FYs 20 and 21.

Reduced Student Enrollment
The bill modifies the permissible MBR reduction for reduced student enrollment by allowing a district to look back over five years to choose any or all five years when calculating a decrease in student enrollment. But a district is prohibited from choosing a year that has previously been used to determine a drop in enrollment for MBR purposes.

Under this method, the bill permits a district to reduce its MBR by 50% of the net current expenditure per resident student (see BACKGROUND), multiplied by the net reduction in the number of enrolled students. The bill does not set a cap on how much the MBR can be reduced under this allowance. By law, resident students are the number of students a school district must educate at the town’s expense.
Under current law, the student enrollment reduction is limited depending upon the number of free and reduced priced lunch (FRPL) students in the district. Districts with (1) 20% or more of their students qualifying for FRPL can reduce their MBR by up to 1.5% of their education budget and (2) less than 20% of students eligible for FRPL can reduce their MBR by up to 3%.

**Catastrophic Insurance Loss**

The bill creates a new MBR cost exemption for any self-insured school district that experiences a loss due to one or more catastrophic events during the prior year and increases the following year’s education budget as a result. The increase due to the loss is not required to be counted for the following year’s MBR.

To qualify, the (1) school district must have opted to self-insure for the liabilities it incurs under state law, primarily for the district’s required duties and employee and board member indemnity, and (2) catastrophic event must be declared as such by a nationally recognized catastrophe loss index provider.

**PERMITTED MBR REDUCTIONS RENEWED**

The bill maintains four other types of MBR reductions for FYs 20 and 21 that are allowed under current law:

1. A town that has a reduction in ECS aid when compared to the previous year can reduce its MBR by an amount that equals the amount of the reduction.

2. A town without a high school that pays tuition to other towns for its resident students to attend there and is paying for fewer students than it did in the previous year can reduce its MBR by the full amount of its lowered tuition payments.

3. A town can reduce its MBR to reflect half of any new and documented savings from (a) increased efficiencies within its school district, as long as the education commissioner approves the savings, or (b) a regional collaboration or cooperative arrangement with at least one other district. This reduction is
limited to a maximum of 0.5% of the MBR for that fiscal year.

4. A town that is permanently closing a school due to declining enrollment at the school in FYs 13 to 20, inclusive, may be granted an MBR reduction for FYs 20 and 21 in an amount determined by the education commissioner.

CALCULATIONS FOR ECS GRANT INCREASES AND DECREASES

The bill replaces the FYs 18 and 19 ECS grant increase and decrease calculations with similar calculations for FYs 20 and 21. Under the bill, the ECS grant increase or decrease for each town is the difference between the FY 20 ECS grant amount and the prior FY’s grant amount (i.e., “base amount”). For example, if a town’s ECS grant amount for FY 20 is greater than the amount the town was entitled to for FY 19, then the town has an increase by the difference of the two amounts. Similarly, if the ECS grant amount is lower than the previous year, the town has an ECS decrease by the difference of the two amounts.

For the FY 21 MBR calculation, the bill updates most of the language but uses the ECS grant amount for FY 18 as the base amount for calculating ECS grant increases and decreases, rather than the FY 20 amount. (It appears that this FY was not updated as was the rest of the calculation.)

BACKGROUND

Accountability Index

The accountability index is the overall performance score that SDE calculates for each public school and public school district. SDE uses multiple weighted student, school, or district-level measures, including performance index scores (i.e., the statewide mastery test scores, including scores for subgroups such as high needs students) and additional indicators such as graduation rates, postsecondary school entrance, physical fitness, and access to arts (CGS § 10-223e).

Net Current Expenditures (NCE)

A district’s NCEs are its total education expenditures, excluding (1)
student transportation; (2) capital costs supported by school construction grants and debt service; (3) adult education; (4) health services for private school students; (5) tuition; (6) income from federally- and state-aided school meal programs; and (7) fees for student activities (CGS § 10-261(a)(3)).

**COMMITTEE ACTION**

Education Committee

Joint Favorable Substitute
Yea  35    Nay  0    (03/25/2019)