



July 12, 2012

To: Members of the ECS Task Force

Re: **Bridgeport and Education Finance Reform**

CCM appreciates the hard work you have done and continue to do. We look forward to your final report and the recommendations you will put forth. We ask that you consider the impacts of these recommendations on towns and cities, including Bridgeport.

Education Finance Reform

Connecticut is the most reliant state in the nation on property taxes to fund PreK-12 public education. About \$0.62 of every \$1.00 raised in property taxes toward K-12 public education.

The property tax is the largest state-local tax in our state, and the largest on business (a fact too often ignored by the business lobby).

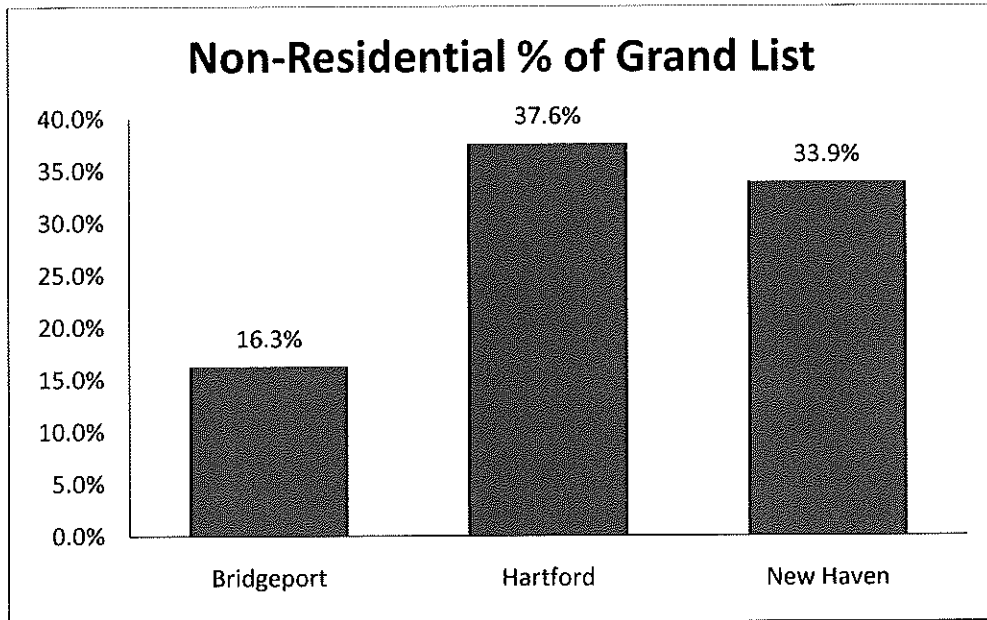
Because of chronic state underfunding of PreK-12 public education (the ECS grant is currently underfunded by over \$700 million and has been flat-funded for four years), the town side of municipal government has actually shrunk in size over the last decade in order to fund the increasing costs of education services. Public safety, road and bridge repair, elderly and youth services, and other non-education programs have suffered as a result.

As you know, the key to property tax reform in Connecticut is education finance reform (a fact too often ignored by organizations representing school superintendents, school boards, school business officials, charter school advocates and others).

Bridgeport's Unique Challenges

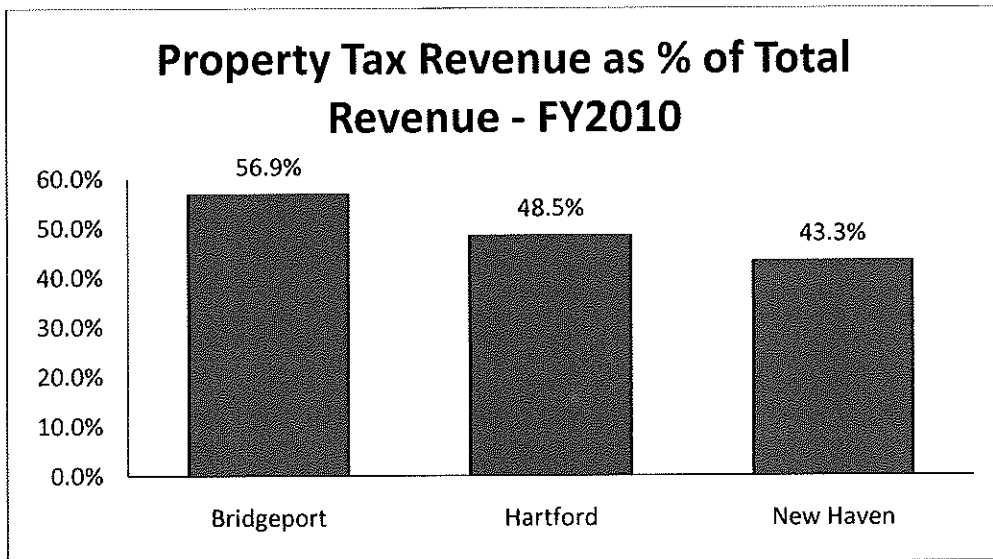
Bridgeport faces some significant issues when addressing education and education finance. Many of these issues are particularly acute to the City and impact not only education finances, but the non-education side of the city's budget.

- Bridgeport relies on its residential property tax base much more than the other large urban centers.



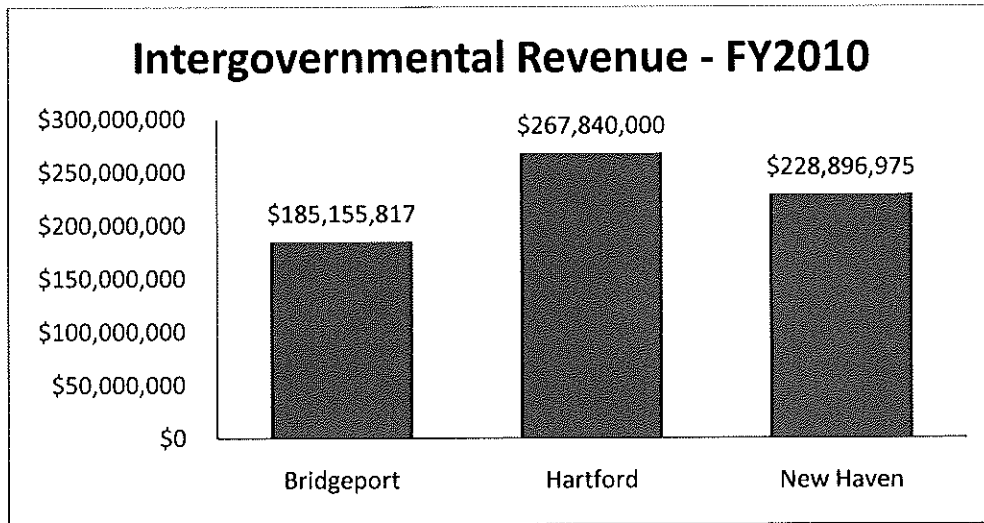
Source: CERC 2011 Town Profiles

- Bridgeport is much more dependent on property taxes than the other large urban centers.



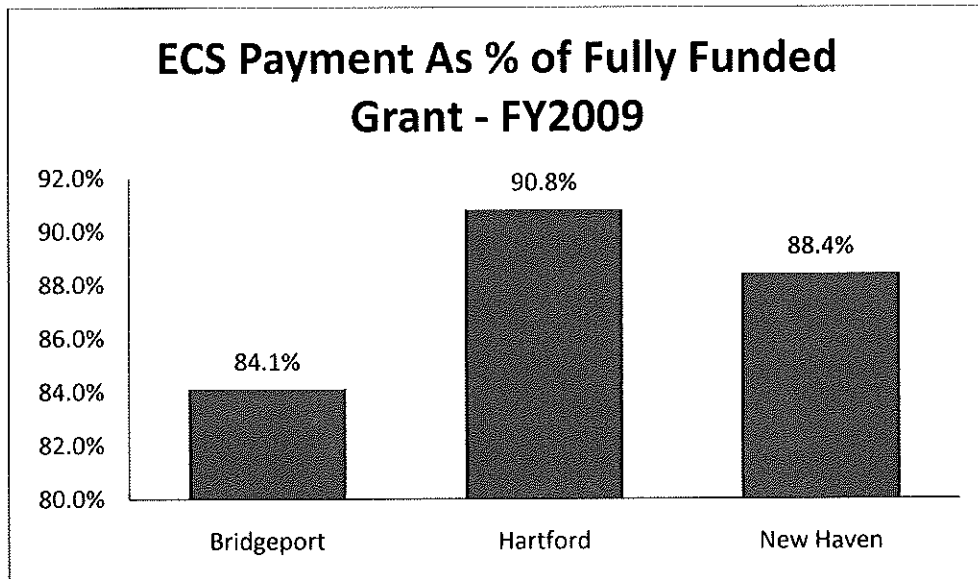
Source: Municipal Fiscal Indicators, 2006-2010

- Bridgeport receives significantly less in intergovernmental revenue than the other large urban centers.



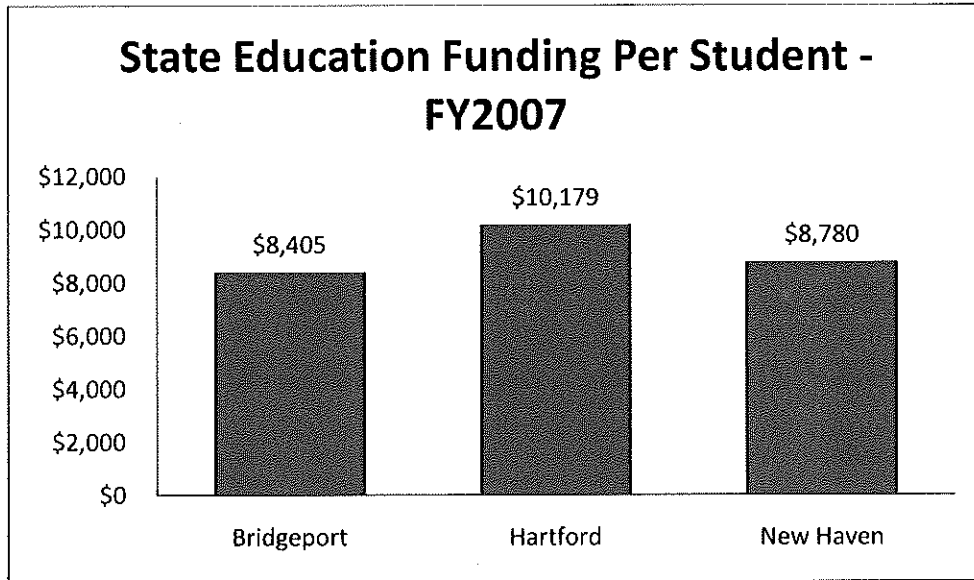
Source: Municipal Fiscal Indicators, 2006-2010

- Bridgeport receives less of its fully funded ECS grant than the other large urban centers.



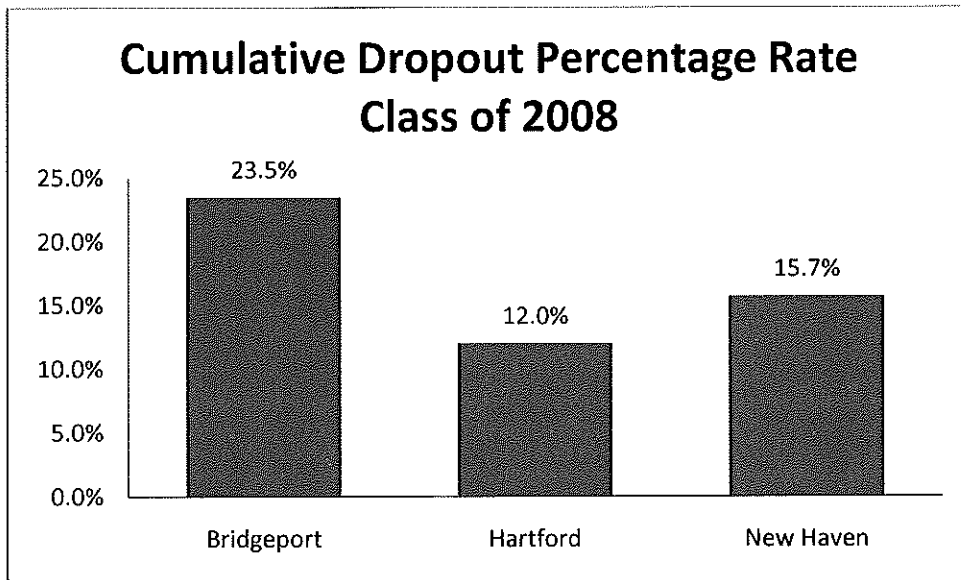
Source: State Department of Education 2008-09 ECS Grant Worksheet

- Bridgeport receives less in state education funding per student than the other urban centers.



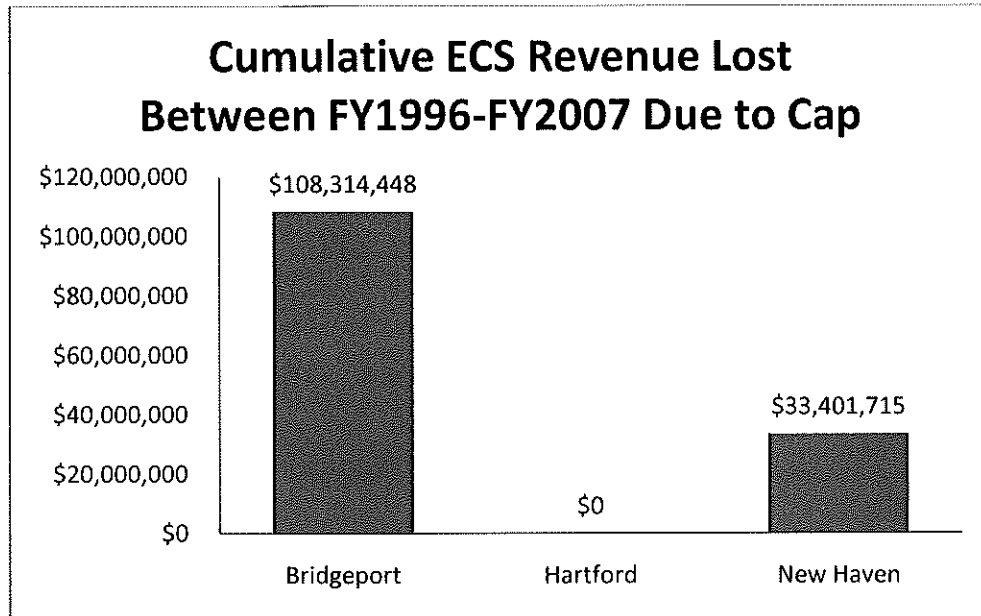
Source: Bridgeport Child Advocacy Coalition

- Bridgeport has a much higher dropout rate than the other urban centers.



Source: CT State Department of Education, CEDAR, 2008

- Bridgeport lost much more ECS revenue between FY1996 and FY2007 than any other municipality in Connecticut because of the cap on entitlements.



Source: Connecticut Coalition for Justice in Education Funding

Note: Hartford did not have a loss due to the cap.

Concerns with Recently Adopted Education Reform Package

P.A. 12-116 was the comprehensive **education reform package** adopted this past legislative session. CCM applauds the Governor and General Assembly for their commitment to reforming Connecticut's PreK-12 education system. While there were many positive components in the package, there were also some areas of concern, particularly regarding education finance.

For FY2013, **ECS grants are increased by \$50 million**. A total of 106 towns will receive increases. An additional 30 towns, designated as "alliance districts," will receive increases should they apply for the increase and submit an approved reform plan. Bridgeport is one of the alliance districts.

	ECS Increase (millions)	Number of Districts
Alliance Districts	\$39.5	30
Other Districts	\$10.5	106
Total	\$50.0	136

Bridgeport would be eligible, but no longer entitled, to receive increases in ECS funding. It would have to successfully meet new state program and other requirements in order to receive this increase. It is not clear that increased state funding will cover the costs of these new reform initiatives.

Should Bridgeport receive its increase in ECS funding, the amount would total only \$209 per pupil.

Another area of concern is the new minimum local funding percentage for alliance districts. The percentage goes from 20 percent for FY2013 to 24 percent for FY2017. **Bridgeport is the only district that would fail to meet this new requirement.** The result is that the City will have to increase property tax funding by over \$3.5 million this year. This will exacerbate the overreliance on property taxes to fund PreK-12 public education in Bridgeport.

The reform package also extended the minimum budget requirement for FY2013. Bridgeport and other municipalities must budget at least the same amount for education for FY2013 as they did for FY2012. Reductions up to 0.5% of the budgeted appropriation are allowed for any of the following, though a district may select only one option.

- Lower enrollment (reduction of \$3,000 per student) or permanently closing a school.
- Documented cost savings resulting from regional efficiencies.
- A district with no high school paying for fewer students to attend high school outside the district - reduction of its budgeted appropriation by the full amount of its lowered tuition payments.

While the MBR relief is appreciated, the cap on the amount of the reduction limits the effectiveness of any cost savings. Town and cities are not allowed to significantly reduce appropriations for education.

The combination of (1) losing ECS increases as an entitlement, (2) the new local contribution mandate, and (3) the continuation of the MRB will negatively impact already hard-pressed property taxpayers and force a difficult choice between education and non-education expenditures.

Is Horton v. Meskill Being Met?

Even putting aside the current *CCJEF v. Rell* lawsuit against the State, many experts believe that the State is not in compliance in the ruling of the *Horton v. Meskill* (1977).

In the *Horton* case, the Connecticut Supreme Court said that a system of school financing that relied on local property tax revenues without regard to disparities in town wealth and that lacked significant equalizing state support was unconstitutional. The Court also held that the creation of a constitutional system for education financing is a job for the legislature and not the courts.

The State put in place a system of equalization, but that system is flawed. ECS has not been fully funded, and in fact, the actual equalization formula has not been used in several years. The result is that current ECS funding is not directly tied to a community's wealth or ability to pay.

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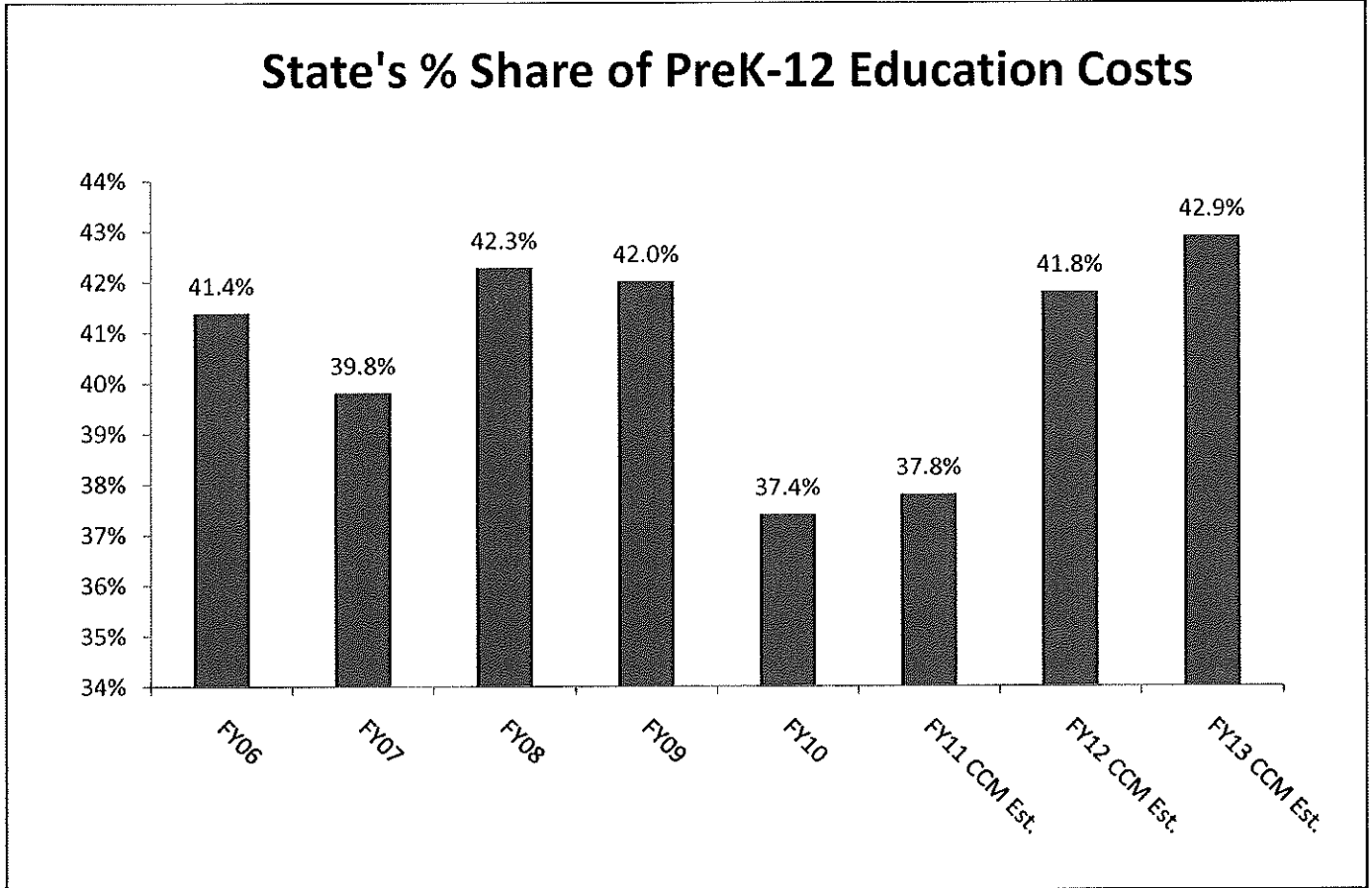
CCM appreciates the ability to provide feedback during this important process. We look forward to continue to working with you in developing your final report. Attached you will find some additional information that might be helpful.

Thank you.

If you have any questions, please contact Jim Finley (jfinley@ccm-ct.org), Executive Director and CEO, George Rafael (grafael@ccm-ct.org), Senior Government Finance Analyst, or Kachina Walsh-Weaver (kweaver@ccm-ct.org), Senior Legislative Associate, of CCM, via email or via phone at 203-498-3000.

APPENDIX A

Supplemental Information

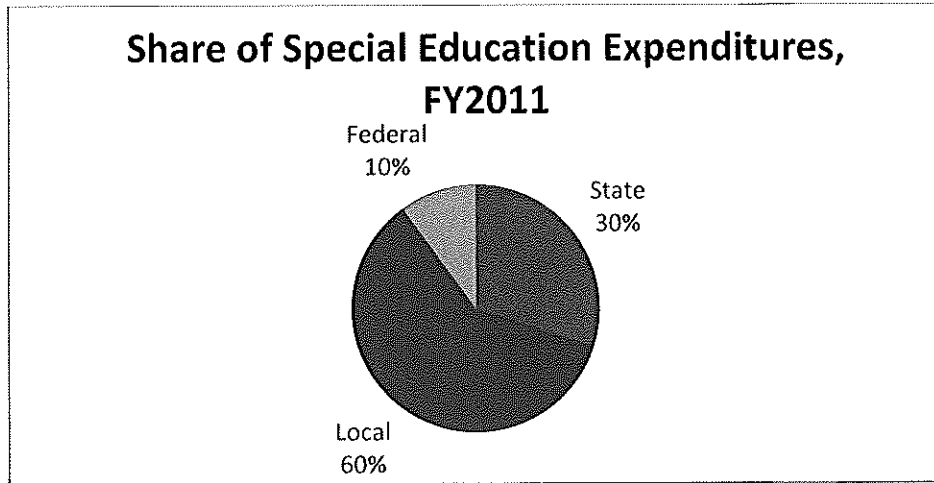


Source: FY13 Adopted Budget; CCM, July 2012

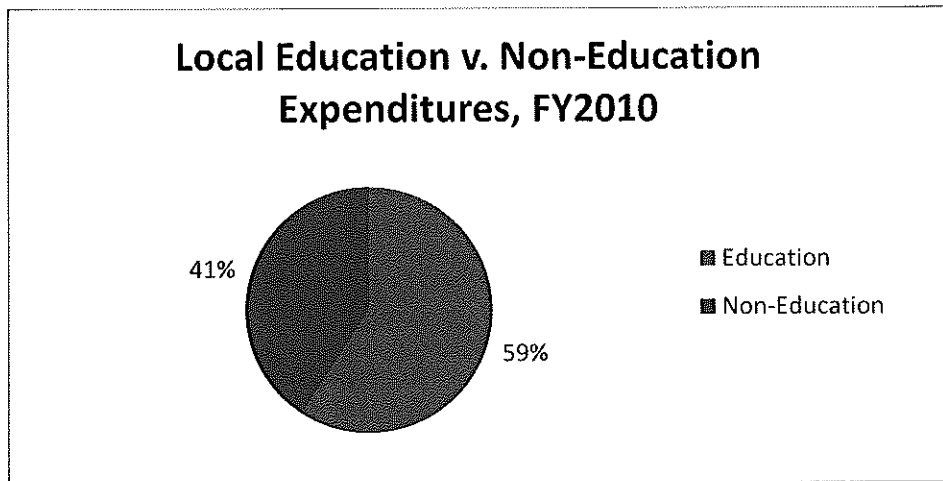
Note: State funds include all state revenues on behalf of public elementary and secondary education, including state grants, bond funds, and department expenditures - including the Connecticut Technical High School System, teacher's retirement costs, and unified school district expenditures.

The state share peaked in 1989-90 at 45.5 percent.

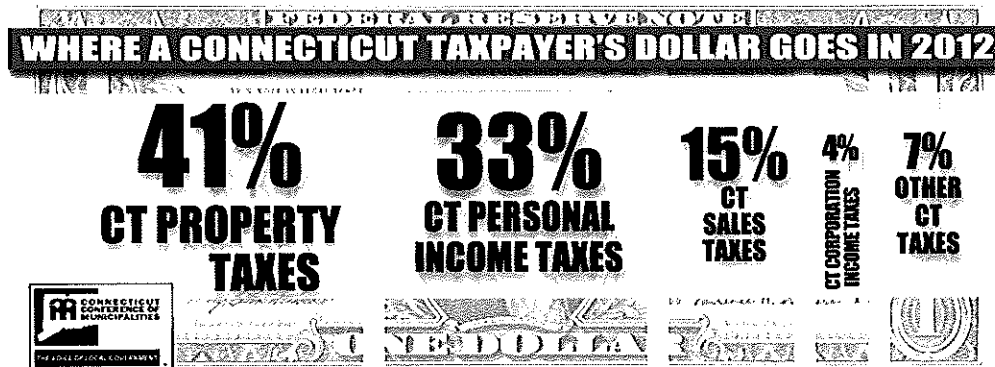
FY2010 Shares of Education Costs (Latest Audited Data)	\$	%
Local Share	\$5.24	52.9%
State Share	\$3.70	37.4%
Federal Share	\$0.92	9.3%
Other	\$0.04	0.4%
Total Estimated Local Education Expenditures	\$9.91	100.0%



Source: SDE, CCM Calculations



Source: OPM *Municipal Fiscal Indicators*



APPENDIX B

Suggested Changes to the ECS Formula and Education Finance

Correct state underfunding of regular education programs by:

- *Increasing the ECS foundation level to reflect the real cost of adequately educating students tied to a statutorily identified cost index.*
- *Increasing the State Guaranteed Wealth Level (SGWL).*
- *Using more current and accurate data to measure town wealth and poverty.*
- *Using free and reduced-price meal eligibility, instead of, or in combination with, Title I as a more accurate poverty measure.*
- *Phasing in full funding of the grant.*

Correct state underfunding of special education programs by:

- *Paying 100 percent of special-education marginal costs or adding student weights to the ECS formula to account for the costs of mild- or moderate-needs students.*
- *In lieu of paying all marginal costs, decreasing the Excess Cost grant threshold to at most 2.5 times the district's average expenditure.*
- *Paying 100 percent of marginal costs for severe-needs students, statewide without equalization.*

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 enrollment needs and higher technology and quality standards.*

Account for the disparities in municipal burden:

- *Add a component to the formula to equalize for service levels and corresponding impact on municipal budgets.*

APPENDIX C

School Funding: 39 Years under Fire A Brief 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 - *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. The Connecticut Conference of Municipalities estimates that the State has shortchanged 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. Among the dozen municipalities funding the lawsuit are Bridgeport, Manchester, Meriden, New Britain, and New Haven.

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 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 an education adequacy cost study to be performed by a nationally prominent consulting firm.

2005: CCJEF files education adequacy and equity lawsuit. *CCJEF v. Reil* challenges the constitutionality of Connecticut's entire education system, alleging that the State is failing to prepare its schoolchildren 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 percent from six percent, (d) calculate the "need students" using 33 percent of a district's Title I poverty count and 15 percent of students with Limited English Proficiency, 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* (see below).

2010: *The Connecticut Supreme Court, in a landmark decision, ruled in CCJEF v. Rell that all school children in the state are guaranteed not just a free public education, but a "suitable" one that prepares them for productive, employed, and civically engaged life. The Court's opinion included the following.*

- *"The fundamental right to education is not an empty linguistic shell."*
- *A suitable education is one that prepares school children to ...*
 - *"participate fully in democratic institutions, such as jury service and voting"*
 - *"progress to institutions of higher education"*
 - *"attain productive employment"*
 - *"contribute to the state's economy"*

Absent settlement, the next step is for the CCJEF lawsuit to go to trial to determine if public school students in Connecticut are being provided with a constitutionally suitable education.