

State Enforcement of the Minimum Budget Requirement (MBR)

By: John D. Moran, Principal Analyst
February 11, 2020 | 2020-R-0058

Issue

Describe how the State Department of Education (SDE) enforces the Minimum Budget Requirement (MBR) law that prohibits a town from budgeting less for education in an upcoming fiscal year than it did in the previous year. Also, include how Ansonia and Columbia each recently resolved their MBR issues and provide a summary of the MBR statute.

Summary

By law, when SDE determines a town has not met its MBR there are steps it can take to bring the town into conformity, beginning with notifying the town of the issue. Generally, once SDE notifies a town of the shortfall, it begins a dialogue with the town over how to address the matter. The most severe, and rarely used step, at SDE's disposal is to withhold part of a town's Education Cost Sharing (ECS) grant ([CGS § 10-262i\(e\)](#)). (ECS is the largest education grant the state provides to municipalities.)

While the MBR generally prohibits a town from budgeting less money for education than the prior year, there are some allowed reductions or exceptions to this requirement. These include circumstances such as receiving a decrease in ECS aid or experiencing a decrease in enrollment.

MBR Enforcement

In early August each year SDE notifies school district superintendents that they need to file their MBR form ([ED012](#)) with the department. SDE provides [guidance](#) to all districts for completing the

requirement. In 2019 the filing was due on August 23. This requirement applies to all regional boards of education as well as local boards of education.

The department determines if the district has met the MBR based on the filing. In October, SDE notifies the district and the town, via letter, if they are not meeting their MBR.

Next, the local or regional school district, as applicable, is given the opportunity to apply for an MBR reduction, pursuant to statutory requirements (see below for an explanation of the current reductions and exemptions). If they are not eligible under one of these provisions, they must notify the department whether their municipality (or municipalities, in the case of a regional district) will appropriate the additional funds needed to meet the MBR. When the municipality appropriates the additional funds, the district recertifies to the department that their budget appropriation now meets the MBR. Note that SDE does not consider a district noncompliant with the MBR unless no action has been taken by June 30 of the fiscal year (FY). This means a school district and its town have the whole fiscal year to correct any MBR issues.

The most severe option at SDE's disposal is forfeiting part of a town's ECS grant if the State Board of Education (SBE) determines that a town or a regional school district fails to meet the MBR. The amount forfeited can be up to two times the amount of the MBR shortfall. If the penalty is imposed against a regional school district, the reduction is applied to the grants payable to the regional school district's member towns proportionate to the number of students from each town.

The SBE also has the authority to waive the forfeiture (1) if the town or regional district agrees to increase the education appropriation during the fiscal year in which the forfeiture would occur or (2) for good cause shown ([CGS § 10-262i\(e\)](#)).

Ansonia and Columbia

SDE notified Ansonia and Columbia that they were not meeting their MBR for the FY 19 (which ended June 30, 2019).

In Ansonia's case, the MBR shortfall was \$600,000. The district and the town had sued each other over education spending in the prior year. Eventually they reached a settlement agreement whereby the town appropriated the necessary funds to meet the MBR (for more information see news article [here](#)).

In Columbia's case, the superintendent petitioned the education commissioner for an MBR reduction. The commissioner determined the town was ineligible for any of the current relief

provisions in statute. SDE notified the superintendent that the municipality needed to appropriate additional funds of \$215,193 for the school district before the close of the fiscal year. At a [special town meeting](#) on February 19, 2019, the town voted to appropriate the additional funds to the Columbia Board of Education. This resolved the MBR non-compliance issue.

The MBR Law (PA 19-117, § 271)

As stated above, the MBR law generally prohibits a town from budgeting less for education than it did in the previous fiscal year. The MBR is renewed every two years when a new biennium budget is enacted. [PA 19-117](#), § 271, extended the MBR to FYs 20 and 21.

MBR Exemptions

All the following MBR exemptions or reductions apply for FYs 20 and 21.

The act continues MBR exemptions for the following: (1) any school district among the top 10% of districts as measured by the SDE's accountability index and (2) member towns of a newly formed regional school district during the first full FY following its establishment. The "accountability index" is the overall performance score that SDE calculates for each public school and public school district using multiple weighted student, school, or district-level measures.

New or Modified MBR Reductions

Reduced Student Enrollment. The new law modifies the permissible MBR reduction for reduced student enrollment by allowing a district to look back over five years to choose any one year 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 enrollment reduction for MBR purposes.

Under this method, the law permits a district to reduce its MBR by 50% of the net current expenditure per resident student, multiplied by the net reduction in the number of enrolled students. By law, resident students are the number of students a school district must educate at the town's expense.

There is no cap on how much the MBR can be reduced under this allowance.

Catastrophic Insurance Loss. [PA 19-117](#) created a new MBR cost exemption for any self-insured school district that experiences a loss due to any catastrophic events during the prior year

that results in an increase in the following year's education budget. This increase 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 Longstanding MBR Reductions

Additionally, the following four longstanding types of MBR reductions were renewed under the new law:

1. A town that has a reduction in ECS aid when compared to the previous year may 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 high school there and is paying for fewer students than it did in the previous year may reduce its MBR by the full amount of its lower tuition payments.
3. A town that has permanently closed a school due to declining enrollment 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.
4. A town may reduce its MBR to reflect half of any new and documented savings from (a) increased efficiencies within its school district, if 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 budgeted appropriation for the prior year.

Efficiency savings include:

1. reductions in costs associated with transportation services, school district administration, or contracts that are not the result of collective bargaining or other labor agreements;
2. an agreement to provide medical or health care benefits pursuant to state law;
3. a cooperative agreement relating to the performance of administrative and central office functions (e.g., business manager functions) for the municipality and the school district as permitted in state law;
4. reductions in costs due to the purchasing or joint purchasing of property insurance, casualty insurance, and workers' compensation insurance, following the consultation with the town's legislative body as permitted by law;

5. reductions in costs associated with the purchasing of payroll processing or accounts payable software systems, following the consultation with the town's legislative body to determine whether such systems may be purchased or shared on a regional basis as permitted by law;
6. consolidation of information technology services; and
7. reductions in costs associated with athletic field care and maintenance.

JM:kl