Presentation to ECS Task Force

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ECS
Recent History

- **2006-2007**
  - **Actual funding** = $1.63 billion
  - New ECS formula = $2.67 billion total
  - Actual funding ↑ $182 million = $1.81 billion
  - 85% of increase could be spent on *non-education*
  - Min. increase to towns of 4.4% from 2006-07

- **2007-2008**
  - **Actual funding** ↑ $427,000 = $1.89 billion
  - 50% of increase could be spent on *non-education*

- **2008-2009**
  - **Actual funding** unchanged = $1.89 billion

- **2009-2010**
  - **Actual funding** ↑ $80 million = $1.89 billion
  - 85% of increase could be spent on *non-education*
  - Min. increase to towns of 4.4% from 2007-08

- **2010-2011**
  - **Actual funding** unchanged = $1.89 billion

- **2011-2012**

Sources: CT State Dept. of Education and the CT Office of Legislative Research
Statutes currently specify what towns must **budget** from local funding: not what they must **spend** on education.

- CT General Statute 10-262i(c)
  “The **budgeted** appropriation for education in any town receiving an increase in funds pursuant to this section shall be not less than the amount appropriated for education for the prior year plus such increase in funds.”

- CT General Statute 10-262i(d) a.k.a. the Minimum Budget Requirement
  “For the fiscal years ending June 30, 2010, and June 30, 2011, the **budgeted** appropriation for education shall be no less than the **budgeted** appropriation for education for the fiscal year ending June 30, 2009. . .”

- OLR Backgrounder: ECS Minimum Budget Requirement for FY 12 and FY 13
  “For FY 12 and FY 13, unless their enrollment has fallen (see below), most towns must **budget** the same amount for education as they **budgeted** in the previous fiscal year.”

This allows local boards of education to return **unspent** (but budgeted) local education dollars to the town. These returned funds (local taxes collected for education) can then be spent on non-education purposes.
Town Income Data in ECS

ECS Currently Uses Out-of-Date Income Data

- ECS uses Census 2000 (**1999 Income**): $98 billion statewide
- American Community Survey (2009): $126 billion statewide
- IRS (2009): $136 billion statewide
- Income growth between 1999 and 2009 has been distributed unevenly across 169 towns
- Using more current income data would reallocate roughly **$150 million** of the fully funded ECS total among roughly 130 towns.

**Connecticut Personal Income**

- ACS 2009: $125,767,792,000
- IRS 2009: $136,408,448,000
Town Income Data in ECS
Alternatives for Town Income Data

- **American Community Survey:** $126 billion in income statewide in 2009
  - Is based on a sample of the population which results in high margins of error
  - Kent ± 25% for per capita income
  - The data is self-reported and not verified
  - Excludes capital gains ($5.2 billion in 2009)

- **CT State Tax Return:** Federal Adjusted Gross Income (AGI) of $132 billion in income statewide in 2009
  - Excludes roughly $12 billion (8.3%) of income because of tax-exempt interest, non-taxable pensions/annuities, non-taxable IRA distributions, and non-taxable social security payments
  - Federal AGI has further deductions from total income of about $416 million
### Town Income Data in ECS

**What Do Other States Use to Measure Income in Education Funding Formulas?**

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Income</th>
<th>Source of Personal Income Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT</td>
<td>Y</td>
<td>Census 2000 <em>(1999 Income)</em></td>
</tr>
<tr>
<td>MA</td>
<td>Y</td>
<td>State Income Tax Return</td>
</tr>
<tr>
<td>ME</td>
<td>N</td>
<td>NA</td>
</tr>
<tr>
<td>NH</td>
<td>N</td>
<td>NA</td>
</tr>
<tr>
<td>NJ</td>
<td>Y</td>
<td>State Income Tax Return</td>
</tr>
<tr>
<td>NY</td>
<td>Y</td>
<td>State Income Tax Return</td>
</tr>
<tr>
<td>RI</td>
<td>Y</td>
<td>2005-2009 American Community Survey</td>
</tr>
<tr>
<td>VT</td>
<td>Y</td>
<td>State Income Tax Return</td>
</tr>
</tbody>
</table>
Town Income Data in ECS

Options for Town Income Data

• Option 1: **Use federal AGI from the Connecticut income tax return**
  • Pros: No changes needed to Connecticut income tax form.
  • Cons: *Excludes roughly $12 billion* (8.3%) of income because non-taxable income is not included in federal AGI. This would lower the income measure (and therefore benefit) for towns with high concentrations of upper-income households (tax-exempt interest) and/or retirees (pensions, annuities, and social security).

• Option 2: **Use the Connecticut income tax return and recapture only non-taxable income that would then be added to federal AGI**
  • Pros: A better measure of personal income that includes all types of income and would *recapture about $12 billion* from the federal tax return.
  • Cons: Requires adding a new line item to Schedule 1 of the Connecticut income tax form that would include the sum of several line items from the federal 1040 form. Does not recapture other deductions ($416 million) reflected in federal AGI.

• Option 3: **Use the Connecticut income tax return and recapture both non-taxable income and deductions calculated in federal AGI**
  • Pros: The most comprehensive measure of personal income which includes all types of income. *Recaptures roughly $12,416,000,000* from the federal tax return. Will not benefit or disadvantage particular towns due to missing income.
  • Cons: Requires adding a new line item to Schedule 1 of the Connecticut income tax form that would include the sum of several line items from the federal 1040 form.
Population Data in ECS
What Happens to Income When Dorm Residents and Prisoners are Counted in Town Population?

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mansfield</td>
<td>20,720</td>
<td>7,904 (38%)</td>
<td>$18,094</td>
<td>$26,365 (+46%)</td>
</tr>
<tr>
<td>Somers</td>
<td>10,417</td>
<td>2,291 (22%)</td>
<td>$23,952</td>
<td>$29,216 (+22%)</td>
</tr>
<tr>
<td>East Hampton</td>
<td>13,352</td>
<td>2,396 (18%)*</td>
<td>$22,769</td>
<td>$27,748 (+22%)</td>
</tr>
</tbody>
</table>

In current funding formulas, Mansfield’s per capita income ($18,094) is lower than New Britain’s ($18,404).

Population counts are used in formulas for two purposes:
- Total population count.
- Per capita income: As population goes up then per capita income goes down and funding increases. Including dorm and prison populations artificially lowers per capita income, which increases funding to towns with residents in dorms and/or prisons.

Excluding dorm residents and prisoners would reallocate roughly $20.5 million of the fully funded ECS total among 130 towns.

* There are no dorms/prisons in East Hampton. It is an error in Census 2000.
## ECS

Current Funding is Based on Increases from 2006-07 and Out-of-Date Income Data

<table>
<thead>
<tr>
<th>Town</th>
<th>Actual ECS Funding</th>
<th>Percentage Increase from 2006-2007</th>
<th>ECS Formula Total Amount</th>
<th>Actual as Percentage of ECS Formula Total</th>
<th>ECS 2008-2009** (corrected for income/dorms/prisons)</th>
<th>Actual as Percentage of Corrected ECS Formula Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide</td>
<td>$1,889,180,324</td>
<td>16%</td>
<td>$2,669,696,372</td>
<td>71%</td>
<td>$2,659,502,549</td>
<td>71%</td>
</tr>
<tr>
<td>New Britain</td>
<td>$73,929,296</td>
<td>15%</td>
<td>$99,534,356</td>
<td>74%</td>
<td>$101,960,544</td>
<td>73%</td>
</tr>
<tr>
<td>Stratford</td>
<td>$20,495,602</td>
<td>23%</td>
<td>$35,442,280</td>
<td>58%</td>
<td>$38,560,828</td>
<td>53%</td>
</tr>
<tr>
<td>Avon</td>
<td>$1,232,688</td>
<td>56%</td>
<td>$3,159,625</td>
<td>39%</td>
<td>$3,159,625</td>
<td>39%</td>
</tr>
<tr>
<td>Glastonbury</td>
<td>$6,201,152</td>
<td>59%</td>
<td>$17,352,150</td>
<td>36%</td>
<td>$6,606,334</td>
<td>94%</td>
</tr>
<tr>
<td>Milford</td>
<td>$10,728,519</td>
<td>9.0%</td>
<td>$10,180,471</td>
<td>105%</td>
<td>$6,619,674</td>
<td>162%</td>
</tr>
</tbody>
</table>

* CT State Dept. of Education
** CT Voices for Children Calculations
Declining K-12 Enrollments
Projected Decline of About 91,000 in Enrollment by 2020

Where have all the children gone?
Connecticut’s Public School Enrollment Projected to Shrink by 90,000

Orlando Rodriguez, Demographer and Manager of CtSDC, states:

“We have been expecting this downward enrollment trend to begin. The leading edge of Baby Boomers are approaching retirement and the trailing edge of their children have aged beyond K to 12 schooling.”

2004-05 to 2010-11 Enrollment Trends
Grades 1 to 12

Demographic projections based on Census 1990 and Census 2000

432,300 projected for FY 2019-2020
Declining K-12 Enrollments
Change in K-12 Enrollment 2006-07 to 2010-11
(based on town of residence)

- 85% (143 of 169) of towns had a net decline in K-12 enrollment between 2006-07 and 2010-11
- Largest percentage decline was in Cornwall at -16.9% from 207 to 172
- Largest percentage increase was in Fairfield at +7.4% from 9,337 to 10,031
Declining K-12 Enrollments

Fiscal Consequences of Focusing on Budgets – Not Spending

Current statutes specify what towns must budget (not spend) on education. This allows towns to shift unspent local tax dollars collected for education to non-education purposes.

**2005 Fiscal Year**
Total Education Budget = $10,000,000
Education funds to non-education = $250,000
ECS pays 51% of “actual” education spending
1,000 Students @ $9,750/student

**2010 Fiscal Year**
Total Education Budget = $10,000,000
Education funds to non-education = $500,000
ECS pays 53% of “actual” education spending
975 Students @ $9,744/student

**2015 Fiscal Year**
Total Education Budget = $10,000,000
Education funds to non-education = $750,000
ECS pays 54% of “actual” education spending
950 Students @ $9,737/student

- Local tax dollars collected for education and spent on non-education
- Local tax dollars collected for education and spent on education
- ECS funding
Declining K-12 Enrollments
Allow Towns to Decrease Budgets and Create Mandates on Spending – Not Budgets

By allowing towns to reduce their total education budget but maintain “per pupil” spending we ensure that all education dollars go to education. ECS funding should also be adjusted so that towns with declining enrollments do not benefit relative to towns with flat or increasing enrollments.

### 2005 Fiscal Year
- Total Education Budget = $10,000,000
- Education funds to non-education = $250,000
- ECS pays 51% of “actual” education spending
- 1,000 Students @ $9,750/student

![Pie chart showing the budget distribution in 2005 Fiscal Year]

### 2010 Fiscal Year
- Total Education Budget = $9,506,250
- Education funds to non-education = $0
- ECS pays 50% of “actual” education spending
- 975 Students @ $9,750/student

![Pie chart showing the budget distribution in 2010 Fiscal Year]

### 2015 Fiscal Year
- Total Education Budget = $9,262,500
- Education funds to non-education = $0
- ECS pays 50% of “actual” education spending
- 950 Students @ $9,750/student

![Pie chart showing the budget distribution in 2015 Fiscal Year]

Local tax dollars collected for education and spent on non-education
Local tax dollars collected for education and spent on education
ECS funding
Declining K-12 Enrollments

What Could be Done with ECS Dollars Recaptured from Declining Enrollments & Local Non-Education Spending?

- Increase ECS funding to *all* towns
- Increase ECS funding to *low-income* towns
- A little of both
ECS

Goals & Recommendations

**Goal 1:** Realign funding with local need as originally intended for ECS.
- **Recommendation A:** Obtain both *per capita* income and *median household* income data from the state income tax return. Update *all* state funding formulas yearly with the most recently available income data from state income tax returns.
- **Recommendation B:** Exclude populations living in dorms and prisons from both town *population counts* and calculations of town *per capita income* in *all* funding formulas.

**Goal 2:** Halt the supplanting of local education funds by ECS.
- **Recommendation C:** Require that all *local* education funds be *spent* on education (yearly surpluses would be carried-over to the next fiscal year).
- **Recommendation D:** Do not allow towns to reduce per-pupil spending.
- **Recommendation E:** ECS funding to towns with declining enrollments should be proportionately reduced so that towns with declining enrollments do not benefit relative to towns with flat or increasing enrollments.

**Goal 3:** Increase transparency of local education spending.
- **Recommendation F:** Require yearly standardized and audited reporting of all *local* education budgets.