REGIONAL SCHOOL DISTRICT GOVERNANCE

Connecticut

General Assembly

LEGISLATIVE

PROGRAM REVIEW

AND

INVESTIGATIONS

COMMITTEE

December 2002

CONNECTICUT GENERAL ASSEMBLY
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 to evaluate the efficiency, effectiveness, and statutory compliance of selected state agencies and programs, recommending remedies where needed. In 1975, the General Assembly expanded the committee's function to include investigations, and during the 1977 session added responsibility for "sunset" (automatic program termination) performance reviews. The committee was given authority to raise and report bills in 1985.

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LEGISLATIVE PROGRAM REVIEW
& INVESTIGATIONS COMMITTEE

Regional School District Governance

DECEMBER 2002

DIGEST
Regional School District Governance

Governance Structure

FINDINGS

- *The regional school district governance structure gives regional school boards much greater autonomy over the budget process than local boards of education. A regional school district budget is presented directly to the voters in towns belonging to regional school districts for adoption. Thus, voters in these towns provide the only level of scrutiny over budgetary decisions made by regional school board members.*

RECOMMENDATION

1. **Enabling legislation be adopted granting voters in towns belonging to regional school districts the statutory authority to establish regional finance boards by a region-wide majority vote. Members of regional finance boards would be appointed from local Boards of Finance to oversee the regional school district budget approval process.**

FINDINGS

- *It is unclear in statute how towns in regional school districts without adopted budgets as of July 1, should fund those districts.*

- *Unlike local schools boards, regional school boards have authority to deficit spend and there is no requirement for voter approval prior to the board exceeding its appropriations.*

- *C.G.S. Sec. 7-398 requires reports concerning public finances or the reception or disbursement of public funds made by selectmen or treasurers of towns be verified by oath. Any person who verifies any return, known to be false, or which in any material respect intentionally suppresses or conceals the truth, is subject to the penalty for false statement. There is no such requirement for regional school district treasurers.*

- *All school boards can transfer funds among budgetary line items. However, no detailed information on line-item transfers need be provided by school*

boards for the public record, only that such transfers be announced at board meetings.

RECOMMENDATIONS

2. **Towns shall fund regional school districts, at a minimum, at the previous years' appropriations if regional school budgets are not adopted by the beginning of the fiscal year until the regional school budget is passed.**

3. **Regional boards of education shall be prohibited from deficit spending in excess of one-quarter of one percent of their total budget unless approved by a region-wide majority of voters in member towns.**

4. **Each regional school board shall report, as part of the public record, a detailed written statement for each transfer of funds among line items. The statement shall include:**

    - **the reason for the transfer;**
    - **an identification of the line item account and the dollar amount that funds are being transferred from and to;**
    - **the intended use of the funds if the transfer is approved; and**
    - **the fiscal impact on the line item account that funds are being transferred from.**

    At the end of each fiscal year, the board shall summarize the number and types of fiscal transfers made, the aggregate amount transferred to and from each account, and the impact of such transfers.

5. **Regional Board of Education treasurers shall verify by oath public reports, returns, and reception or disbursement of funds. Any person who verifies any return or report, known to them to be false, in fact, or which in any material respect intentionally suppresses or conceals the truth, shall be subject to the penalty provided for false statement.**

FINDING

- *Current law does not allow a town that is a member of a K-12 regional school district to withdraw only some grades from the districts.*

RECOMMENDATION

6. **C.G.S. Sec. 10-47b shall be amended to include K-12 regional school districts.**

State Oversight

FINDINGS

- *The State Department of Education was slow to investigate fiscal problems in the Amity School District (Regional District Number 5).*

- *No quality control is being exercised over independent auditors in regional school districts, even when questionable audit work can be suspected.*

- *Tracking system for corrective action plans for audit findings is inadequate.*

- *The Office of Policy and Management has not performed an analysis of the fiscal condition of regional school districts.*

- *The authority of the Municipal Finance Advisory Commission to require regional school districts to appear before the commission is unclear.*

- *Regional school district administrative personnel, in several districts, are involved in the selection and management of independent auditors, and auditors in most districts are not changed on a regular basis.*

- *The credentials of independent auditors in regional school districts are not checked with State Board of Accountancy.*

RECOMMENDATIONS

7. **The State Board of Education shall periodically perform quality control reviews of selected audits of regional school districts made by independent auditors. This quality control review shall include but not be limited to an examination of the audit firm's system of quality control for its auditing practice to ensure it has been designed in accordance with professional standards and ensure the firm's quality control policies and procedures were complied with to provide the firm with reasonable assurance of conforming with professional standards.**

8. **The State Board of Education shall develop a tracking system for corrective action plans submitted by regional school districts. It shall include a classification system that indicates the seriousness of findings and establishes deadlines to correct audit findings based on their seriousness.**

9. **The State Board of Education shall assume the responsibilities of OPM under the Municipal Accounting Act for regional school districts regarding the review of audit reports, tracking of corrective actions, and performing a fiscal analysis of the**

districts. The State Board of Education, in consultation with OPM, shall develop criteria to perform an annual fiscal analysis of the regional school districts.

10. **Clarify C.G.S. Sec. 7-349b related to the Municipal Finance Advisory Commission under the Municipal Auditing Act to include regional school districts and require reports generated under the statute be filed with each town's board of selectmen and board of finance, if applicable, in regional districts.**

11. **The State Board of Education shall regularly solicit competitive proposals from qualified and licensed auditing firms to perform Annual Audits for regional school districts and randomly assign the firms to regional districts. The audit firms shall be rotated at least every three years among the regional districts.**

12. **Audits performed for regional school districts under the Municipal Auditing Act shall contain a written management letter, in accordance with guidelines developed by the State Board of Education. The State Board of Education shall define the items that should be contained in the management letter and when one is necessary. It shall include at a minimum those issues identified by the auditor during the course of the audit that do not rise to the level of a reportable condition but indicate deficiencies with internal controls, inter-fund transactions, reserves, and financial documentation.**

Local Share Formula

FINDINGS

- *Changing the current allocation formula that determines local share of education expenses to a consolidated tax base in regional school districts would be disruptive to local government finances, could require an overall increase in the state's main education grant, and is not supported by the majority of town leaders in regional districts.*

RECOMMENDATION

13. **The current method of allocating the local share of education costs for regional school districts should be continued.**

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Introduction

Regional School District Governance

The Legislative Program Review and Investigations Committee authorized a study of Regional School District Governance in March 2002. The scope of the study provides for an overview of regional school districts in Connecticut and an examination of the following areas:

- the statutory processes to establish and withdraw from regional school districts, select board members, develop and approve budgets, and apportion costs among member towns;
- the roles, responsibilities, and authority of regional boards of education vis-à-vis local legislative bodies, and the State Department of Education, including the structure in place to perform fiscal oversight; and
- an assessment of changes to the statutory formula that assigns local share costs to member towns in regional school districts.

Overall, the program review committee found the autonomy granted to regional boards of education is much greater than that given to local boards of education and identified certain fiscal and budgetary processes that were lacking or insufficient. In addition, the committee identified a number of areas where state oversight was absent or inadequately performed.

The committee offers 13 recommendations aimed at strengthening local and state level accountability mechanisms and providing for consistent processes among towns wishing to partially withdraw from regional school districts. The committee does not recommend any change in the current statutory formula that assigns local share of education costs.

Methods

A variety of resources and methods were used to gather and analyze information for this report. Chairpersons and members of several boards of education as well as boards of selectmen and boards of finance in towns comprising regional school districts and other interested parties were personally interviewed. In addition, program review committee staff mailed structured questionnaires to local officials, including chief elected officials, local fiscal authorities, and regional board chairpersons to solicit opinions and other information regarding regional school governance. Key staff from the State Department of Education (SDE) and the Office of Policy and Management (OPM) were also consulted on various governance and accountability issues during the study process.

Education literature and publications issued by national education organizations regarding governance structures and operation of regional school districts in other states were analyzed. Detailed information was obtained through phone interviews with education officials from other Northeastern states. State statutes, regulations, and fiscal and administrative policies

from regional districts in Connecticut were reviewed to obtain an understanding of the authority and practices of regional school boards.

Regional school district educational funding and Education Cost Sharing grant data were obtained from SDE and property assessment information was gathered from OPM to create models to analyze the effect of altering the local share formula.

Finally, a public hearing was held on November 14, 2002, to solicit testimony from interested parties from throughout the state.

Report Organization

The committee's report is organized into six chapters. The first chapter presents an overview of regional school districts in Connecticut. Chapters Two, Three, and Four provide information about the principal procedures and processes that govern regional school district activities including, the addition and withdrawal of grades, the method to determine representation on regional school boards, and the budget process in regional districts. Chapter Five identifies the roles and responsibilities of the various government entities involved in performing fiscal oversight and ensuring financial accountability in regional school districts. Chapter Six discusses the committee's findings and recommendations.

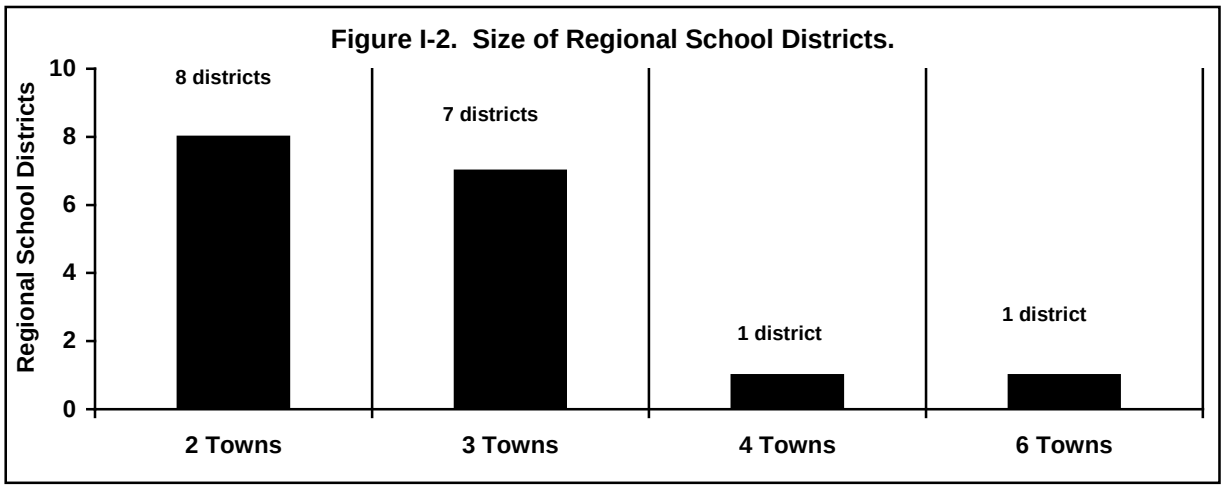
Agency Response

It is the policy of the Legislative Program Review and Investigations Committee to provide agencies subject to a study with the opportunity to review and comment on the recommendations prior to publication of this report. The response from the Department of Education and the Office of Policy and Management is contained in Appendix A.

Chapter One

Overview

Towns were given the authority under state statute to establish regional school districts in the 1940s.[1] Currently, 17 regional school districts operate in the state, providing education to students in 47 towns. Figure I-1 (map) shows the geographic location and towns belonging to each of the districts. The majority of districts are composed of two or three towns, however district size can encompass as many as six (see Figure 1-2). It is important to note, some small towns choose to pay for their students to attend schools in other towns (called tuitioning-out), rather than join a regional district.



Twelve of the 17 regional school districts were established between 1950 and 1970, two before 1950, and three after 1970. The last regional school district was created in 1987 (Region 19), and includes the towns of Ashford, Mansfield, and Willington.

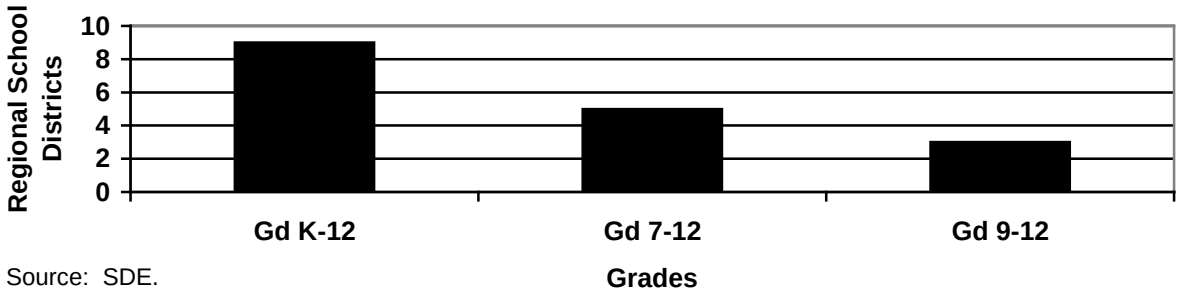
When a district is created, the member towns determine the grade levels that will be provided, although towns may later choose to add or withdraw grades. Thus, some regional school districts provide all grades (K-12), while others offer only certain grades (7-12 or 9-12), with towns operating their own schools for the lower grade levels. Figure I-3 classifies regional school districts by grade levels provided. Nine districts provide K-12, and comprise 20 towns, while five districts provide grades 7-12 and encompass 16 towns. The remaining three districts (11 towns) offer only high school grades (9-12).

If the regional school district provides only 7-12 or 9-12 grades, local school boards oversee the lower education grades directly provided by the town. Twenty-seven towns fall in this category. In addition, towns with local boards may have the same superintendent as the regional school, or may have their own superintendent for the local school system. For example,

[1] Regional School District No. 1 was created by Special Act in 1937 (Sp. No. 428).

Regional School District No. 1 serves six towns offering grades 9-12, while each town also has its own local school board for grades K-8.

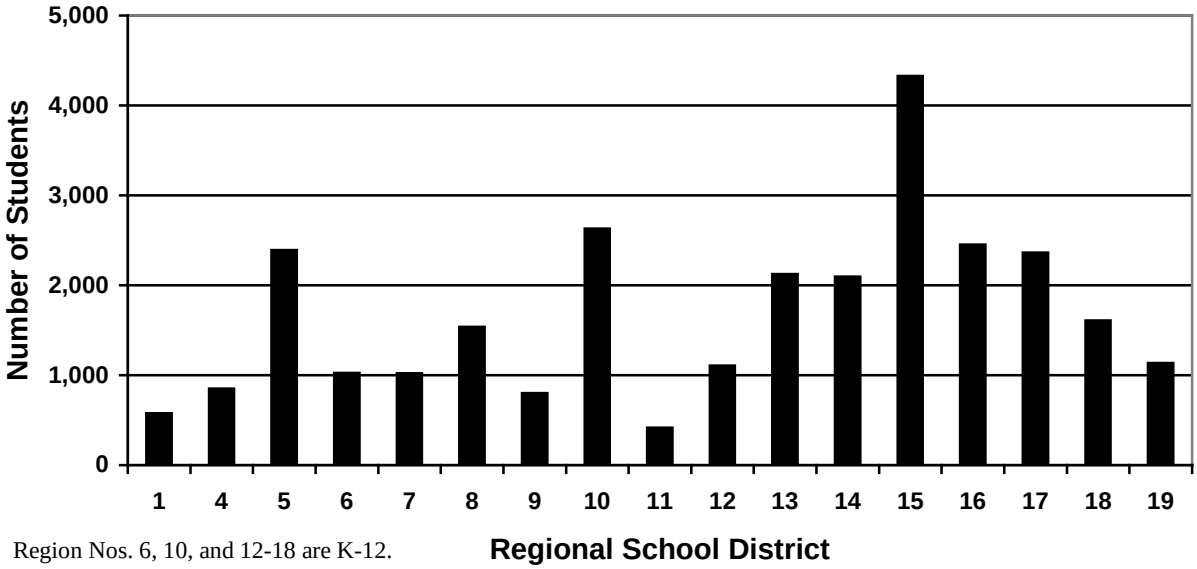
Figure I-3. Grades offered by Regional School Districts.



Source: SDE.

Student population. There were 28,472 students attending regional schools as of October 2001. This represents only 5 percent of the 541,753 students enrolled in public primary, and secondary schools statewide. Figure I-4 shows the number of students attending regional school districts varies greatly from district to district. Based on 2001 student data, Region No. 11 is the smallest district with 418 students, and Region No. 15 the largest with 4,326 students. Nine of the school districts shown in the figure provide education from Kindergarten through 12th grade.

Figure I-4. No. of Students Attending Regional School Districts.

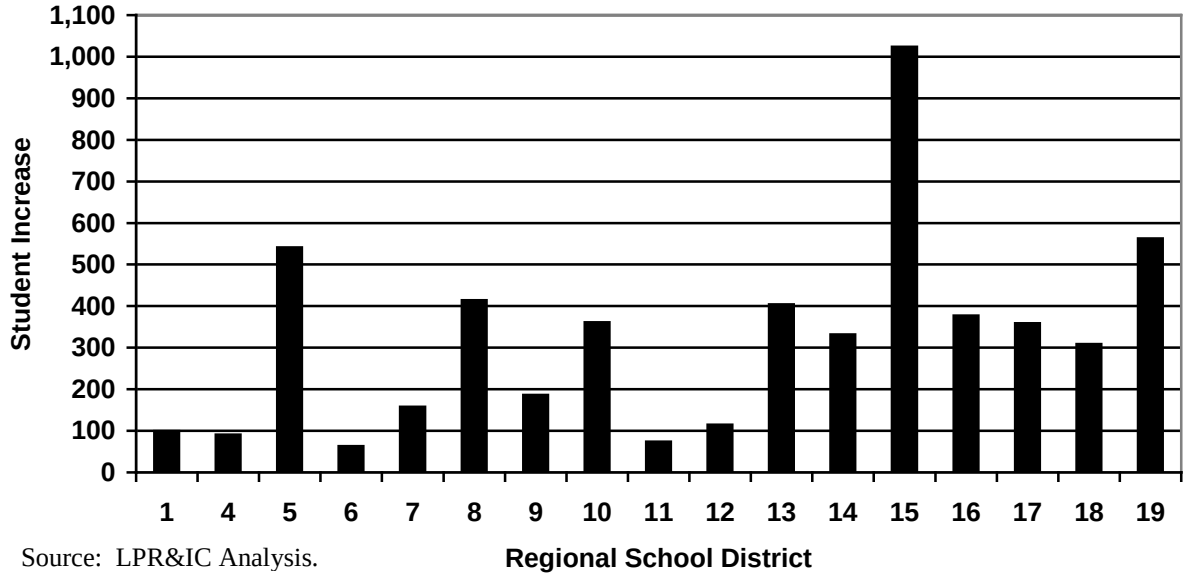


Region Nos. 6, 10, and 12-18 are K-12.

Over time, significant growth in student population can have a major impact on a regional school district's expenses, especially if capital expansion projects are undertaken. All towns bear the costs of capital expansion (after approval by a majority of voters in the district), even if the increase in student population is caused by a single town. Although a town's share of regional education costs are calculated on a per-student basis, if student population increases in one town require capital expansion, local contributions increase in all member towns because overall per-student costs rise due to the capital outlay.

The student population of regional schools increased 24 percent from 1993 to 2001. Region No. 19 grew 98 percent, followed by Region No. 8 with a 37 percent increase in students. Figure I-5 shows actual student growth for this time period by district. One district, Regional School No. 15 had a huge increase - over 1,000 students – with one town accounting for 76 percent of the new students. Nine other regional school districts each had increases of more than 300 students.

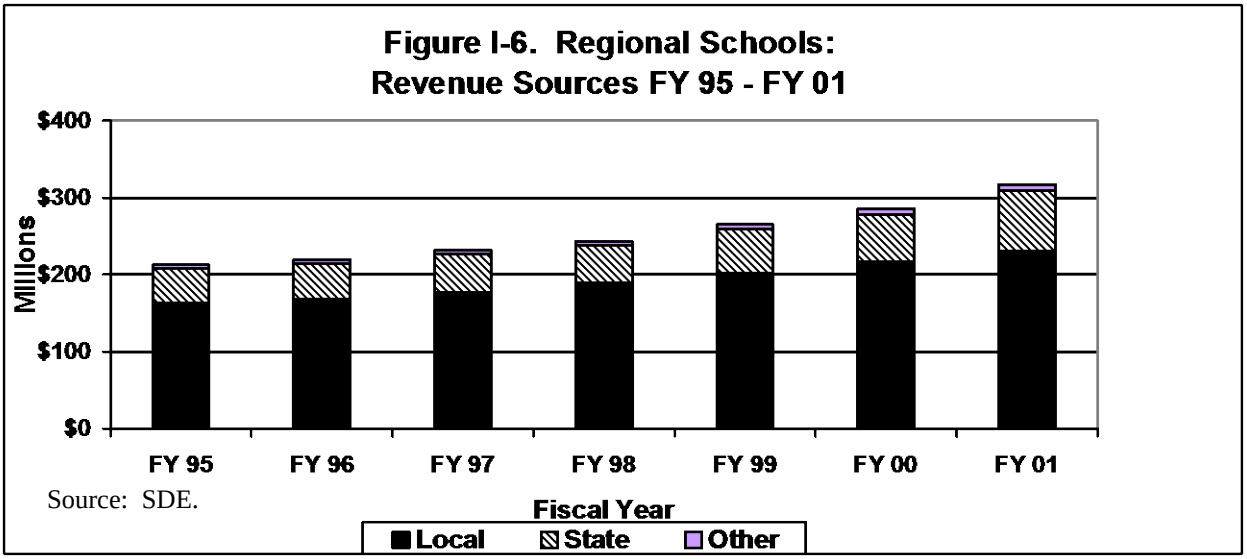
Figure I-5. Increase in Actual Number of Students by District: 1993 - 2001.



Source: LPR&IC Analysis.

Financial Information

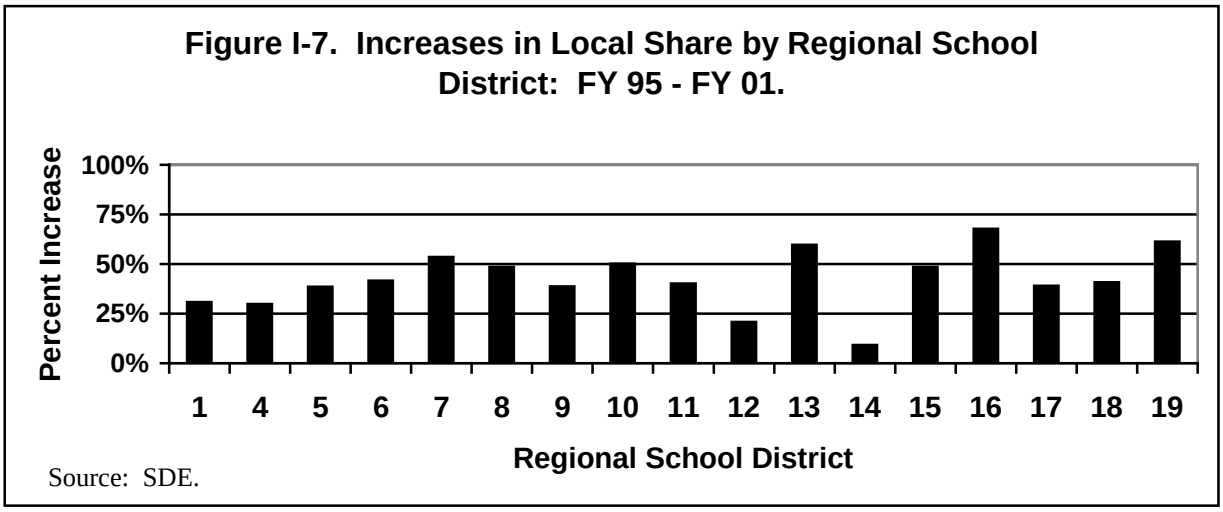
The program review committee examined a variety of measures related to revenues received by regional school districts. Figure I-6 shows total revenues received by revenue source (local, state, and other) from FY 95 through FY 01. As shown in the figure, total revenues grew from $212.5 million in FY 95 to $317.1 million in FY 02 – a growth of 49 percent (compared to a 16 percent increase in students over the same time period). On a per-pupil basis, costs rose from an average of $8,622 to $11,136 over the six-year period, up 29 percent per student.



Source: SDE.

When categorized by revenue source, local contributions comprise about 73 percent of total revenues. Although the local share grew over the six-year period, local revenues actually decreased as a percent of the total, from 76 percent in FY 95 to 73 percent in FY 01.

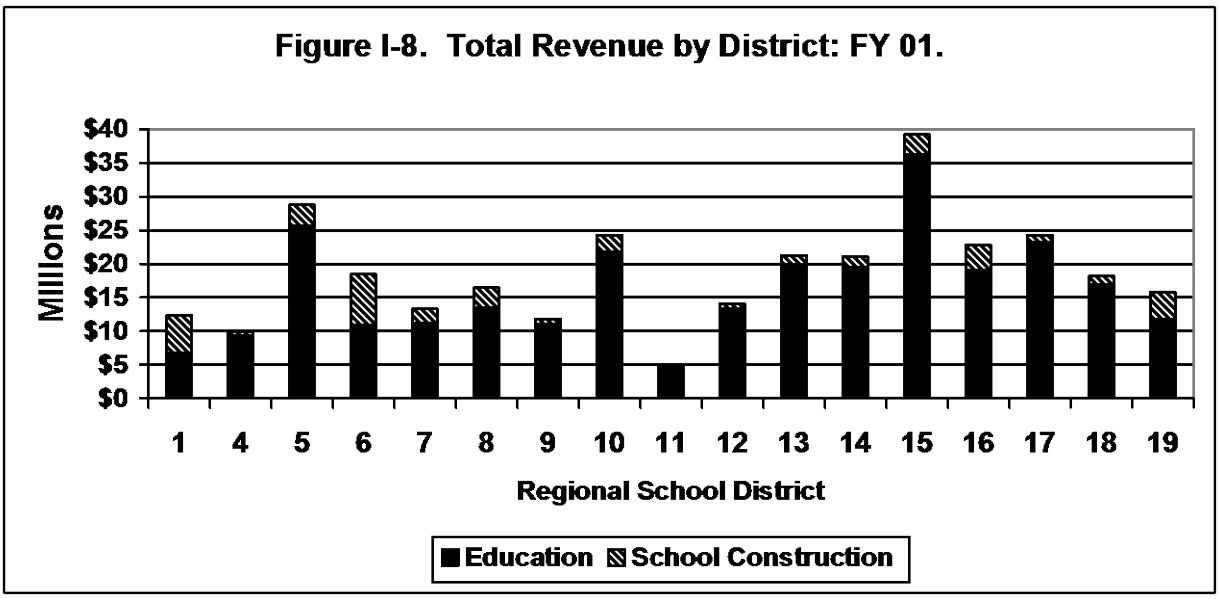
Figure I-7 shows the percent increase in local share from FY 95 to FY 01 by district. There was wide variation by regional school district – local revenue growth ranged from only 9 percent in Regional School District No. 14 to 68 percent in Regional School District No. 16.[2] In five districts, local revenue increased by 50 percent or more (Regional School District Nos. 7, 10, 13, 16, and 18) over the six-year period. These increases are most likely attributable to a combination of growth in student population (with the exception of Region No. 7, all had student increases of over 300 for this time period) and capital projects.



Source: SDE.

[2] From FY 95 to FY 00, Region 14 had a 39 percent increase in local revenues. However, the state share increased from 16 percent in FY 00 to 34 percent in FY 01, while local revenues decreased from 75 percent to 56 percent -- explaining the small overall increase from FY 95 to FY 01.

Figure I-8 shows total revenue received by each district in FY 01, categorized by the portion earmarked for educational or capital expenses. Regional School District No. 15, the largest with 4,326 students, received the most revenue, at $39.2 million, followed by Region No. 5 at $28.7 million. The smallest district was Region No. 11 with 418 students, which received $4.9 million in total revenues.



The committee also reviewed the sources of revenue and found:

- member towns in two districts (Region Nos. 9 and 15), contributed over 90 percent of total regional school revenue in their respective districts; and
- member towns in five districts (Regions 4, 5, 12, 17, and 18) contributed over 80 percent of their total regional school revenue.

Summary

Beginning in the 1940s, towns were allowed to establish regional schools to provide a cost effective means for greater educational programming choices to students. Within broad state parameters, many features of the regional school district are determined at the local level when the district is created. Thus, Connecticut's 17 regional schools vary widely in the number of towns belonging, grades offered, student population, and financial resources committed to operating the school. As will be discussed in the next section, the statute governing regional schools also provides for citizen input into their operation and financing.

Chapter Two

Regional School Districts

Connecticut statutes governing regional school districts give towns considerable control over specific policies affecting board operations, governance, and representation. In addition to approving creation of a regional district, state law gives voters in towns belonging to regional schools authority to:

- add or withdraw grades from an existing regional school district;
- withdraw from or dissolve a regional school district;
- approve or reject board-negotiated contracts for certified school personnel;
- approve or reject a regional board's composition and method of representation; and
- approve or reject board-proposed education budgets and bonding packages.

It is important to note that although approval for any of the actions noted above ultimately is vested directly in the town's voters, locally elected officials also play a role in initiating most of the steps required to affect changes. This chapter briefly describes the statutory processes to establish or change the composition of a regional school district and for town input into negotiated teacher contracts and arbitration awards. Chapter Three discusses how regional board representation for each town belonging to a regional school district is determined. Chapter Four outlines regional school budget adoption, bonding, and voter approval processes.

Establishing, Adding and Withdrawing Grades, and Dissolving a Regional School District

Each of the bulleted actions above and described in Figure II-1, Figure II-2, and Figure II-3 calls for a slightly different process to be followed although the main components are similar and include:

- a vote by each participating local legislative body to form a temporary study committee;
- appointments to the committee;
- funding the study;
- appointment of a SDE consultant to assist the committee;
- a written report of the committee's findings;
- review and approval by the state board of education (SBE); and
- simultaneous referendum in affected towns.

The reason there are three separate statutory processes for each of the actions noted above are summarized in Table II-1 and include differing:

Figure II-1. Process to Establish a Regional School District.

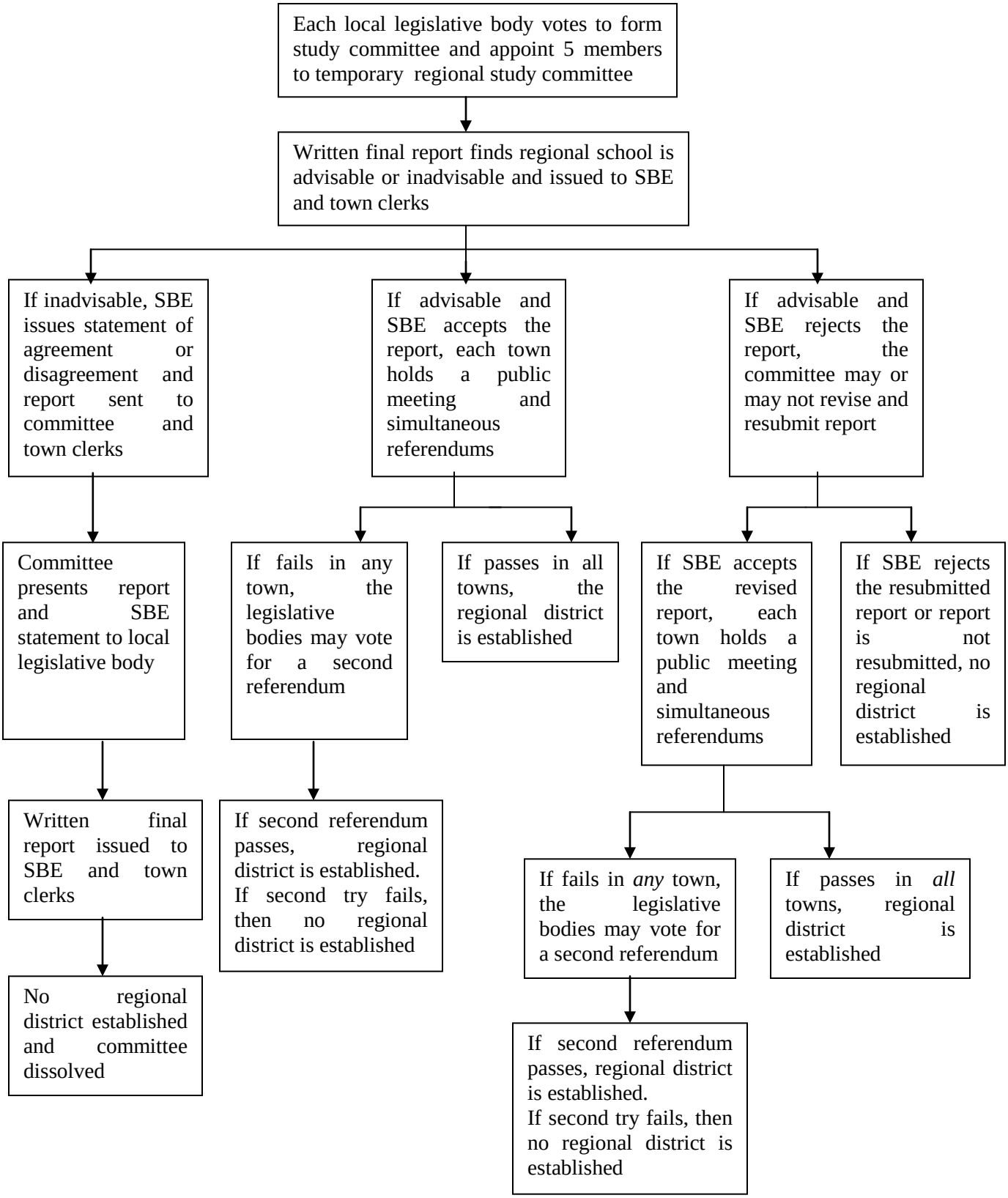


Figure II-2. Process to Add or Withdraw Grades from Existing Regional School District.

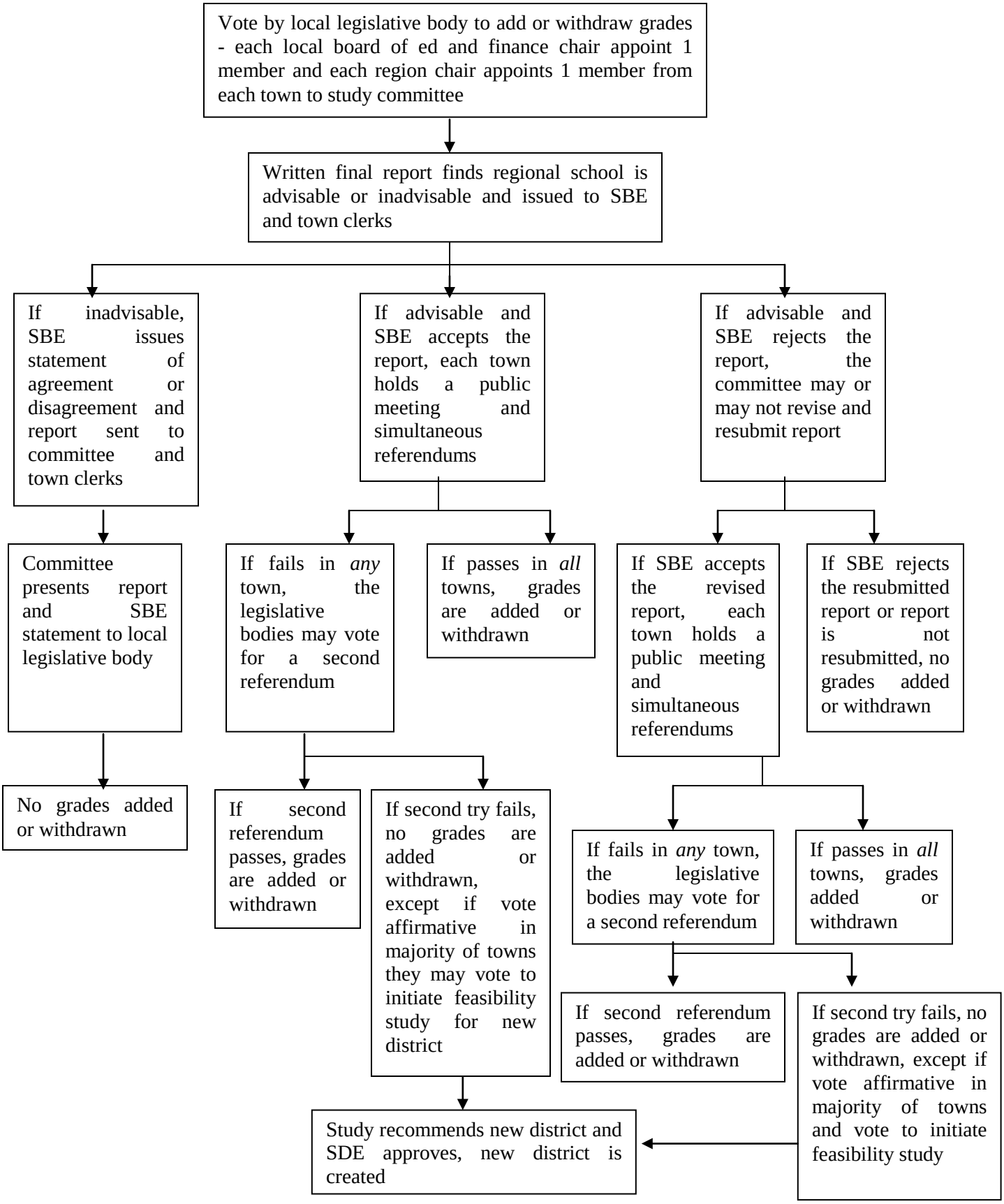


Figure II-3. Process to Withdraw or Dissolve a Regional School District.

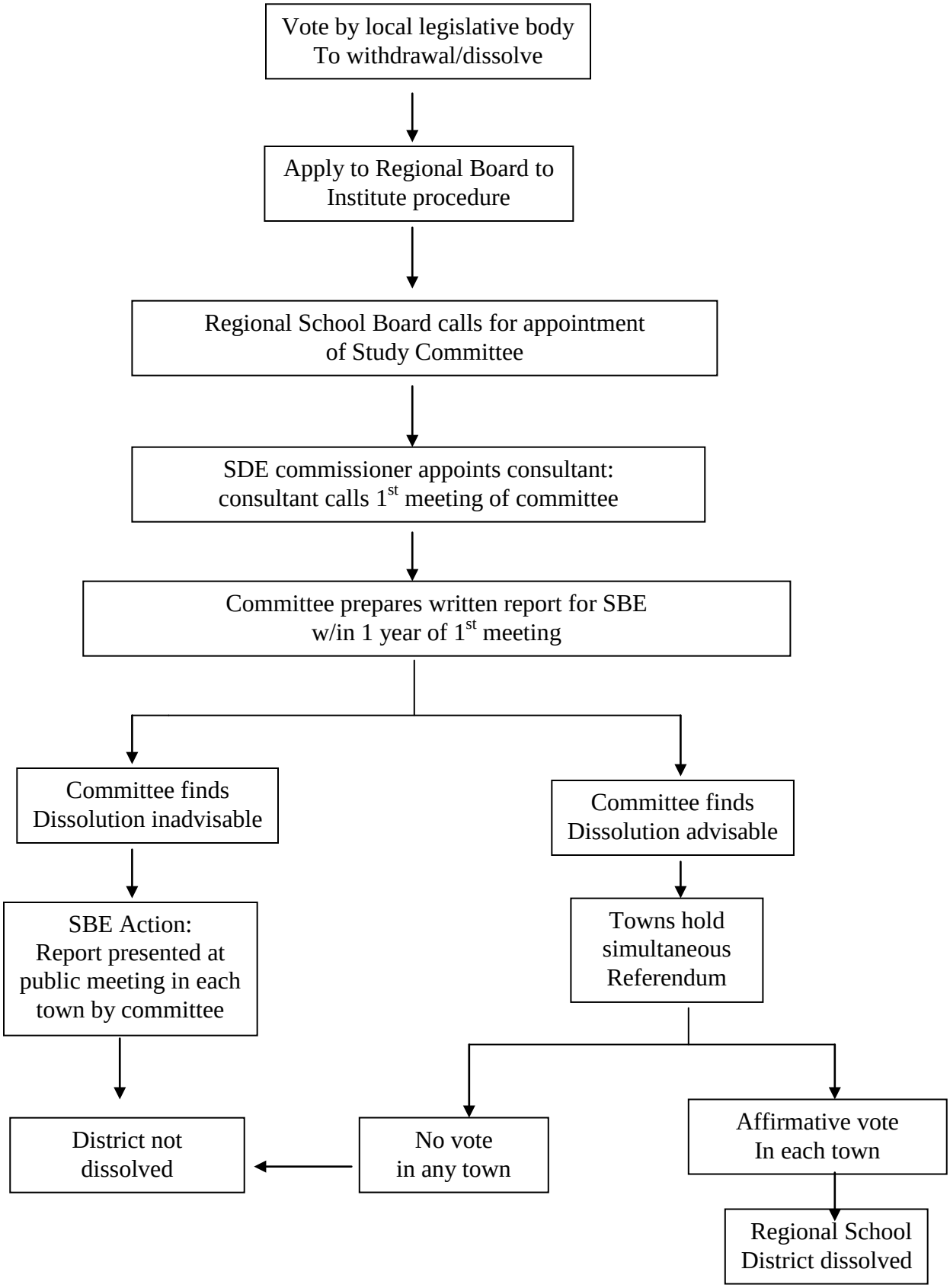


Table II-1. Comparison of Three Statutory Processes Governing Regional School Districts.			
Type of Action	**Establish District**	**Add/Withdraw Grades**	**Withdraw or Dissolve District**
Initiate Study	Legislative bodies of each town recommends study or two or more local boards of education may conduct preliminary study issue and request CEO of town to hold town meeting to vote on issue; or regional board may call meeting if issue regards expanding region	Regional Board of Education or two or more local boards of education recommend study to chairs of board of finance and board of education who initiate study	Legislative body of any town belonging to a regional school district recommends study
Appointment to/ Composition of Study Committee	Each legislative body of participating towns appoint 5 members (2 must be from local Bd of Ed.)	Each local Bd of Ed and Bd of Finance chair in each town appoint 1 member; Reg. Bd. Of Ed. chair appoints 1 reg bd member from each town	1 member of local Bd of Ed (if not a K-12 district) from each town or an elector elected by town legislative body; 1 member from Bd. Of Finance in each town; 2 members from Reg. Bd of Ed; 1 member appointed by SDE commissioner; state treasurer or designee; 1 member appointed by Reg. Bd. of Ed who is an expert in municipal bonding and finance
Payment of Study Committee Expenses	Paid by participating towns; initial 2 years cannot exceed $10 per student in participating towns – prorated among towns	Paid by regional district; cannot exceed $3 per pupil in average daily membership	Paid by towns applying for withdrawal or dissolution
Life of Study Committee	2 years with 2 year extension	2 years with 2 year extension	One year
Contents of Study Committee Report	*Inadvisable*: findings/reasons *Advisable*: towns included in district; grade levels provided; 5-year education and budget plans; recommended facilities; cost estimates for land and facilities; each town's capital contribution; the size of the Reg Bd of Ed; the relative representation of each town on the Reg Bd of Ed	Same as establishing district	Recommendations on advisability of a withdrawal/dissolution; determination of the value of net assets of the district; apportionment of the net assets to each member town (based on average daily pupil formula); plan for settlement of any obligations and the transfer of property from the district to the member towns; timetable; the question to be determined by referenda; and other matters deemed necessary by the committee.
State Board of Education Action	Approve or Reject	Approve or Reject	Approve or Reject
Referenda for Approval	Majority of voters in *each town* required for approval	Majority of voters in *region-wide* required for approval	Majority of voters in *each town* required for approval

- official bodies allowed to initiate an action;
- compositions of study committees and the appointing authority;
- committee timeframes to issue findings and recommendations and take action; and
- approval authority necessary for implementation (either a majority of voters in each town required or only region-wide approval necessary).

Certified Professional Employee Contracts

Negotiated contracts. Another area providing town voters and officials influence in school governance is board-negotiated contracts with certified professional school employees. Figure II-4 shows the process boards of education use to negotiate certified personnel contracts. All boards of education, including regional boards, are required to meet and confer with the local board of finance, or other appropriating authority if member towns do not have a finance board, within 30 days prior to beginning contract negotiations. In addition, a member of the board of finance is permitted to be present during negotiations and must provide fiscal information if requested by the regional board. In interviews conducted by program review committee staff however, many town members belonging to a regional school believe they have little influence at this stage of the process, and therefore, do not see value in participating.

If a contract is negotiated, regional boards are required to file a signed contract with the town clerk of each member town and with the SDE commissioner. The terms of the contract are binding unless:

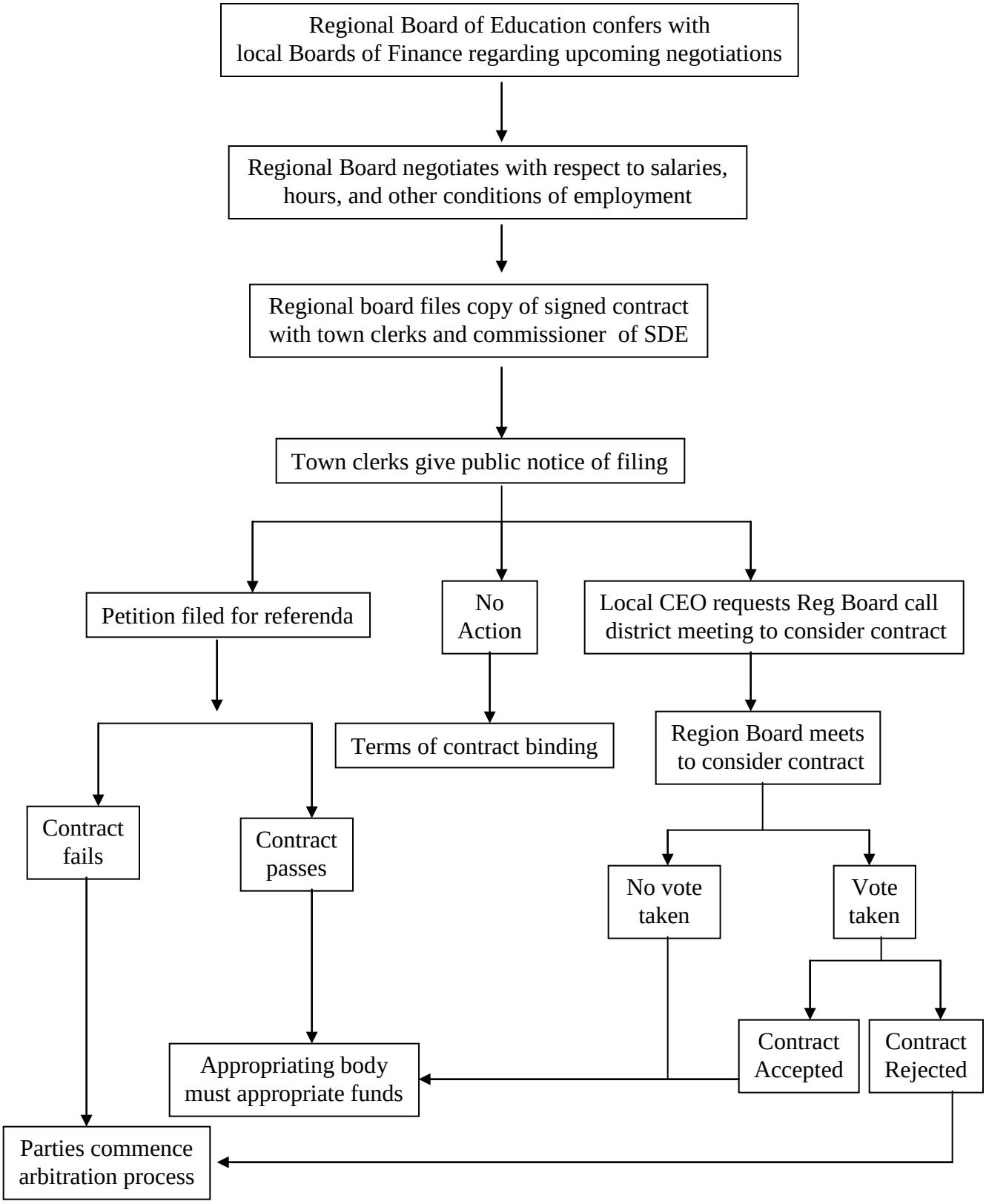
- the contract is rejected at a regular or special meeting called by the regional board within 30 days of the contract filing; or
- a vote on the contract is petitioned for and held in accordance with the referenda provisions of C.G.S. sec. 7-7.

In addition, the chief elected official of any member town can submit a written request within 15 days of its filing with the town clerk, and request the regional board call a district meeting to consider the contract. The meeting must be held within 30 days of the contract filing. However, it is important to note, the statute does not require the board vote on the contract, only that they meet to *consider* it. Thus, a negotiated contract can be rejected:

- by referenda with at least 15 percent of the electors of the regional school district voting and a majority of those voting reject the contract; or
- by the regional school board if it calls a meeting voluntarily or by request of a member town's chief elected official and a vote is taken.

If the contract is not rejected, the town must appropriate whatever funds are required to implement the contract terms. If the contract is rejected, the parties must commence the arbitration process on the fifth day following the rejection (this is the equivalent of the 135th day

Figure II-4. Regional School Board Contract Negotiation Process.



prior to the budget submission date). However, either party can request the contract dispute be mediated prior to the initial arbitration hearing, but nothing in statute requires local officials be present during mediation.

Arbitrated contracts. When there is no contract settlement, the arbitration process must begin by the 135th day prior to the budget submission date and the arbitration panel is required to convene a hearing. Prior to the arbitration hearing, the local fiscal authority having local budgetary authority or charged with making the appropriations for the school district is provided written notice as to the date, time, and place of the hearing. The local fiscal authorities are given the opportunity to provide testimony regarding the financial capability of the school district unless such opportunity to be heard is waived. The statute is not clear who the fiscal authority is in regional school districts (i.e., whether it is the fiscal boards of member towns or the regional board itself).

After hearing the evidence, the arbitrator(s) must issue a decision with the next 20 days. The decision is binding unless the board of selectmen in any of the participating towns and are empowered to act as the legislative body, reject it by a two-thirds majority vote within 25 days of the award's receipt. If the award is rejected, towns must notify, within 10 days after the vote, the commissioner and the exclusive representative for the teachers' or administrators' unit of such vote and submit to them a written explanation of the reasons the vote was negative. A second arbitration panel will be convened and if the award is rejected (by the board of selectmen in a town-meeting form of government), it is subject to judicial review.

Summary

Connecticut law provides many opportunities for voters in towns belonging to regional school districts to make changes to existing districts, even providing a process that allows towns to withdraw from a district. In addition, voters are also given the option of rejecting some contracts that could have major financial implications for the district. Two areas that are not discussed, but also require voter action are determining the regional school board's composition, and approving school budgets, which will be described in the next two chapters.

Chapter Three

Regional Board of Education Representation

One of the motivating factors for small towns to become members of regional school districts rather than tuition out students, is the opportunity for town voters to have elected representation, more input into educational decisions, and greater control over costs. Although state law, based on federal constitutional principles, largely determines the voting power of member towns in a regional school district, the composition of the regional board, including the number of elected board members and the voting method is established when a regional school district is created.

Because of the multi-town nature of regional school districts, representation is a key issue in some towns especially in those districts where the demographics have changed from the time it was originally established. This chapter discusses the issues related to representation in a regional structure, and the various methods for and manner of representation that exist among the 17 regional school districts in Connecticut. In addition, the reapportionment process, required when U.S. census data show population shifts among towns belonging to regional school districts, is also summarized.

Plan of Representation

Representation issues in regional governance. A key factor in determining the voting power of the individual towns in a regional district is the state law, based on federal constitutional principles, that board representation be based on population. In interviews conducted by program review committee staff, some municipal officials belonging to smaller towns in regional districts expressed frustration at their town's lack of voice in board matters because the voting weight of the larger town can dominate board decisions. This belief is exacerbated when different views exist among towns on educational funding goals, especially those related to capital expenditures and school budget increases. Although such differences occur among board members in single town school systems, the factious nature of the disputes can divide a regional district along town lines. As a result, if a budget vote is along town lines, the larger town can pass the budget, even if the smaller town votes against it.

Another source of dissatisfaction with regional governance is in regions with similar student populations. While a town's share of education costs is based on its number of students, voting power is related to its share of the region's total population. So, less populous towns with a comparable number of students to populous towns in the same region pay the same amount but have less voting power.

Types of representation plans. Currently, there are a total of 161 regional school board members among the 17 regional school districts[3]. At the time a regional school district is

[3] All board members are elected except for those in five of the six towns in Regional School District No. 1 - five board members are appointed, one by each town's local board of education.

established, or if reapportionment is required, there are four types of representation models available to voters including[4]:

- **Proportional** – the number of regional board members from each town is in the same proportion as each individual town's population is to the total population of the entire regional district. Voters from each town elect their own board members and each member has one vote. For example, in Region No. 18 the town of Lyme has 21 percent of the population and Old Lyme has 79 percent. Lyme is represented by two of the nine members of the board (22 percent) and Old Lyme has seven members (78 percent).

- **Weighted** – the voting power of each member is weighted in the same proportion as the town's population is to the total population of the entire regional district. Typically, the regional board has an equal number of members from each town. Voters from each town elect their own board members. In Region No. 16, Beacon Falls' population makes up 37.6 percent of the region and Prospect's equals 62.4 percent. Each town has four members, but Beacon Falls' representatives vote totals 2.8 votes (or 35 percent of total votes); while the Prospect member's vote totals 5.2 votes (or 65 percent of total votes).

- **At-Large** – board members are elected by voters in the entire regional school district as a whole rather than from separate towns. Region No. 14 is the only at-large regional district and has a total of eight members with a residency requirement of four from each town. Each member is eligible to cast one vote.

- **Other** – The statute allows for any other type of representation that meets federal constitutional standards as long as the number of board members or voting weight of the members is in the same proportion of each individual town's population to the region's total population. In Connecticut, four regional boards have hybrid representation plans. These regions have either proportional or weighted plan with a crossover provision. This provision requires that in order for certain items to be adopted by the board (outlined in each plan of representation) there must be a majority vote with at least one member from each town voting in the affirmative.

Connecticut law requires each regional school board have at least five board members. The term of office is four years (based on a two-year system of rotation for elections). Table III-1 shows the composition of and voting method used by each regional school district. The most common type of representation method used is weighted voting.

[4] Federal law does not require strict mathematical equality with regard to representation. While the number of board members in Connecticut's regional school districts is not exactly in the same proportion of the population, it is within the constitutionally presumptive standard of a maximum deviation of 10 percent.

Table III-1. Regional School Board Representation.							
Regional School District	***No. of Towns Belonging***	***No. of Board Members***	***Proportional Voting***	***Proportional with Crossover***	***Weighted Voting***	***Weighted with Crossover***	***At Large***
1	6	6			X		
4	3	9			X		
5	3	13		X			
6	3	9			X		
7	4	8			X		
8	3	11	X				
9	2	8				X	
10	2	10		X			
11	3	9			X		
12	3	12	X				
13	2	10	X				
14	2	8					X
15*	2	10				X	
16	2	8			X		
17	2	11	X				
18	2	9	X				
19	3	12			X		
TOTAL	47	161	5	2	7	2	1

Source: SDE as of 1/03
* Region No. 15 plan has not yet adopted a reapportionment plan. On November 19, 2002, the commissioner of education imposed a weighted vote effective November 29th because of insignificant progress made by the Regional School Reapportionment Committee toward adoption of a new plan. The commissioner has asked the committee to reconvene and the next meeting will be January 23, 2003. If a new plan is not established within 3 months from the commissioner's order of weighted voting, the State Board of Education will establish a plan.

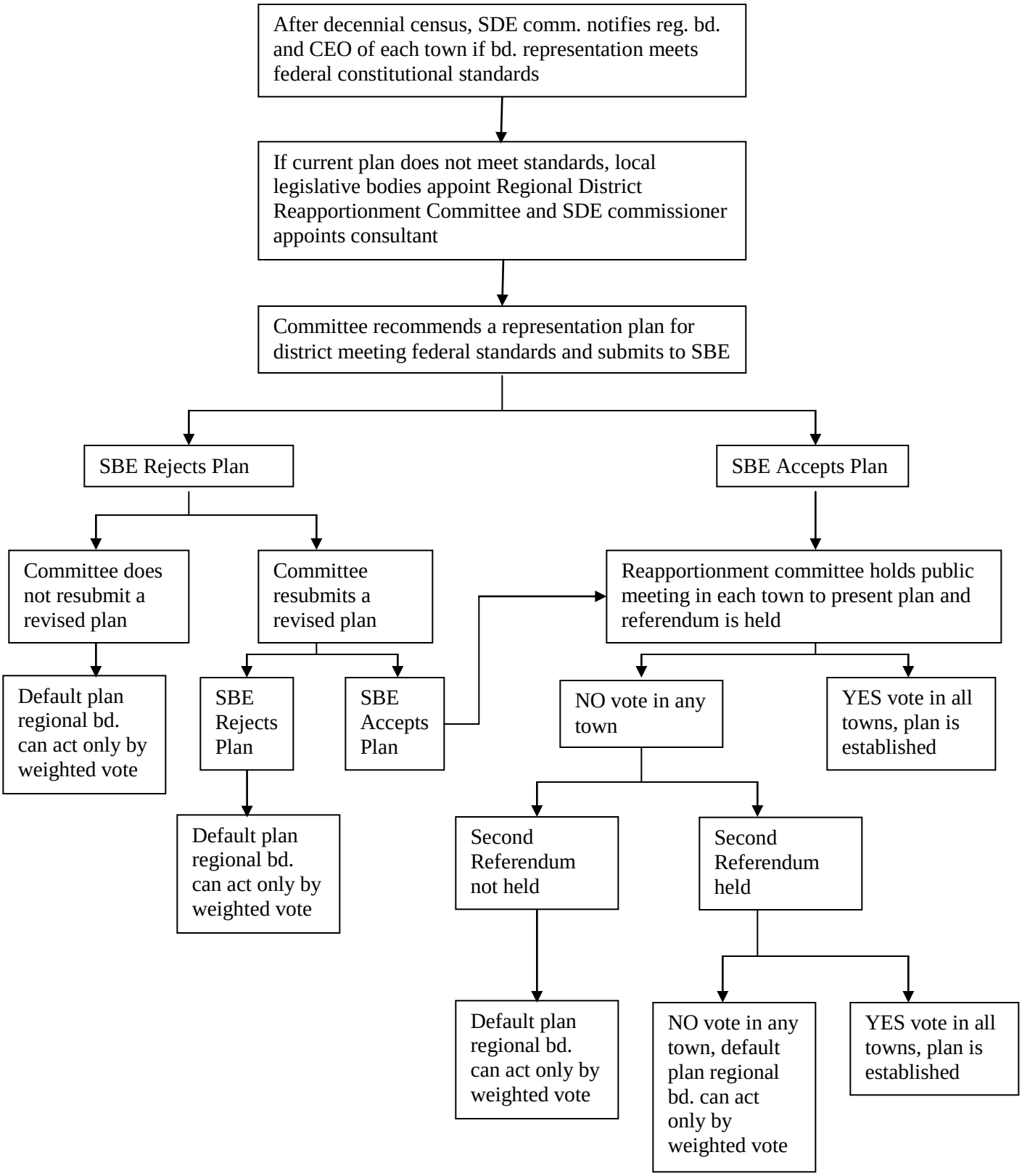
Nominations, elections, and terms of office. Candidates for the regional board under all the representation models above, except for at-large, are nominated by their respective town committees. Under the at-large method, nominees are selected by town meeting.

Regional School Reapportionment Process

Five regional school boards were required to undergo reapportionment as a result of the 2000 U.S. Population Census (Region Nos. 10, 12, 13, 15, and 17). Although several of the elements are similar to the processes described in the last chapter (appoint a committee, issue written report of committee plan, SBE review and approval of plan, and simultaneous referendum in member towns) the commissioner of education has a greater role in assessing the progress of the committee and can even impose a default representation plan. Figure III-1 outlines the process that must be followed to redistribute board representation if there is a shift in population among member towns.

Powers and duties of reapportionment committee. The process begins with the legislative body of each town appointing a Regional School Reapportionment Committee (each town appoints five members, of which two must be school board members). The reapportionment committee is responsible for recommending adjustments to the existing plan of representation. The committee must submit a reapportionment plan within three months after the

Figure III-1. Reapportionment Process for Regional School Districts



first organizational meeting and SBE must approve or reject the plan within 30 days of the submission.

SBE and town approved plan. If SBE approves the plan, the committee holds a public meeting in each town of the district to present the approved plan and sets a date for a simultaneous referendum in each town. If a majority of votes in each town is affirmative, the plan is established and is effective seven days after the referendum. If the plan requires the number of board members be reduced, it is based on the unexpired portion of members' terms with the shortest terminated first. If additional members are required, the legislative body fills the vacancy.

If the majority vote in any town rejects the plan after SBE approval, the reapportionment committee recommends to the legislative body of the town whether to resubmit the question to voters a second time. If a second referendum is held and the majority vote in all towns accepts the plan, it is established. If a second referendum is not held, or the plan is rejected in a second referendum, the commissioner of education issues notice of insignificant progress.

SBE rejected plan. If SBE rejects the plan, the state board is required to state the reasons in writing and suggest modifications. The committee has 20 days to revise the plan and resubmit it to SBE. If the committee refuses to revise plan, or the revised plan is again rejected, the commissioner of education issues written notice of insignificant progress.

Issuance of insignificant progress notice. During the reapportionment process, state law requires the commissioner of education be kept informed of the committee's progress and assist the committee in establishing a plan. The law also gives the commissioner, under certain circumstances, authority to impose a weighted vote on regional school boards for a limited time period if significant progress toward reapportionment is not being made and SBE the ultimate authority to establish a reapportionment plan when no progress is made. The criteria to be used by the commissioner in evaluating whether significant progress is being made include:

- refusal of the legislative body of a town to appoint members to the reapportionment committee;
- refusal of a committee to submit plan of representation which has SBE approval;
- rejection of a plan by the voters of any participating town; or
- any other block in the progress toward establishing a plan.

If the commissioner determines progress is not being made, there are many opportunities for the towns to still approve a plan. First, the commissioner notifies the chief elected official of each town and the reapportionment committee in writing, that unless significant progress is made, the commissioner will require the board act only by weighted vote. At the end of the 30-day period the commissioner assesses whether progress has been made, and if not, notifies the board in writing, that effective 10 days from the date of the notice the board can act only by weighted vote until a plan of representation is adopted.

If a plan is still not established three months after the commissioner imposes a weighted vote on the regional board, the SBE mandates a representation plan which has the full force of law and remains in effect until the towns in the region adopt a plan pursuant to the requirements laid out above.

In the 1980s, SBE imposed a weighted plan on Region No. 11 due to a lack of progress. It has been reported, though, that the weighted plan was the preferred alternative in the region.

Chapter Four

Regional School District Budget Process and Borrowing Authority

While budget development practices can vary widely in regional school districts, certain procedures are mandated by state statute. The principal distinguishing characteristic of the regional school district budgeting process is its reliance on direct interaction with district voters.

Specifically, Connecticut law specifies regional school district budgets be developed by the board, presented at a public meeting, and approved by voters at either an annual meeting, by ballot in member towns the day following the annual meeting, or by petitioning for a referendum on the day following the annual meeting.

The summary below identifies some of the discretionary activities that occur and outlines the statutory requirements relating to the budget development process in regional school districts. In addition, a review of regional districts' operating budget adoption experiences is provided that suggests districts are having a more difficult time passing their budgets than they did in earlier years. Finally, a discussion of regional school board's authority to borrow funds for short-term and long-term needs is presented.

Regional School District Budget Process

Preparation. Regional boards of education typically begin their budget process in the fall by working with the superintendent and fiscal staff to estimate revenues and prioritize expenditures. Usually a board budget or finance sub-committee is charged with examining the budget in detail and presenting it to the full board by January or February.

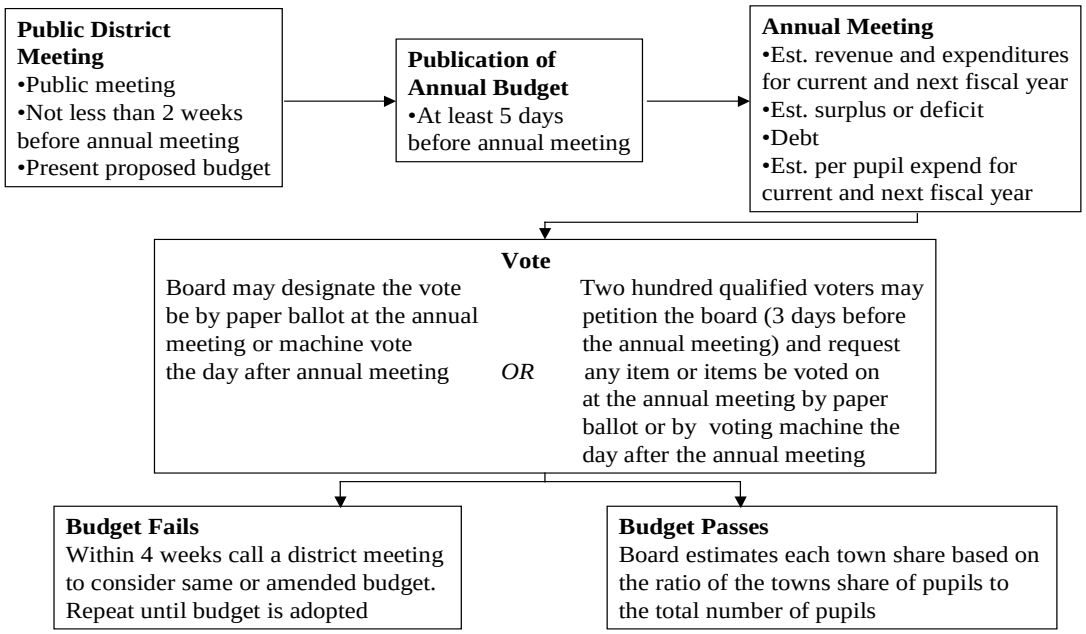
Local participation. While state law ensures the first selectman, as the town's chief elected officer, is a nonvoting, ex-officio member of all town boards and commissions, this standing does not apply to regional school boards. The level of participation depends on the region. Some boards do not permit local officials any more access or voice than is afforded to the general public; while other boards allow representatives from the towns' boards of finance to be regular but nonvoting members of the budget sub-committee.

Public district meeting. The next steps in the budget process, required by statute, are illustrated in Figure IV-1. First a public hearing must be held at least two weeks before the annual meeting to present the proposed budget for the next fiscal year. Anyone attending this public hearing may recommend additions or deletions to the proposed budget. Depending on the district, some boards of finance will take a public position on the proposed budget prior to the vote. Such action is not required nor is its outcome binding on the board. Next there is a vote on the budget by the region's voters either at an annual meeting or by referendum.

Annual meeting. The board prepares the proposed budget after considering public comments and submits copies of it to the town clerks of each town in the region at least five days before the annual meeting. The budget must contain:

- an estimate of receipts and expenditures for the current fiscal year and the next fiscal year;
- an estimate of any surplus or deficit;
- the amount of bonded or other debt;
- an estimate of per pupil expenses for the current and next fiscal year; and
- any other information the board believes is relevant.

Figure IV-1. Regional School District Budget Approval Process



Approval of budget. The regional school board can designate the procedure for budget adoption as either: 1) by a paper ballot vote at the annual meeting; or 2) by voting machines on the day following the annual meeting. However, 200 or more qualified voters may petition the board at least three days before the annual meeting and request any item on the agenda, including the budget, be submitted to a vote either by a paper ballot or machine.

If the budget is submitted to a referendum, a question may be included on the ballot for those who voted against the budget indicating whether the budget was too high or too low. The vote on such questions is advisory only and not binding upon the regional board.

If the budget is rejected, the board is required to call a district meeting no sooner than one week and no later than four weeks of the rejection to consider the same or an amended budget. The board must follow this process until the budget is approved. A simple majority vote of the electors in the region is required to pass a budget, not a majority vote in each member town.

Local share calculation. After the budget is approved, the board determines each member town's share of both the operating and capital expenses in the same ratio as the number

of students in the town to the total number of students in the district. Municipalities then include their share for the regional school budget in the town budget that must go through the local approval process. Often this may mean another referendum.

The local share for regional school expenses cannot be reduced in the town budget. If a town fails to appropriate the required amount, the statutes provide for certain interested parties to petition the Superior Court to compel a town to pay.

Although school expenses are determined in the district as a whole, Connecticut's regional school districts do not have separate taxing authority. They depend upon the member towns to set the tax rate for the appropriate share, send the tax bill, and collect the revenue.

Current litigation. Taxpayers in the Town of Cannan (Falls Village) brought suit in May 2000, against Regional School District Number One (*Gabriel Seymour, et al. vs. Region One Board of Education, et al.*, (Docket No. CV-00-0082467-S)). They claim the local share cost allocation formula unfairly burdens the smaller towns in the six-town region and should be based on each town's ability to pay. Even though Region No. 1 was created under a special act, its cost allocation formula is the same as other regional districts – a per pupil amount as described above. According to the lawsuit, Falls Village is the most property poor-town in the region, based on the value of the town's grand list. The comparable property value per student in Region No. 1 differs among the towns in the region. This means property-poor towns, like Falls Village, must levy a higher property tax rate for the same education. The plaintiffs claim this burden is "unreasonable and unconstitutional" and suggest a separate taxing district be created to pay for regional education costs with a uniform tax rate.

The Superior Court ruled in January 2001 that the matter was not an issue for the courts to decide but was a question that fell within the purview of the legislature. The decision was overturned on appeal to the state Supreme Court in August 2002. The Supreme Court, though, in returning the case to Superior Court, stated the plaintiffs must show they have standing, by proving they have suffered financially from the current system, before the case can proceed.

Miscellaneous practices. Outlined below are a number of miscellaneous practices and issues related to regional school district finances.

- *Fiscal autonomy and transfer of funds*. All boards of education, whether regional or local, have complete autonomy over expenditures. Boards are allowed to change budget priorities during the fiscal year and transfer funds between line items at their own discretion. The board is required to announce such transfers at the next regularly scheduled board meeting.

- *Deficits and additional appropriations*. In contrast to local boards of education, which are prohibited from spending in excess of their appropriation, regional districts are permitted to report a deficit in operating funds when presenting a budget for the next fiscal year. If a supplementary amount of money is needed to operate the district during the fiscal year, the district must use the same procedures used as in the regular budget process,

described above. In addition, regional districts may authorize, through a board resolution, the borrowing of funds, in anticipation of payments to be made by the state or member towns for the operation of schools.

- *Surplus*. Regional school districts do not have any authority to carry a surplus, except in a special capital reserve fund (described below). At the end of the fiscal year, any budget appropriation that has not been expended must be used to reduce the net expenses of the district for the following year.

- *Delay of budget adoption*. It is not clearly or directly explained in statute what a member town's responsibility is to a regional school board if a regional budget has not been approved before the start of the fiscal year. The statutes only address this problem with regard to municipalities (C.G.S. Section 7-405). If a municipal budget has not been adopted by the beginning of the fiscal year, the budget-making body (e.g., board of finance, town council) may authorize necessary expenditures for the first 90 days. If the budget is not approved after the initial 90-day period, the budget-making body may approve payment of expenses on a monthly basis within the limits of line item appropriations of the previous fiscal year. The department of education has applied this interpretation to regional boards of education and are allowed to expend amounts equal to the monthly share of the previous years appropriation.

Budget Adoption Experience

The tables below summarize the results of a survey administered by the Connecticut Advisory Commission on Intergovernmental Relations on regional districts' operating budget adoption experiences. The tables provide trend information from 1996 through 2001 for budget approval by type of procedure used, the number of votes until the budget was adopted, and the dates of budget adoption for the 17 regional districts. The voting experience in 2001 (for fiscal year 2002 budget) and preliminary analysis for 2002 (for fiscal year 2003 budget), suggests regional school districts have had somewhat more difficulty in passing recent budgets than in the previous five years.

Table IV-1 below shows the final voting procedure used to approve the regional district budget. The last two years shows an increase in the number of regions going to referendum as compared to the previous two years.

Table IV-1. Regional School Districts Budget Approval by Adoption Body 1996 – 2001.

	1996	***1997***	***1998***	***1999***	***2000***	***2001***
Annual Meeting	5	3	7	7	3	4
Referendum	12	14	10	10	14	13

Source: ACIR

Displayed in table IV-2 is the number of votes it took to pass each budget. While there was a slight decrease in the number of districts adopting their budget by referendum in 2001 compared to 2000, the number of multiple referenda needed increased from two regions having more than one vote (for a total of four referenda) to six regions (and a total of 20 referenda).

Table IV-2. Regional School Districts Votes To Approve Budget 1996-2001.						
Votes	***1996***	***1997***	***1998***	***1999***	***2000***	***2001***
1	14	12	17	15	15	11
2	3	3		1	2	1
3		1		1		2
4		0				3
5		1				
Source: ACIR.						

Finally, Table IV-3 shows the date of budget adoption for regional school districts. More districts have had their budgets approved after the start of the fiscal year than in the recent past – three in 2001 compared to one in 1997. This trend poses a problem because there is a lack of statutory guidance on how towns that belong to regional school districts should fund the region without an adopted budget, as described above.

Table IV-3. Regional School Districts Date of Budget Adoption 1996-2001.						
Date of Adoption	***1996***	***1997***	***1998***	***1999***	***2000***	***2001***
Before June 1	16	15	17	16	17	12
June	1	1		1		2
July		1				3
Source: ACIR.						

Regional School Board's Borrowing Authority and Capital Financing

Regional school districts are permitted to borrow and reserve money to meet their various financing requirements. Described below is the statutory authority districts have to borrow or retain funds for both short-term and long term needs.

- **Short-term borrowing (C.G.S. Sec.10-51(c))**. Regional boards are authorized to temporarily borrow funds in anticipation of payments to be made to it by a member town or the state for the operation of its schools. Such obligations must be authorized by a resolution of the board and are general obligations of the regional school district and the member towns. The terms of the obligations are determined either by the board or any officer to whom the board delegates authority. While the notes may be renewed, they must be payable no later than the end of the fiscal year during which such member town or sate payments are payable.

- **Capital reserve fund (C.G.S. Sec. 10-51(d))**. Regional school boards may create a capital reserve fund to finance a specific capital improvement or piece

of equipment. Annual appropriations may not exceed one percent of the district budget. The board is required to submit an annual report to the town detailing the condition of the fund.

- **Bond issues (C.G.S. Sec. 10-56)**. Regional school boards may issue bonds and notes in support of capital improvements (e.g. buy land, purchase or construct buildings, and equip buildings). The bonds may only be issued after a public hearing and approval at a referendum. The question is determined by the majority of those voting in the district as a whole. These obligations are considered general obligations of the district and member towns.

- **Borrowing in addition to bonds (C.G.S. Sec. 10-60)**. The board may also issue bonds, notes or other obligations for capital and operating expenses after securing approval through a majority vote at a regional school district meeting. The principal amount may not exceed $500,000 at any time. The term for such obligations may not exceed 10 years.

Chapter Five

Fiscal Oversight and Accountability

Fiscal oversight is a key function in ensuring accountability in Connecticut's education system. Evaluation of the oversight function requires an examination of its principal components - the budget development, adoption, and administration process, as well as the independent post-audit of financial transactions.

Unlike local school boards that share responsibility with local government in reviewing fiscal activities, regional school boards are solely responsible for exercising fiscal oversight during the budget development and adoption process. Both local and regional school districts may exercise considerable independence from local governments in administering their budgets, while state-mandated independent audits are required of all school districts to ensure their fiscal integrity.

This chapter focuses on identifying the roles and responsibilities of the various government entities involved in performing fiscal oversight and ensuring financial accountability in school districts. In addition, this section provides a description of the significant differences in the scope of authority given to regional school districts by Connecticut law compared to school districts falling within local government jurisdiction.

Role of Boards of Education and Superintendents

Authority. Both local boards of education and regional boards of education have a considerable amount of responsibility and authority under state statutes. Connecticut statutes clearly establish a measure of independence for school boards from municipalities, in that they are in part agents of the state and they are to rely on their own assessment in determining what types of educational experiences they think will be best for the district. Although this often is a source of tension between boards of education and town governments, it can be magnified in regional school districts where local fiscal authorities have no oversight role or input into financial matters.

Under Connecticut law, there are major differences in the powers given to regional boards of education that local boards of education do not have and include the authority to:

- propose school budgets directly to voters;
- be a body politic (can own, rent, or lease property, enter into contracts, bond, etc.)
- deficit spend;
- borrow money; and
- ask voters for a supplemental budget increase.

For all of the actions cited above, local boards of education must defer to the town finance authority, and are not empowered under statute to take any of the actions without their

approval. More autonomy was granted to regional school districts because of their multi-town nature.

School board members. School board members are responsible for governing the district, and hold part-time and largely policy-orientated positions. No fiscal expertise is required to be elected as a board member (or any other elected officeholder for that matter).

Personal liability. Connecticut General Statutes Sections 7-348 and 7-349 prohibit town officials from expending or entering into any contract that exceeds appropriation and makes the official personally libel for such over-expenditure. It is arguable whether this provision applies to school board members because of the dual nature of their position as a state and local agent. However, Connecticut law does require regional board treasurers be bonded.

Superintendents and business administrators. Boards of education hire the superintendent of schools and rely on superintendents and business managers to provide them with accurate budgetary and fiscal information upon which to take positions and make spending decisions. The manner in which school administrators communicate with board members about fiscal matters and how the board in turn communicates with other public officials and the public at large are critical components of the accountability continuum. However, no statutory guidance is provided in terms of the information board members should receive.

Budget Development, Adoption, Administration

Contrary to many other states, all school boards in Connecticut are fiscally dependent (i.e., have no taxing authority). (As shown in Appendix B, all regional school districts in New England are also fiscally dependent). Structurally however, regional school boards in Connecticut have much greater discretion over their education budget than local boards of education. In contrast to local boards of education who must submit their education budgets for approval to the local budget-making authority (i.e., board of finance, board of selectmen) there is no such intermediary between voters and the regional board to consider the financial condition of the member towns. Rather, fiscal oversight of regional school board budgets at the town level is addressed only by eligible voters voting at the annual regional school district budget meeting or by referendum of member towns.

Budget development. Local and regional boards of education are responsible for developing an itemized budget each fiscal year to operate the schools. The process for budget development, adoption, and oversight for on-going administration illustrates the autonomy of regional school boards in governing regional school affairs when compared to the scrutiny local school boards come under.

Local boards. For local school boards, a proposed school budget is reviewed and approved by the local fiscal authority that considers the school budget in conjunction with other competing municipal needs. While the boards of finance may not reduce individual line items in the proposed school budget, they may reduce the total dollar amount requested. After the budget is approved by the board of finance, the school budget gets incorporated into the town's total budget and is adopted according to local procedures by either a vote of the legislative body, the town meeting, or referendum.

Members of boards of finance often bring a different perspective to budget deliberations and are more likely to focus on balancing the fiscal needs of the entire municipality. Boards of education members are often viewed as education advocates focusing on a single purpose. Members of boards of education however, view the education mission as unique and educational policy as complex. Therefore, they feel they are better suited to determine budget priorities. The two views often result in a clash of priorities.

Regional boards. As discussed in detail in the previous chapter, regional boards also develop a budget but the regional school budgets are not subject to review and approval by a member towns' governing or fiscal body. Regional boards obtain approval directly from voters at either an annual regional district meeting or through referendum.

As noted in Chapter IV, the level of interaction with local fiscal authorities varies by regional district and it is not required by statute. Thus, in order for fiscal oversight to be diligently exercised under the regional school framework, voters must be sufficiently informed about the region's fiscal activities and knowledgeable about the districts needs. While actual community involvement practices may vary across regions, voters have only two public opportunities, under statute, to participate:

- at the public hearing held by the regional school board to present the proposed budget; and
- two weeks later at the annual regional school board meeting to vote on the budget or in the referendum.

A few observations can be made about the process up to this point:

- both the public hearing and the annual meeting occur after nearly all the budget workup is completed. Although, a few boards may hold budget workshops, it is unclear how many voters devote time to this effort;
- property owners must understand the regional school budget determines a portion of the property tax rate, and understand how it gets incorporated into the town budget that still must be voted on and passed; and
- if the town budget is not adopted, the only portion that can be reduced is the town portion, since the regional school budget was previously adopted through a separate vote.

Some additional confusion is possible in the eight regional districts that provide education only for the upper grades (7-12 or 9-12). The lower grades are governed by local boards of education, which develop budgets subject to review by a town's boards of finance (or other fiscal authority in the town). Voters in these 27 towns must discern which budget vote is for which entity, with different checks and balances occurring for the local school budget.

Budget administration. With regard to the provision of educational services, local and regional boards may act independently of the town government. For example, once the budget is passed, the board of education may expend those funds at its discretion. All school boards may

transfer funds among line items without any review or prior approval, with the only requirement being that it must announce any transfers it has done at the next board meeting.

Administrators' role. Superintendents of schools and school business administrators hold key positions in ensuring the fiscal integrity of school districts. Superintendents are responsible for the supervision of schools and have executive authority over the school system. Budget development, day-to-day administration of the budget, and keeping the board informed of financial status are the responsibility of these two positions. Their central importance is recognized by the legislature as superintendents and business administrators must be certified by the State Board of Education.

Accountability through Charter Provisions

Municipal charter provisions. Municipal charters may also be a source of control and accountability over school boards. The reach of charters in regulating school boards, though, is fairly limited. Charter provisions are only binding upon local school boards as long as the provision is not "inconsistent with or inimical to the efficient operation of the district" (*Local #1186 v. New Britain Board of Education, 182 Conn. 93 (1980)*). Other than the few instances where this has been tested in courts, determining when a school board is subject to town controls and when it may act independently is a continuing challenge.

Recall. The power of recall, that is the ability to remove elected officials during their term in office by a vote of the people, is one extreme form of holding officials accountable. The Connecticut Supreme Court held towns do not have the ability to recall elected officials because the legislature has not explicitly granted this power to municipalities and the authority is not implied in other powers. Only five municipalities (Bristol, Milford, New Haven, Stratford, and Westport) have valid recall provisions because they were granted the authority by special act before the enactment of the constitution's home rule provision (*Simons v. Canty, 195 Conn. 524 (1985)*).

However, even if a town had a recall provision, it probably would not be binding upon school board members. The Superior Court has ruled a recall of a school board member is not allowed because recall provisions in a town charter cannot apply to school board members because they are agents of the state. (*Sherman v. Kemish, 29 Conn. Sup. 198 (1971)*). Furthermore, even if recall were allowed in towns in regional school districts, the difficulty would remain because regional school districts comprise two or more towns with differing charters.

State Oversight of Regional School Districts

General supervision and implementation of the state's educational interests rests with the state board of education and its administrative arm, the state department of education. The department of education uses three mechanisms to ensure fiscal accountability. The first two - the minimum expenditure requirement (MER), and the statutory "no supplant" provision are designed to ensure towns use state equalization aid to support elementary and secondary

education.[5] These are reviewed by the department, and if underpayments identified, towns are required to appropriate additional funding.

The third oversight mechanism used by the department, and the focus of the discussion below, requires an annual audit of grant programs to verify the validity of the school district's financial transactions.

Audit function. Perhaps the most important state fiscal oversight function is performed by the Office of Internal Audit (OIA), whose director reports to the State Board of Education (SBE), and the Office of Policy and Management (OPM). Regional school districts are subject to three types of audits.

- *Annual Audit* – the annual audit is comprised of the following elements.
  - *Audit of Combined General Purpose Financial Statements* - required by state law under the Municipal Auditing Act (C.G.S. Sections 7-391 through 7-397). It requires each town and regional school district to undergo an annual audit by an independent auditor who submits the report to the secretary of the Office of Policy and Management (OPM). If, in reviewing this audit, the secretary finds evidence of "unsound or irregular financial practice in relation to commonly accepted standards in municipal finance," he refers the matter to the Municipal Finance Advisory Commission (MFAC) (C.G.S. Secs. 7-394 to 395).
  - *State Single Audit* – required for any organization that expends state financial assistance equal to or in excess of $100,000 in any fiscal year (C.G.S. Sections 4-230 through 4-236).
  - *Federal Single Audit* – required for any organization that expends $300,000 or more annually in federal funding.

- *State Construction Audit* – required by state law before final payment of any state construction grant is made.

- *Grant Data Audit* – certain grant data, including student counts, must be audited in all school districts annually, per C.G.S. Section 10-227.

While the Office of Policy and Management was the agency responsible for ensuring the requirements for two components of the annual audit are met (State Single Audit and the audit of the combined financial statements), OPM transferred the responsibility for the State Single Audit in 1992 with regard to regional school districts to the State Board of Education (SBE). The responsibility for overseeing that the requirements related to the audit of the combined general purpose financial statements remains with OPM. The board of education's OIA conducts

[5] *See LPRI&IC 2001 report on Education Cost-Sharing for a description on how the state ensures these requirements are met.*

construction and grant data audits and may also perform audits or reviews of specific problems or irregularities reported to them outside the normal audits identified above.

Audit Process

Selection of auditor. Independent auditors are hired by each regional school district to perform the annual audit as well as audits of grant data. Each district must hire an auditor at least 30 days before the end of the fiscal year or OPM will assign an independent auditor. State statutes establish the minimum requirements to be considered an independent auditor but do not contain any provisions regarding auditor selection.

Scope of audits. Except for the grant data audit, which is prepared under the guidance of SBE, the audits are performed in accordance with Generally Accepted Government Auditing Standards. The state and federal single audits cover each district's entire financial operation and determines if:

- financial statements are presented fairly and in accordance with Generally Accepted Accounting Principles;
- expenditures of federal and state aid are presented fairly in relation to total financial statements;
- auditor has understood and tested internal controls – that is the process used to ensure the reliability of financial reporting and the effectiveness and efficiency of operations; and
- the district has complied with laws, regulations and grant or contract provisions relating to state and federal programs.

Audit reports must be filed with OPM and SBE within 30 days of the report's completion and no later than six months after the close of each fiscal year. The OIA may assess penalties against any audited agency that does not complete an audit, including the suspension of state financial assistance. Over the last three years however, no penalties have been assessed.

Audit integrity. In the case of regional school districts, the state board's OIA is responsible for ensuring the integrity of the audit and monitoring the implementation of corrective action plans. The completed audit is submitted to OIA and its responsibilities include:

- performing a "desk review" of each audit;
- informing other state agencies and appropriate law enforcement officials of any irregularities or illegal acts;
- ensuring the sufficiency and resolution of any corrective action plans;
- reporting disallowed costs to the grants office within SDE; and
- assessing penalties, if necessary, for noncompliance with the State Single Audit Act.

Desk review. The desk review consists of a checklist for both the state and federal single audit that guides the OIA reviewer through a series of reporting standards and elements required in every audit. This review will indicate if:

- the audit reports meet applicable reporting standards;
- any follow-up audit work is needed;
- any audits require follow-up quality control reviews; and
- any audit issue requires management attention.

The desk review has a two-fold effect in that it can indicate both auditor and auditee deficiencies. If OIA identifies deficiencies in the audit methodology, OIA is empowered to conduct quality control reviews of audits conducted by independent auditors at its discretion. In addition, the regulations governing the single state audit provide for the referral of cases of repetitive substandard performance, on the part of the auditor, to appropriate state and professional bodies for disciplinary action. However, the OIA has not conducted quality control reviews in the last three years.

Corrective action plans. If the audit reveals any conditions that have or could lead to significant misstatements in the district's financial statements or noncompliance with laws, regulations, grant requirements, or recognized accounting procedures, the district is required to submit a corrective action plan. The corrective action plan must address how the district intends to remedy each finding made by the auditor, indicate who is responsible for the plan, and when the corrective actions will be completed.

The OIA tracks submission of the corrective action plans and is responsible for ensuring resolution of any audit findings. This compliance function is not done directly by OIA, but typically is accomplished through the audit performed by the independent auditor in the next year.

Audit findings. Program review staff obtained data from OIA concerning audit findings for the State Single Audit in regional school districts. Table V-1 shows 12 types of findings by regional school district for the last three years.

As the table indicates, there were a total of 74 findings among 12 districts over the three-year period. Five districts did not have any findings within that timeframe. Regional district No. 12 and No. 16 had the most findings with 14 (19 percent) and 10 (14 percent) findings respectively.

The three most prevalent findings were in the areas of inadequate accounting records, fixed assets reporting deficiencies, and "other" findings. Other findings included such things as the need to update accounting procedures manuals, improper calculation of rental rates for school property, and the improper payment of sales taxes. Other trends were noted among the findings, including:

- of the 51 audits reviewed over the last three years, six (12 percent) were issued as qualified opinions on behalf of the auditor, meaning that departures from Generally Accepted Accounting Principles were noted and, therefore,

the accuracy of certain aspects of the audit may be affected. One region, No. 12, had three successive years of qualified audits;

- three findings out of the 74 reported were considered "material," the most serious kinds of findings in that a condition exists that could lead to a significant misstatement of the financial statements and would not be detected by employees in the normal course of performing their duties;
- a total of 11 districts had multiple years of the same findings over the last three years;
  - six of the same findings in five districts continued for the entire three-year period reviewed; and
  - seven of the same findings in six districts were repeated in two out of the three-period reviewed.

Table V-1. Regional School District Audit Findings FY 99 – 01.

Findings	*Regional School Districts*																	
	1	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**Total**
Accounts Receivable							3											3
Balance Sheet Accounts		2																2
Bank Reconciliation		1																1
Fixed Assets	3			1			1		1	4	2					1		13
Fund Reconciliation				6					2									8
Inadequate Accounting Records							5			2		3	6					16
Overexpended Budget			1															1
Proper Authorizations			1															1
Purchasing Policies										1								1
Student Activity Funds			1	1						1			1		5	1		10
Utilization of Computerized Systems		1								1		1						3
Other		1		1						5		3	3			2		15
Total Findings	3	5	3	9	0	0	9	0	3	14	2	7	10	0	5	4	0	74

Source: State Department of Education, Office of Internal Audit.

Construction audits. The internal audit office also is directly responsible for conducting separate audits of construction projects after their completion but before final payment is made by the state. The audit assures the district has complied with the statutory and contractual provisions governing construction projects. Over the last three years, the OIA has conducted audits of 11 projects in five regional districts. Five audits have resulted in over $350,000 in disallowed costs.

Chapter Six

Findings and Recommendations

Introduction. The Legislative Program Review and Investigations Committee identified three major areas in its review of Regional School District Governance. A brief overview of the central issues identified by the committee along with findings and recommendations are provided below. More detailed analysis is included in the appendices. The three areas are:

- fiscal and budgetary oversight of the regional school boards;
- statutory process to withdraw from or dissolve a regional school district; and
- statutory formula mandating local share of education costs.

Overall, the program review committee offers recommendations aimed at strengthening local and state level accountability mechanisms, standardizing practices for the payment of regional school budget referenda, and providing consistent processes among towns wishing to partially withdraw from regional school districts. The committee does not recommend any change in the current statutory formula that assigns local share of education costs.

Finding – Governance Structure

The regional school district governance structure gives regional school boards much greater autonomy over the budget process than local boards of education. A regional school district budget is presented directly to the voters in towns belonging to regional school districts for adoption. Thus, voters in these towns provide the only level of scrutiny over budgetary decisions made by regional school board members.

Background - There are significant differences in the authority of regional school district boards when compared to local school boards. A local board of education presents its budget to the local fiscal authority for review and approval for inclusion in the municipal budget prior to its adoption. The municipality's fiscal authority can reduce the overall amount of the education budget, though they cannot specify which items to cut. In regional school districts, however, local fiscal authorities have no oversight role in any regional board decisions. Rather, regional board members are directly accountable to voters in member towns. Once a regional school district's budget is adopted, either through the district's annual meeting or by referenda, town officials' role is limited to collecting the revenues to operate the schools and passing though those funds to the district.

Issue - At the heart of the debate is whether the budget process under the regional school district governance structure allows for sufficient fiscal public accountability, and if not, how closely it should mirror that of local school boards. Opponents of changing the current structure and establishing a regional finance board with budget approval authority maintain that:

- regional school board members are elected by and directly accountable to voters. Thus, if voters dislike the decisions made by board members, they can use the power of the ballot to affect change;
- given the multi-town nature of regional schools, creating another layer of bureaucracy would be too cumbersome and inefficient;
- it would upset the delicate relationship among towns that currently exists - voters in towns freely created these districts and if change is called for, it should be a local, not state, initiative;
- it is already difficult to get individuals to run for unpaid elected offices given the time commitment involved -- changing the structure would make it more difficult; and
- it would separate education policy-making and administration from financing decisions, which could impede meeting education goals.

Proponents of changing the current governance structure present several arguments for creating a stronger role for local fiscal authorities. These include:

- regional board of education members have a dual and sometimes conflicting role (i.e., advocate for highest quality education yet exercise fiscal prudence);
- regional board members are not required to consider towns' financial conditions, whereas this is one of the responsibilities of boards of finance;
- district voters approve or reject a regional education budget at the end of the budget process after all of the work is completed; a finance board would have input and/or authority earlier on in the process;
- education expenditures comprise a large part of towns' budgets and towns' levy taxes, but town officials in regional school districts have no formal role in the budget process[6]; and
- voter turnout is often low and therefore, not enough budget scrutiny may occur.

The program review committee surveyed all regional school board chairpersons, and board of finance chairpersons and first selectmen in towns with regional schools. (See Appendix C for survey methodology, response rates, and complete results). One survey question asked if regional boards of finance should be established and the responses summaries follow.

- Almost 80 percent of regional board chairs responded no; 14 percent yes; and 7 percent had no response. Of the 2 chairs that responded yes, both thought the role of a regional finance board should be advisory (N=14).

[6] The education portion of FY 00 total budget expenditures in towns belonging to regional schools ranged from 54 percent in Middlebury (Region No. 15) to 76 percent in Barkhamsted (Region No. 7).

- Two-thirds of first selectmen responded yes; 29 percent no; and 5 percent were unsure. Of the 27 selectmen responding yes, 22 respondents believed a regional finance board should have budget-approval authority (N=41).
- And almost two-thirds of finance board chairs responded yes, 32 percent no, and 3 percent were unsure. Of the 21 finance board chairs that responded yes, 20 thought a regional finance board should have budget-approval authority (N=34).

Cause – State law establishes a separate budget approval process for regional schools. In addition, the statutes do not require any formal points of contact between regional boards of education and local fiscal authorities, beyond mandating members towns pass education revenues to the regional district. Enabling legislation giving towns authority to establish regional school districts, creating a formal role for local officials within the regional school district governance structure, has not been the focus of subsequent legislation.

Effect - Regional school boards have much greater discretion over education budgets than local boards of education. In the absence of regional boards of finance to approve regional school budgets, no consideration of member towns' financial needs or long-term planning goals are required to be part of the budget process. Furthermore, regional school budgets are presented and voted the first week of May, prior to town budgets. Once voters approve the regional school budget, each town's share is incorporated into each town's budget. However, if voters reject the town budget, local finance boards can reduce only town services, since the regional school budget was previously adopted.

Furthermore, without laws providing for local official input, the amount of communication among town officials and regional board members depends on informal relationships and varies by district. For example, according to interviews conducted by committee staff, one district has little communication, while another invites the local finance board chairs and first selectmen to participate on a Regional Board of Education Finance Committee in an advisory role.

The question of whether the regional school district structure ensures an appropriate level of accountability exists can be examined using Regional School District No. 5 as a case study. After experiencing a $2.8 million deficit in FY 01 and FY 02, which was not revealed until August 2001, allegations of financial mismanagement and inadequate fiscal oversight by the regional school board has caused serious credibility problems with voters over the last 18 months.[7] To date, ten budget referenda have been held and voters in the three member towns have called for a number of board members to resign. In addition, since the budget deficit was uncovered, the chairpersons of the three towns' finance boards have been approving the district's monthly expenditures. These problems illustrate the inherent weaknesses built into the current structure and need to be weighed against arguments opposing change, citing this district as an

[7] Regional school districts have statutory authority to deficit spend without first obtaining voter approval. Local school boards cannot deficit spend without approval from the local fiscal authority.

Table VI-1. Regional School District Budget Approval Process – Policy Continuum.					
Policy Option	***Structure***	***Authority***	***Budget Approval***	***Strengths***	***Weaknesses***
1. Maintain Status Quo	No change	No change	Voters	Reg board of ed members held directly accountable to voters; No duplication of effort	Limited checks and balances; voter turnout low; no intermediary between voters and regional board; no formal input regarding town ability to pay
2. Ex-officio Status	Broaden C.G.S. Sec 7-12 so that chief elected officer is ex-officio member of regional school board and may attend and participate in any regional school board meeting	Non-voting chief elected officials of member towns voluntarily act as reg. board resource; may raise questions/ concerns about budgetary expenditures/revenues; serve as liaison between member town and reg. Board	Voters	Promotes communication between regional district and member towns; promotes understanding of educational goals and financial needs	Town officials have no power and could feel participation is meaningless; no requirement town official attends meetings
3. Regional Finance Advisory Board	Statutorily mandate advisory regional finance board -- appoint local finance board chairpersons from towns in the district	Formally constituted advisory board to act as non-voting members as Reg. Board Finance Committee resource: may review budgets and raise questions/ concerns about expenditures/revenues; serve as liaison between local member town and Board's Finance Committee	Voters	Promotes understanding between towns and region regarding education goals related to budget proposals; Formalizes role of towns with respect to communication regarding district expenditures and revenue needs; provides for formal input into Regional Board's Finance Committee during budget development process.	An advisory board would have no authority over budgets and could feel their participation is meaningless
4. Regional Finance Board	***A.*** Statutorily mandate regional finance board – appoint local finance bd. members to reg. bd. from towns in the district ***OR*** ***B.*** Statutorily give member towns in districts option to establish regional finance bd (region-wide majority vote required for approval)-- appoint local finance bd. members to reg. bd from towns in the district	Transfers Regional School Board power to an independent review and approval of regional school district's budgets; determine and publish education mill rate for each town; approve deficiency spending if necessary; receive periodic financial statements upon request; and review audit report and follow-up on findings	Regional Board of Finance Voters	Mirrors process found in towns with local boards of education; provides for independent review and approval of budget; provides additional checks on districts' finances.	Could increase tension among towns who differ on educational funding; may duplicate process; decisions on operations and funding separated; requires additional time commitment from board of finance members
Source: LPR&IC Analysis.					

anomaly. (For a synopsis on reports and investigations regarding Amity School District see Appendix D.)

Remedy - Whether to maintain the current regional school district governance structure or shift budget approval power to a regional finance board is a policy choice for lawmakers to resolve. To assist in this decision, Table VI-1 shows four models along a continuum that progressively decrease regional boards of education autonomy, by increasing the role of local fiscal authorities in member towns. The first option keeps the current structure leaving approval of regional school budgets to district voters, while the second and third options provide for a greater role for local officials, but no budget approval authority. Rather, both of these options formalize lines of communication between the member towns and the regional school board. The last option would establish regional finance boards with budget authority similar to the powers that local finance boards currently have over local boards of education.

If lawmakers select the last policy option, the regional finance boards could either be mandated or voters in towns belonging to regional school districts could decide if a regional finance board should be established, much like the currently statutory authority given to town voters to create local boards of finance. Furthermore, rather than separately electing regional finance board members, the chairpersons and other elected members from existing local boards of finance could sit on the regional finance board. Voting power and representation of member towns on a regional finance board, like regional school boards, would have to be based on each town's population and in accordance with federal constitutional standards.

RECOMMENDATION

After discussion and consideration of each proposed policy option, the committee recommended towns be given the statutorily authority to establish regional finance boards after a region-wide majority vote of approval (i.e., policy option No. 4-B in Table VI-1). Specifically, the committee recommended:

Enabling legislation be adopted granting voters in towns belonging to regional school districts the statutory authority to establish regional finance boards by a region-wide majority vote. Members of regional finance boards would be appointed from local Boards of Finance to oversee the regional school district budget approval process.

Findings – Strengthening Regional School Board Accountability

- *It is unclear in statute how towns in regional school districts without adopted budgets as of July 1, should fund those districts.*
- *Unlike local schools boards, regional school boards have authority to deficit spend and there is no requirement for voter approval prior to the board exceeding its appropriations.*
- *C.G.S. Sec. 7-398 requires reports concerning public finances or the reception or disbursement of public funds made by selectmen or treasurers of towns be verified by oath. Any person who verifies any return, known to be false, or which in any material respect intentionally suppresses or conceals*

the truth, is subject to the penalty for false statement. There is no such requirement for regional school district treasurers.

- *All school boards can transfer funds among budgetary line items. However, no detailed information on line-item transfers need be provided by school boards for the public record, only that such transfers be announced at board meetings.*

Background - C.G.S. Sec. 7-405 requires municipalities that have not passed a budget by the beginning of the fiscal year (July 1) to receive authorization for necessary expenditures for the first 90 days from the town's budget-making authority. If a budget still has not passed, expenditures are limited on a monthly basis to appropriations made the previous fiscal year. Although this statute is being used as a guide by towns in regional school districts without budgets as of July 1, it is not clear if it is applicable to regional school districts.

In addition, local school boards cannot deficit spend without first obtaining approval from the local fiscal authority. Conversely, regional school boards are not prohibited from deficit spending, and do not have to obtain voter approval prior to exceeding their appropriation. Furthermore, Connecticut law requires municipal treasurers and boards of selectmen verify the accuracy of financial reports and transactions by oath, but there is no such requirement for regional school board treasurers.

Finally, all boards of education have discretionary power in expending their appropriation. This gives boards the authority to transfer funds from one account to another. Line item transfers allow boards to readjust priorities or reconcile accounts during the school year. However, the statute does not require reasons for line item transfers or the impact of such transfers on individual line item accounts be part of the public record.

Issues – Regional school budgets that are approved by voters establish priorities by explaining where resources will be directed and what the board expects to accomplish. If no budget is approved or appropriations are exceeded, voter consent is absent. Additionally, although regional school boards must review and approve district expenditures and payments, regional school board treasurers do not have to verify accuracy by oath, as do municipal treasurers.

Cause – The committee identified several areas where either the discretion given to regional school boards differ from local school boards, or public accountability is weak. Connecticut statutes provide more direction to municipalities than to regional school boards in two key areas: the amount of allowable municipal expenditures (including expenditures for local schools) if there is no approved budget by the new fiscal year, and a process that local boards of education must follow before exceeding appropriations. State law also holds certain elected officials accountable by requiring returns concerning finances to be verified by oath and imposing a penalty for false statements.

Effect - If voters do not approve regional school budgets by the beginning of a new fiscal year, or boards deficit spend, voters in regional school districts have no voice in spending decisions. Without a process to approve deficit spending, voters ultimately become responsible

for a district's actions, even though it had no control over them. Transferring funds among line items can also revise budget priorities and voters should be made aware of changes made to budgetary lines that were approved.

Remedy – To strengthen regional school district reporting requirements, ensure public accountability, and extend various statutes to regional school boards. Establish greater controls over regional school districts budgets by:

- extending certain state statutes governing local school boards to regional school boards; and
- strengthening public accountability by requiring:
  - information about line item transfers be part of the public record;
  - regional school district treasurers take oath verifying public financial information.

RECOMMENDATIONS

- **Towns shall fund regional school districts, at a minimum, at the previous years' appropriations if regional school budgets are not adopted by the beginning of the fiscal year until the regional school budget is passed.**

- **Regional boards of education shall be prohibited from deficit spending in excess of one-quarter of one percent of their total budget unless approved by a region-wide majority of voters in member towns.**

- **Each regional school board shall report, as part of the public record, a detailed written statement for each transfer of funds among line items. The statement shall include:**
  - **the reason for the transfer;**
  - **an identification of the line item account and the dollar amount that funds are being transferred from and to;**
  - **the intended use of the funds if the transfer is approved; and**
  - **the fiscal impact on the line item account that funds are being transferred from.**

- **At the end of each fiscal year, the board shall summarize the number and types of fiscal transfers made, the aggregate amount transferred to and from each account, and the impact of such transfers.**

- **Regional Board of Education treasurers shall verify by oath public reports, returns, and reception or disbursement of funds. Any person who verifies any return or report, known to them to be false, in fact, or**

which in any material respect intentionally suppresses or conceals the truth, shall be subject to the penalty provided for false statement.

Finding – Withdrawal of Grades

Current law does not allow a town that is a member of a K-12 regional school district to withdraw only some grades from the districts.

Background - C.G.S. Sec. 10-47b sets out a process for adding or withdrawing grades from a regional school district, but allows it to be used only by regional boards that do not include all elementary and secondary school grades. The process requires a study, SDE approval, and simultaneous referenda before the change can be implemented. Conversely, K-12 regional school districts that want to withdraw only certain grades must go through the dissolution process and then, re-establish the district with only those grades.

Issue – The law sets out a process for adding or withdrawing grades from a regional school district but allows it to be used only by regional boards of education in school districts that do not include all elementary and secondary school grades. K-12 regional school districts must first dissolve, then reconstitute the regional school district, if they want to remove some grades from the district.

Cause - The law does not provide an expedited process for K-12 regional school districts to withdraw grades.

Effect – The only option for a town in a K-12 district that wishes to withdraw from the district in order to have its own elementary school while retaining the regional middle and secondary grades is to dissolve the district. Once the district is dissolved, it must be reconstituted to include only the specific grades.

Remedy - The expedited process for withdrawing certain grades should be extended to K-12 regional school districts.

RECOMMENDATION

C.G.S. Sec. 10-47b shall be amended to include K-12 regional school districts.

Findings – State Oversight

State oversight mechanisms have been unused and need to be strengthened

Background - Regional school districts are subject to three types of audits.

- *Annual Audit* – the annual audit is comprised of the following elements.
  - *Audit of Combined General Purpose Financial Statements* - required by state law under the Municipal Auditing Act (C.G.S.

Sections 7-391 through 7-397). It requires each town and regional school district to undergo an annual audit by an independent auditor who submits the report to the secretary of the Office of Policy and Management (OPM). If, in reviewing this audit, the secretary finds evidence of "unsound or irregular financial practice in relation to commonly accepted standards in municipal finance," he refers the matter to the Municipal Finance Advisory Commission (MFAC) (C.G.S. Secs. 7-394 to 395).

- *State Single Audit* – required for any organization that expends state financial assistance equal to or in excess of $100,000 in any fiscal year (C.G.S. Sections 4-230 through 4-236).
- *Federal Single Audit* – required for any organization that expends $300,000 or more annually in federal funding.

- *State Construction Audit* – required by state law before final payment of any state construction grant is made.

- *Grant Data Audit* – certain grant data, including student counts, must be audited in all school districts annually, per C.G.S. Section 10-227.

While the Office of Policy and Management was the agency responsible for ensuring the requirements for two components of the Annual Audit are met (State Single Audit and the audit of the combined financial statements), OPM transferred the responsibility for the State Single Audit in 1992 with regard to regional school districts to the State Board of Education (SBE). The state board's Office of Internal Audit (OIA) is the unit responsible for performing this oversight function along with conducting construction and grant data audits.

Issues - In reviewing the process used by SBE and OPM to oversee the audit function, the program review committee identified the following findings.

1. *SBE was slow to investigate fiscal problems in the Amity School District (Regional District Number 5).* The State Board of Education is responsible for the general supervision and administration of the state's educational interests. This includes ensuring school districts are fiscally accountable. However, when the $1.2 million deficit was discovered in the Amity district in August 2001 and a number of questionable accounting practices were brought to light, SBE did not become involved or investigate the causes promptly.

   As a result of continuing problems in the district the first selectmen of the three member towns asked the education commissioner to assist in an investigation in November 2001. However, after discussions with the commissioner, it was concluded the towns would investigate the district's problems. The tri-town committee, whose members were appointed by the selectmen, issued a report in March 2002, alleging financial mismanagement. The allegations included violations of tax laws, lack of fiscal oversight

exercised by the regional board, and a "fundamental breakdown in the district's purchasing, accounting, and budget monitoring controls." In response to this report, the commissioner asked the Connecticut Association of Business Officials (CASBO) to assist the district but limited their involvement to identifying strategies to stay within their FY 02 budget and developing a schedule to implement improved financial controls. The internal auditor for SBE, the office responsible for overseeing financial integrity, still did not respond. (See Appendix D for a description of recent reports issued regarding Amity and Appendix E regarding recall of regional school board members).

In May 2002, two members of the Woodbridge Board of Finance sent a letter to the SBE internal auditor alleging over 250 violations of state law related to the fiscal management of the Amity school district and asked SBE to conduct an investigation. After performing a review (not an audit), the State Board of Education's internal auditor issued an initial response to the allegations in July 2002. The SBE auditor found neglect on the part of the regional board to take actions in a timely manner to avoid a deficit, deficiencies with the budgetary process, including misleading statements by the board's budget committee and finance director, illegal loans, and violations of the tax code. To date, additional allegations are still being investigated by SBE.

The problems experienced in Amity appear to be atypical, and given the size of the deficit and the seriousness of the allegations made, once these concerns were brought to the attention of SDE, a state level response should have been initiated. While SBE may be a reluctant participant in exercising this type of fiscal oversight, in the opinion of the committee, the state board's internal auditor would have been the proper office to launch an investigation. The willingness of SBE to be proactive is especially important, given the jurisdiction of the following public oversight entities.

- *Regional school board*. The regional school board is and should be the primary fiscal oversight body. It should define key areas of authority and responsibility, and create appropriate reporting and monitoring procedures. However, when such sweeping accusations of a lack of accountability is alleged, as it has been in the reports issued thus far, involving many of the board members, the board itself lacks the credibility and perhaps the will to do an investigation.

- *Local town officials*. A central problem with the tri-town committee investigation, as important and useful as it was, is the towns lack the authority to investigate the regional school district. It depended on the cooperation of the regional board, whose members' actions were being investigated. Unlike local school districts, regional school districts are not accountable to a local finance authority, such as a town council or board of finance.

- *Attorney General and State's Attorney*. Both of these offices rely on an investigation by SBE to trigger their involvement as the state's attorney does not have investigatory subpoena power and the attorney general responds to referrals from state agencies. The Office of the Attorney General continues to work with SBE on a number of concerns with respect to the fiscal administration of the district. The attorney general has stated that criminal wrongdoing could not thus far be ruled out. The state's attorney (in July 2002) after reviewing the tri-town report and an operational review completed in November 2000, found no evidence of criminal violations. Those reports, though, were not detailed forensic audits and none has been suggested.

Cause - SBE has not been vigorous, much less proactive in investigating allegations of fiscal mismanagement in Amity.

Effect – The ability of responsible officials to act in a timely manner is compromised and the credibility of all regional board members is diminished.

2. *No quality control is being exercised over independent auditors, even when questionable audit work can be suspected.* The OIA and OPM have the authority to perform quality control reviews of selected audits made by independent auditors that are prepared pursuant to the State Single Audit Act. Quality control reviews verify appropriate procedures have been used and professional standards have been met in the conduct of an independent audit.

   Regulations governing the State Single Audit provide for the referral of cases of repetitive substandard performance, on the part of the auditor, to appropriate state and professional bodies for disciplinary action. Neither OIA nor OPM perform quality control reviews.

   One example where this accountability measure could have been useful is in Regional School District Number 5. Until this year, the Amity district contracted with the same audit firm for more than 10 years. The FY 01 audit reported three deficiencies in the district's budgetary process and accounting procedures. One of those findings, involving a $1.2 million deficit, was considered a material weakness. For at least the three previous annual audits, the auditor reported no findings, even though in November 2000 an independent consulting firm conducted a comprehensive operational review of the district and found several deficiencies in the district's financial management system. Based on the findings of the independent consultant's report, it is reasonable to assume that the weaknesses in Amity's financial system existed before the FY 01 audit, that management was aware of them, and the audit firm probably should have detected them. At the very least, this audit firm should have been a prime candidate for a quality control review by OIA or OPM.

Cause – Neither the OIA nor OPM has dedicated resources to this task.

Effect - Independent auditors performance may be substandard and audit reports may be inaccurate. Audit reports are relied upon to provide some assurance that irregularities, illegal acts, and other noncompliance with grant agreements or contracts will be detected. If audit reports are inadequate, it may present a distorted picture of a district's financial position and an important link in the overall accountability chain would be broken.

Remedy – SBE should perform quality control reviews of firms conducting audits for regional school districts.

RECOMMENDATION

The State Board of Education shall periodically perform quality control reviews of selected audits of regional school districts made by independent auditors. This quality control review shall include but not be limited to an examination of the audit firm's system of quality control for its auditing practice to ensure it has been designed in accordance with professional standards and ensure the firm's quality control policies and procedures were complied with to provide the firm with reasonable assurance of conforming with professional standards.

3. *Tracking system for corrective action plans is inadequate*. If the Annual Audit reveals any conditions that have or could lead to significant misstatements in the district's financial statements or noncompliance with laws, regulations, grant requirements, or recognized accounting procedures, the district is required to submit a corrective action plan. The corrective action plan must address how the district intends to remedy each finding made by the auditor, indicate who is responsible for implementing the plan, and the date corrective actions will be completed.

   OIA tracks submission of corrective action plans, under the State Single Audit, and is responsible for ensuring resolution of any audit findings for regional school districts. However, this compliance function is not done directly by OIA, but typically is accomplished through the audit performed by the independent auditor a full year later.

   The Office of Policy and Management also has responsibility to ensure regional school districts develop a corrective action plan in response to any findings pursuant to the Municipal Auditing Act that are different from those found under the State Single Audit Act. Most, though not all, audit findings that apply to the State Single Audit Act would apply to the Municipal Audit Act, meaning the primary responsibility for oversight would fall to OIA.

   The program review committee found the system to be inadequate for the following reasons.

- *The state board's auditor does not have a system to classify the seriousness of findings and flag those that may require more aggressive follow-up or monitoring.*

- *In reviewing the audit findings in all the regional districts for the last three years, a total of 11 districts had multiple years of the same findings:*
  - *six of the same findings in five districts continued for the entire three-year period reviewed; and*
  - *seven of the same findings in six districts were repeated in two out of the three-year period reviewed.*

- *OPM also requires the submission of corrective action plans, but does not perform any independent follow up to ensure the plans are implemented.*

- *There is an overlap and theoretically a redundancy in the tracking of corrective action plans addressing audit findings in regional school districts between OPM and SBE.*

Cause – Neither OIA nor OPM have developed an adequate system to track findings by regional districts and ensure expeditious resolution.

Effect - Without an adequate tracking system and follow-up, the value of the audit function is degraded. If it is perceived it is not important to correct certain deficiencies, improper and serious shortcomings may linger.

Remedy – The state board's OIA needs to develop an enhanced tracking system.

RECOMMENDATION

The State Board of Education shall develop a tracking system for corrective action plans submitted by regional school districts. It shall include a classification system that indicates the seriousness of findings and establishes deadlines to correct audit findings based on their seriousness.

4. *The Office of Policy and Management has not performed an analysis of the fiscal condition of regional school districts.* While SBE has taken over the responsibility to monitor and follow up on the requirements of and the audit findings pursuant to the State Single Audit for regional school districts, certain oversight functions that emanate from the Municipal Auditing Act have not been performed by OPM.

Specifically, OPM performs a two-part review of annual audits it receives as part of the Municipal Auditing Act. First, it reviews every audit to ensure it meets applicable reporting standards and contains the required elements under the act. Secondly, OPM conducts an analysis of the fiscal condition of municipalities and school districts. While OPM reviews regional school district audits for compliance with professional auditing standards under the Municipal Auditing Act, it has not performed any analysis of the fiscal condition of regional school districts.

Cause – The Office of Policy and Management reviews and tracks the audits of Connecticut's 169 municipalities as well as the audits of nonprofit agencies that perform work on behalf of the state. In addition, OPM completes the fiscal analysis for the 169 towns and supports the efforts of the MFAC. However, OPM has not dedicated the resources to make certain this function is being completed for regional school districts or assigned this function another agency. The unit responsible for these duties has one supervisor, one administrative assistant, and three auditors.

Effect - Opportunities to identify and correct distressed regional school districts have been lost. An element in the fiscal accountability system is made ineffective.

Remedy – Review of audits and the fiscal analysis of regional districts should be performed by one entity.

RECOMMENDATION

The State Board of Education shall assume the responsibilities of OPM under the Municipal Accounting Act for regional school districts regarding the review of audit reports, tracking of corrective actions, and performing a fiscal analysis of the districts. The State Board of Education, in consultation with OPM, shall develop criteria to perform an annual fiscal analysis of the regional school districts.

5. *The authority of the Municipal Finance Advisory Commission to require regional school districts to appear before the commission is unclear*. As described above, OPM conducts an analysis of the fiscal condition of municipalities. If the analysis discloses any unsound or irregular financial practices, the Secretary of OPM is required to report these findings and propose recommendations for corrective action to the MFAC. The Municipal Finance Advisory Commission is an eight member gubernatorial appointed commission empowered to work with distressed municipalities and may compel its chief executive officer to develop and report on remedial measures to improve the municipalities' fiscal condition. Although the statute is clear concerning OPM's responsibilities in reviewing regional school district's financial health, the authority of the MFAC over regional school boards in unclear.

   Cause – The statute (C.G.S. Sec. 7-394b) does not explicitly include regional school districts.

Effect – It is unclear whether regional school districts fall under the purview of the Municipal Finance Advisory Commission.

Remedy – Amend the statute to clarify that the jurisdiction of MFAC includes regional school districts.

RECOMMENDATION

Clarify C.G.S. Sec. 7-349b related to the Municipal Finance Advisory Commission under the Municipal Auditing Act to include regional school districts and require reports generated under the statute be filed with each town's board of selectmen and board of finance, if applicable, in regional districts.

6. *Regional school district administrative personnel, in several districts, are involved in the selection and management of independent auditors, and auditors in most districts are not changed on a regular basis.* Regional boards of education are required to file with the Secretary of OPM and SBE the name of the independent auditor conducting the annual audit at least 30 days before the end of the fiscal year. If the regional school district fails to do so, the secretary and SBE may designate an independent auditor. Independent auditors are hired by, work with, and are paid by regional school districts.

   Through a survey (Appendix C) of regional school board chairpersons, program review committee staff noted the following.

   - Seven of the 14 chairs who responded to the survey indicated the regional superintendent and/or the business office manager were involved in *selecting* the independent auditor.
   - Nine of the 14 chairs indicated the auditor reported to the regional superintendent or the business manager. Although, seven of the nine reported the auditor also had a reporting relationship to the board chair or other board member, two reported an exclusive reporting relationship to either the superintendent or the business manager.
   - Nine of the 14 chairs stated their independent auditor had been in place for over six years, and in at least one case an auditor had been in place for over 10 years.

   Recognized authorities in the financial management and auditing profession have advocated for the periodic replacement of independent auditors through a full-scale competitive bid process (e.g., Government Finance Officers Association – Audit Procurement (1996)). The longer an auditor remains on a particular engagement, the greater the possibility that a naturally-fostered familiarity will influence the auditor's judgment. It is common for requests for proposals to be solicited for independent auditors every three to six years in the public sector.

Cause - There are no specific requirements in statute regarding the selection and supervision of independent auditors for regional school districts.

Effect - Properly performed independent audits assist in preserving the integrity of the public finance function. The practices indicated by the board chairs concerning the selection and tenure of their independent auditors, as well as the auditors' reporting relationships, undermines the appearance of independence of the auditor. The selection and oversight of the independent auditor should be the sole responsibility of the board or any entity independent of regional district management. There is an inherent conflict in having the regional superintendent or the business manager having any role in choosing or supervising the activities of the auditor.

Remedy – Amend statutes and practices to strengthen state oversight of the audit function in regional school districts.

RECOMMENDATION

The State Board of Education shall regularly solicit competitive proposals from qualified and licensed auditing firms to perform Annual Audits for regional school districts and randomly assign the firms to regional districts. The audit firms shall be rotated at least every three years among the regional districts.

7. *Independent auditors' credentials are not checked with State Board of Accountancy*. State law requires that regional school boards file with OPM and SBE the name of the independent auditor designated to perform the independent audit but there is no requirement OPM or SDE perform a check on the credentials of the auditors selected. OPM checks the licensing status of auditors performing municipal audits, but SBE does not for regional school district auditors.

   Cause - There are no statutory requirements to check the credentials of independent auditors performing annual audits for regional school districts.

   Effect - Independent auditors in regional school districts performing annual audits pursuant to the State Single Audit Act and the Municipal Auditing Act may not be properly credentialed.

8. *Management letter not required*. Auditing standards encourage but do not require the issuance of a management letter separate from the financial audit. The management letter is an important management tool and includes concerns the auditor may have about certain deficiencies in the financial management system but are not formal reportable findings. The letter typically includes the auditor's recommendations to make the audited agency's financial management system, including internal controls and certain reporting practices, more efficient and effective.

   Cause – There is not a requirement to issue a management letter in professional standards or in state statute.

Effect - Regional school board members and management may not be aware of needed improvements to correct deficiencies in the district's financial management system.

Remedy - Amend statues to strengthen the state audit requirements.

RECOMMENDATION

Audits performed for regional school districts under the Municipal Auditing Act shall contain a written management letter, in accordance with guidelines developed by the State Board of Education. The State Board of Education shall define the items that should be contained in the management letter and when one is necessary. It shall include at a minimum those issues identified by the auditor during the course of the audit that do not rise to the level of a reportable condition but indicate deficiencies with internal controls, inter-fund transactions, reserves, and financial documentation.

Findings – Local Share Formula

Changing the current allocation formula that determines local share of education expenses to a consolidated tax base in regional school districts would be disruptive to local government finances, could require an overall increase in the state's main education grant, and is not supported by the majority of town leaders in regional districts.

Background – After a regional school budget is approved by voters at an annual meeting or by referendum, the regional school board determines each member town's share of both the operating and capital expenses in the same ratio as the number of students in the town to the total number of students in the district. After the regional school budget is adopted, municipalities include their share of the regional school budget in the town budget that then must go through the local approval process. Often this may mean another referendum.

Although school expenses are determined in the district as a whole, Connecticut's regional school districts do not have separate taxing authority. They depend upon the member towns to set the tax rate for the appropriate share, send the tax bill, and collect the revenue.

The current formula operates so that each member town of regional district pays the same amount per student to support the costs of the region. Because the size of the tax base is different in every town, the mill rate assessed to taxpayers in each town is also different, even though they are purchasing the same educational product.

Issue - Some town officials in regional districts and a taxpayer lawsuit (*Gabriel Seymour, et al. vs. Region One Board of Education, et al.,* (Docket No. CV-00-0082467-S)) have argued that the current local share cost allocation formula unfairly burdens property-poor towns and should be based on each town's ability to pay, measured by the relative size of their tax base. They assert it is fairer to combine each individual member town's tax base into a regional tax base and develop a uniform tax rate to pay for educational expenses. Other benefits have been cited for the creation of a single tax levy for regional school districts, including:

- a regional tax base would prevent unpredictable changes in the amounts charged to towns from one year to the next based on changes in the number of students;

- voters would be better able to identify what portion of their taxes are going to support regional schools;

- the current system unfairly benefits a town that is experiencing rapid growth, compared to other member towns, if additional facilities, such as elementary schools, are built that disproportionately benefit the town that is growing; and

- in conjunction with other statutory changes, it could enhance accountability by allowing regional boards to levy a tax directly, instead of the current system where one set of elected officials levy a tax to fund expenditures approved by another set of elected officials.

Opponents to changing the formula have argued the per pupil formula is fair - in that every town resident in a regional district knows they are paying the same amount per student for the same education. In addition, they believe:

- a uniform rate would create additional tensions between towns in regional districts because some towns' taxes would increase, while others decrease, without any additional benefits; and

- the size and character of each town's tax base is the result of the development and growth choices each individual town has made. Larger tax bases usually require towns to expand and improve certain municipal services, such as police, fire, and public works. Some would also argue that more development has an aesthetic cost. A regional tax base would allow a less developed town to take advantage of a member town's larger tax base, without supporting the expenses of increased development.

Effect on mill rates. Program review staff calculated the effect on each town in each regional district if their tax bases were combined and a uniform mill rate for education were applied. The detailed results and methodology are presented in Appendix F. In general, it can be noted:

- the total number of towns with mill rates that increase is about equal to the number of towns that decrease -- rates decrease in 23 towns and increase in 24;

- the average mill rate decrease is 14 percent – with a range of less than 1 percent to 50 percent; and

- the average mill rate increase is 17 percent – with a range of less than 1 percent to 66 percent.

Effect on ECS. If the individual tax bases in towns belonging to regional school districts were combined, it can be argued that change should also be factored into the Education Cost Sharing (ECS) grant calculation. This grant is the formula-based equalization aid program that provides the bulk of state money for local school operating costs.

The current formula contains a number of provisions that mitigate or prevent any reductions in aid on a year-to-year basis. Nonetheless, program review staff provide an analysis of what the potential impact could have been on FY 01 ECS funding if a unified tax base were in place in regional school districts. (Detailed results and the methodology used for this analysis are presented in Appendix G.) Compared to FY 01 total aid received by towns in regional school districts, the estimated impact of adopting a regional tax base on total FY 01 aid would have been:

- ten regions would experience an overall decrease in total aid ranging from between $325 to over $400,000 and seven regions would increase from $13 to over $200,000;
- final aid amounts in all other non-regional municipalities would stay the same or increase; and
- statewide, the total final aid amount would increase $9 million.

Survey results. As noted earlier, the program review committee surveyed municipal and regional school leaders, including first selectmen, board of finance chairs, and regional board of education chairs, and found the majority of these leaders believe the current statutory formula fairly allocates costs among member towns and should not be changed. Specifically:

- eighty-nine of a potential 109 municipal and regional leaders (82 percent) responded to the staff survey and 69 (78 percent) believed the current per pupil formula was fair;
- of the 34 board of finance chairs who responded, 29 (85 percent) thought the formula was fair, while 29 of 41 (71 percent) of first selectmen thought it was fair;
- seventy-nine percent (11 out of 14) of the regional board chairs who responded thought the formula was fair; and
- of the 19 respondents who thought the formula was unfair and indicated an alternative (one did not indicate an alternative), four (21 percent) believed a combined tax base should be used to calculate local share.

Remedy - Determining the overall fairness of the formula is a legal and political endeavor within the purview of the courts and the legislature that is not susceptible to empirical investigation. The courts have not yet issued an opinion in the *Seymour* case on the constitutionality of the local share formula. Absent that decision or a clear desire on the part of the municipal leaders to change the formula, and given the disruption in municipal finances it would cause and the potential impact on the ECS formula, the current local share formula appears satisfactory.

RECOMMENDATION

The current method of allocating the local share of education costs for regional school districts should be continued.

APPENDICES

STATE OF CONNECTICUT

STATE BOARD OF EDUCATION

February 3, 2003

Mr. Michael Nauer, Executive Director
Legislative Program Review and
Investigations Committee
State Capitol, Room 506
Hartford, Connecticut 06106

Re: Legislative Program Review and Investigations Committee
Draft Report on Regional School District Governance

Dear Mr. Nauer:

Thank you for the opportunity to review and comment on the findings and recommendations contained in the above-subject report. Our comments concerning the study's findings and recommendations follow:

Governance Structure

Recommendation # 1:

Enabling legislation be adopted granting voters in towns belonging to regional school districts the statutory authority to establish regional finance boards by a region-wide majority vote. Members of regional finance boards would be appointed from local Boards of Finance to oversee the regional school district budget approval process.

Response:

This recommendation is unsupported by the findings. The report lacks any substantial body of evidence that the regional school districts have been routinely financially mismanaged and require an additional level of oversight. Further, there is no evidence any of the financial problems that arose in Regional School District No. 5 (the clear focus of this report) would have been prevented by the presence of a financial oversight board. To the contrary, regional school districts have been well served by regional boards of education and direct budget approval by the voters in the district is the purest form of oversight.

The report fails to suggest any alternative course of action to the subject regional school district, less radical than a revision of state laws that would affect every regional board of education. In this case, Regional School District No. 5 has voluntarily developed an advisory committee of representative town officials to provide financial advice to the school district. This is evidence that a statutory remedy is not required.

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Recommendation # 3:

Regional boards of education shall be prohibited from deficit spending in excess of one-quarter of one percent of their total budget unless approved by a region-wide majority of voters in member towns.

Response:

This recommendation lacks factual support and ignores specific statutory duties and obligations assigned to regional boards of education. There is no consideration given to managing the cash flow requirements of the district that could result from late tuition payments or grant receipts as provided in C.G.S. Section 10-51(c). The report fails to identify the prevalence of deficit funding and further fails to identify how regional school districts will be damaged if such a change is not implemented. A formula is offered without any empirical evidence to demonstrate the need for the formula or the integrity of the proposed formula.

Recommendation # 4:

Each regional school board shall report, as part of the public record, a detailed written statement for each transfer of funds among line items. The statement shall include:

- **the reason for the transfer;**
- **an identification of the line item account and the dollar amount that funds are being transferred from and to;**
- **the intended use of the funds if the transfer is approved; and**
- **the fiscal impact on the line item account that funds are being transferred from.**

At the end of each fiscal year, the board shall summarize the number and types of fiscal transfers made, the aggregate amount transferred to and from each account, and the impact of such transfers.

Response:

This recommendation unnecessarily requires detailed reporting on the transfer of funds from one line item to another. The Report fails to recognize that the current law regarding regional school boards states that said board shall have the same powers and duties conferred upon boards of education by the general statutes that are not inconsistent with the provisions of the general statutes concerning regional school districts. When regional statutes are read together with all of the laws concerning the budget of a local board, it is evident that neither local boards of education nor regional boards of education are not required to report line item transfers articulating the reason, the amount, the item, the intended use and the fiscal impact on the line item being transferred. Finally, the discussion of miscellaneous practices located on page 25 incorrectly states that boards of education are required to announce any transfers at the next regularly scheduled board meeting. The law only requires making an announcement at the next regularly scheduled meeting when emergency transfers are made by designated personnel.

Miscellaneous Corrections

In addition to the specific recommendations noted above, we offer the following comments on the report's discussion of governance issues:

- The discussion of the Plan of Representation located on page 17 factually and conceptually combines representation on the board of education based on census population, citizen voting power by town on annual budgets and town assessments made by the board based on averaged daily membership all of which results in the misapplication of the constitutional principle of one person one vote. Representation of a town on a regional school board is based by law on decennial census population, not the percentage of the budget of a regional school district paid by the town or any other factor. Also, this incorrect combination of concepts perpetuates a misunderstanding of the operation of a regional school district.

- The discussion of a budget surplus located on page 26 incorrectly states that "Regional school districts do not have any authority to carry a surplus, except in a special capital reserve fund (described below)." This is contrary to the express law permitting the proposed annual budget of a regional school district to list a surplus or deficit.

- The discussion of fiscal accountability located on page 39 improperly uses Regional School District No. 5 as a case study. Representatives of the State Department of Education cautioned committee staff that conclusions should not be reached without the proper understanding of the facts in Region No. 5. Issues of individual culpability of school administrators and members of the board of education have yet to be determined by a judicial body. Furthermore, the number of budget referenda that have occurred in Region No. 5 appears to be the result of the use of the budget process to force certain board members to resign. The statutory budgetary process has been subverted for political use against members of the regional board of education as a defacto recall and referendum procedure. The adequacy of the proposed budget has become a secondary issue.

- The discussions of the establishment of a regional board of finance located on page 42 incorrectly states that local boards can deficit spend with approval from the local fiscal authority. Under state law, expenditures of the local board shall not exceed appropriations but if additional finds are needed, the chairperson of the board may request a supplemental appropriation from the appropriating authority. The term "deficit" neither appears in this law nor does its concept operate.

State Oversight

Finding:

The State Department of Education was slow to investigate fiscal problems in the Amity School District (Regional District Number 5).

Response:

We disagree with the report's characterization that the State Department of Education was slow to investigate fiscal problems in the Amity School District. We believe that the report is inaccurate in several respects in this finding. First, the deficit was not identified and disclosed to the general public until an Amity Board meeting in late August of 2001. The report fails to state that I met with the first selectmen, almost immediately, in September 2001 to respond to their concerns. Second, the report fails to note that the district's CPA firm was in the process of conducting an audit of the books at that time. After discussion with the selectmen, and in addition to the formal audit by the CPA firm, a tri-town committee initiated an investigation in November 2001. For the State Department of Education to initiate an investigation at this point would have been premature and in conflict with the understanding that the ongoing audit and tri-town investigation should be completed first. This is not an indication of the Department being slow to investigate, but of a judicious approach to identifying the causes of the problems in Amity. The State Department of Education's Office of Internal Audit obtained the district's corrective action plan in response to the CPA's audit report and after the tri-town committee issued its report in March 2002, I asked a team of specialists from the Connecticut Association of School Business Officials (CASBO) to assist the district. The State Department of Education's Office of Internal Audit acted immediately upon receipt of allegations of violations of state law and continues to work with the Attorney General's Office in a detailed investigation of this matter. We believe these additional facts support that the State Department of Education acted prudently and appropriately throughout this process and has not been a "reluctant participant", but an active partner in a difficult situation. I would also note, for the record, that committee staff never spoke with me directly to confirm the timing or the level of my direct involvement --- which has been considerable.

Also, the report suggests that both the Attorney General and State's Attorney rely on the State Department of Education to conduct an investigation in order to trigger their involvement. Obviously, this is incorrect since the State's Attorney conducted a review that found no evidence of criminal wrongdoing. That review was not triggered by a State Department of Education investigation. Additionally, Attorney General Blumenthal and Chief State's Attorney Bailey (at the time) are proactive and would not wait for an investigation from our Office of Internal Audit if they considered action warranted. We continue to work with these offices in a coordinated approach to the issues involved in the district.

Finding:

No quality control is being exercised over independent auditors in regional school districts, even when questionable audit work can be suspected.

Recommendation #7:

The State Board of Education shall periodically perform quality control reviews of selected audits of regional school districts made by independent auditors. This quality control review shall include but not be limited to an examination of the audit firm's system of quality control for its auditing practice to ensure it has been designed in accordance with professional standards and ensure the firm's quality control policies

and procedures were complied with to provide the firm with reasonable assurance of conforming with professional standards.

Response:

We agree that quality control reviews of independent auditors work should be performed of not only regional school district audits, but of audits performed of all school districts. As noted in the report, neither the State Department of Education's Office of Internal Audit nor the Office of Policy and Management have resources to perform these reviews.

Finding:

Tracking system for corrective action plans for audit findings is inadequate.

Recommendation #8:

The State Board of Education shall develop a tracking system for corrective action plans submitted by regional school districts. It shall include a classification system that indicates the seriousness of findings and establishes deadlines to correct audit findings based on their seriousness.

Response:

The State Department of Education's Office of Internal Audit has a tracking system for Federal and State Single Audit findings and associated corrective actions. The regional school district findings and corrective actions are tracked in a system that includes all school districts in the state. Deadlines for corrective action are established and the seriousness of an audit finding is determined by the independent auditor in his classification of a finding as a "reportable condition, material weakness, and/or questioned cost." We believe our tracking system is more than adequate to monitor corrective actions of school districts.

Finding:

Regional school district administrative personnel, in several districts, are involved in the selection and management of independent auditors, and auditors in most districts are not changed on a regular basis.

Recommendation #11:

The State Board of Education shall regularly solicit competitive proposals from qualified and licensed auditing firms to perform Annual Audits for regional school districts and randomly assign firms to regional districts. The audit firms shall be rotated at least every three years among the regional districts.

Response:

While we agree that the independent auditor should not be selected or report to regional administrators, we believe that the audit firm can be selected and report to the regional board of education or the regional board of finance. Direct selection and assignment of audit firms by the State Department of Education does not appear to be practical or necessary to ensure appropriate oversight or independence. We agree that auditor rotation is a good business practice.

In summary, this report appears to focus solely on the problems that arose in Regional School District No. 5. There is no evidence that any of the recommendations would be warranted in any of the other regional school districts. There is no evidence that the difficulties encountered by Regional School District No. 5 are likely to be repeated by that district in the future. Nonetheless, there seems to be a rush to judgment that would compel organic changes to the operation of ALL regional school districts without regard to their past success.

I believe that you would be well served to spend more time with other regional school district officials and get their opinions on the proposed changes. In the final analysis, we are not benefiting the whole of our regional school districts if we address solely the concerns of a few individuals in a few districts. The risk of upsetting a successful educational model by enacting your recommendations is not outweighed by the limited findings identified in your report.

Thank you for the opportunity to respond. Please contact my office if you have any questions concerning the matters discussed.

Sincerely,

Theodore S. Sergi
Commissioner of Education

TSS:mas/a
cc: Raymond Inzero, Chief, Office of Internal Audit
Mark Stapleton, Chief, Office of Legal and Governmental Affairs

Program Review Committee Response to SDE's Comments

Recommendation #1

Contrary to the department's assertion, the committee considered four governance options for regional schools (presented in Table VI-1 on page 40). These options ranged from maintaining the current structure to statutorily mandating regional boards of finance be established to oversee the regional school district's budget approval process. After discussion and deliberation of each of the options, the committee voted to raise enabling legislation that would give voters in towns belonging to regional school districts the authority to establish regional finance boards if a region-wide majority of voters approved such action.

The committee's decision to recommend enabling legislation be adopted was based primarily on:

- a philosophical discussion (discussed on pages 37 and 41) on the autonomy of regional school boards compared to local school boards, and the consideration of town finances in the regional school budget process absent a finance board;
- testimony presented by first selectmen and boards of finance members, the Connecticut Association of Superintendents, the state Department of Education spokesperson, and members of the public at a public hearing held by the committee; and
- results of a committee survey of first selectmen, chairpersons of boards of finance, and regional school board chairs (presented in Appendix C).

Ultimately, the committee decided that the most appropriate body to determine if regional finance boards should be established were voters belonging to regional districts. In addition, voters still would be responsible for approving regional school budgets, after review and approval by the regional finance board. Thus, the "purest form of oversight" remains intact.

Furthermore, the committee would like to emphasize that Regional School District No. 5 was not the central focus of this study, but was used to demonstrate the limitations of the current structure. The report clearly states:

The question of whether the regional school district structure ensures an appropriate level of accountability exists can be examined using Regional School District No. 5 as a case study. After experiencing a $2.8 million deficit in FY 01 and FY 02, which was not revealed until August 2001, allegations of finance mismanagement and inadequate fiscal oversight by the regional school board has caused serious credibility problems with voters over the last 18 months… These problems illustrate the inherent weaknesses built into the current structure and need to be weighed against arguments opposing change, citing this district as an anomaly (p.40).

Finally, the Region No. 5 "advisory committee" composed of the tri-town boards of finance is in fact approving monthly expenditures for the district. However, there is no clear legal authority to do this and members of the tri-town committee have expressed unease about operating in such legal ambiguity.

Recommendation #3

Although only two of the 14 regional school boards chairs responding to the program review committee's survey on Regional School District Governance reported that the district had run a deficit within the last five years (See Appendix C, page C-6), the committee believes that allowing regional school districts to have unlimited statutory authority to deficit spend is excessive. However, the committee agrees with the department that some spending discretion is necessary, precisely for the reasons noted (i.e., managing the cash flow requirements of the districts that could result from late tuition payments or grant receipts). Thus, the committee did not entirely prohibit deficit spending, (as it is for all other school boards without first obtaining approval from the local fiscal authority), but capped it at a percent of total regional school budget appropriations.

Recommendation #4

The department is correct in stating that boards of education are only required to announce line item transfers at the next regularly scheduled meeting when emergency transfers are made by designated personnel. However, the committee strongly believes fuller public disclosure of line item transfers strengthens accountability by providing voters with a comparative record of initial budget priorities and budget revisions during the budget year. Finally, the committee did not extend this recommendation to all school boards because it was outside the scope of study.

Miscellaneous Corrections

Bullet 1: The committee clearly notes that representation on regional school boards is based on town population. However, the statement below merely discusses reasons why acrimony may exist among towns in regions with similar student populations. Thus, the committee disagrees with the department's characterization that it is an "incorrect combination of concepts [that] perpetuates misunderstanding of the operation of a regional school district."

A key factor in determining the voting power of the individual towns in a regional district is the state law, based on federal constitutional principles, that board representation be based on population. In interviews conducted by program review committee staff, some municipal officials belonging to smaller towns in regional districts expressed frustration at their town's lack of voice in board matters because the voting weight of the larger town can dominate board decisions. This belief is exacerbated when different views exist among towns on educational funding goals, especially those related to capital expenditures and school budget increases. Although such differences occur among board members in single town school systems, the factious nature of the disputes can divide a regional district along town lines. As a result, if a budget vote is along town lines, the larger town can pass the budget, even if the smaller town votes against it.

Another source of dissatisfaction with regional governance is in regions with similar student populations. While a town's share of education costs is based on its number of students, voting power is related to its share of the region's total population. So, less populous towns with a

comparable number of students to populous towns in the same region pay the same amount but have less voting power.

Bullet 2: Although C.G.S. Sec. 10-51 (a) provides for any year-end surplus in regional school districts to be stated in the succeeding proposed budget, C.G.S. Sec. 10-51 (c) requires that "any budget appropriation which has not been expended by the end of the fiscal year [be used] to reduce the net expenses of the district for the following year." Thus, a surplus may exist in a regional school district at the end of the fiscal year, but it must be used toward next year's expenses. There is no legal authority to retain a surplus account. As stated in the report, the committee maintains that a surplus cannot be carried by a regional school district. This conclusion is also supported in the authoritative and highly respected publication *A Practical Guide to Connecticut School Law* (Thomas B. Mooney, Second Edition (2000)). Mooney states, "[t]here is no general authority for regional school districts to hold a surplus."

Bullet 3. The committee concurs there is a high level of frustration being expressed by Amity voters unrelated to the proposed budget. However, it is a result of voter mistrust of the regional school board because of fiscal mismanagement by the board. The State Department of Education claims the committee does not have a proper understanding of the facts. While additional issues may indeed be uncovered, the committee is well aware of what is already on the record. In fact, the Board of Education's own Office of Internal Auditor has found the district's board and management were made aware of the district's deficient financial reporting system as early as November 2000. The district did not begin to respond until a year later, when the $2.8 million deficit came to light. Because of the district's inaction, the state board's auditor concluded "certainly some level of neglect to take corrective action in a timely manner is evident." Without a doubt, a contributory factor to the continued rejection of the proposed budget is a response to the inadequate fiscal oversight exercised by the entire regional board. While recognizing that Amity represents one end of a spectrum, the committee believes the events in the district illustrate a basic structural problem inherent in all regional school districts that inhibits a greater degree of fiscal accountability. The committee would not want to experience any more Amity-like horrors and therefore endorses a modest voter-initiated optional reform proposal aimed at strengthening fiscal accountability.

Bullet 4: If a local school board must first obtain approval from their local board of finance prior to exceeding appropriations, in the opinion of the committee, the statute prohibits deficit spending.

State Oversight

After a number of disclosures by the Amity board about the district's finances were revealed and an independent audit had been issued in November 2001, the first selectmen of the tri-town area had come to the State Department of Education seeking assistance to investigate the fiscal problems in Amity. For SBE to suggest that an investigation conducted by an ad hoc, multi-town committee without any legal authority or expertise is adequate and the best alternative, suggests a lax approach to a very serious fiscal matter on the part of the SBE.

The committee primarily focused on the role of the Office of Internal Audit (OIA), not the commissioner of SDE, in examining the response of the State Board of Education, given its responsibilities under the State and Federal Single Audit Acts and school construction audits. The head of the unit is appointed by and reports to the State Board of Education. When committee staff conducted initial interviews in May 2002, the auditor was unaware of previous reports issued regarding Amity's poor financial fiscal management practices. As the committee's report explains in greater detail, the state's internal auditor was not prompted to become involved in the Amity investigation until SBE received a letter in June 2002 from Woodbridge Board of Finance members alleging 250 violations of state law by the Amity regional board – after an independent audit was released showing a deficit and other findings, after the tri-town report was published alleging more issues of fiscal mismanagement, and after town leaders had asked for assistance. This was almost a full year after the deficit was discovered. In addition, the committee faults the auditor for not scrutinizing the work of Amity's auditor, as OIA is permitted to do under law, when it became apparent that the fiscal management problems, previously undetected by the same independent auditors, stretched well before the last fiscal year.

The state's attorney did not conduct a separate investigation but relied on a review of the tri-town report. Given the severe limitations placed on the tri-town committee, their report (which is not a forensic audit) would not generate the type of evidence that would normally trigger criminal investigation by the state's attorney. While both the state's attorney and the attorney general can become involved in controversies in a number of ways, practically speaking they would, in this case, rely on SBE to do some investigatory work. Indeed, the attorney general did not initiate his own investigation in Amity but responded to referrals by SBE.

The need for SBE involvement is borne out by the results of the state board's own initial (and thus far only), limited review in July 2002. The SBE auditor found neglect on the part of the regional board to take actions in a timely manner to avoid a deficit, deficiencies with the budgetary process, including misleading statements by the board's budget committee and finance director, illegal loans, and violations of the tax code. SBE is still investigating additional allegations, but has not yet issued any findings.

Recommendation #7

As stated in the report, the committee concurs that quality control reviews of independent auditors should be done.

Recommendation #8

An adequate tracking system would assure timely follow-up and resolution of audit findings and include more aggressive follow-up for serious findings. While SBE may establish deadlines, our review of regional district audit findings for a three-year period found 11 districts had multiple years of the same findings obviously exceeding SBE imposed deadlines. In addition, SBE follows the same process for all audit findings, including the most serious.

Recommendation #11

As stated in the report, the committee concurs the independent auditor should not be selected by or report to regional administrators. The State Board of Education already has significant involvement in developing requirements for, reviewing the adequacy of, and in the case of construction audits, performing audits for regional school districts. Current practices of having regional school administrators select independent auditors are contrary to effective oversight and may compromise the integrity of the public finance function. Given the current level of participation by SBE in regional school audits, it is not unrealistic or impractical to have SBE involved in the selection of independent auditors.

STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

February 3, 2003

Mr. Michael L. Nauer, Executive Director
Legislative Program Review and Investigations Committee
State Capitol, Room 506
Hartford, Connecticut 06106

Dear Mr. Nauer:

I reviewed the draft copy of the Legislative Program Review and Investigations Committee's report on Regional School District Governance. Generally, I agree with the regional school districts superintendents when they said to you, " the statute governing regional school districts has been in existence for a long time and has functioned well throughout that time." The OPM Municipal Finance office has more specific comments related to the municipal audit recommendations.

Here are the comments from the OPM Municipal Finance office;

Recommendation No. 7: The State Dept. of Education (SDE) shall periodically perform quality control reviews of selected audits of regional school districts (RSDs) made by independent auditors. This quality control review shall include but not be limited to an examination of the audit firm's system of quality control for its auditing practice to ensure it has been designed in accordance with professional standards and ensure the firm's quality control policies and procedures were complied with to provide the firm with reasonable assurance of conforming with professional standards.

Position: The Auditors of Public Accounts (APA) have cited the lack of quality control reviews in their performance audits of the Office of Policy and Management (OPM) as Cognizant Agency and other state agencies that have been designated as cognizant agencies under the State Single Audit (SSA) Act. The issue of the need for quality control reviews extends not just to regional school districts, but also to the various types of entities that are audited under the provisions of the SSA Act.

OPM's response in the past to this issue has been that this Agency does not have either the staff or specific expertise that is required in order to conduct quality control reviews. As the issue being raised in this recommendation is much broader in terms of being applicable not just to regional school districts, any requirements regarding the conduct

of external quality control reviews should be a coordinated effort between the APA, SDE, OPM and other agencies that have been designated as cognizant agencies.

Recommendation No. 8: The SDE shall develop a tracking system for corrective action plans submitted by RSDs. It shall include a classification system that indicates the seriousness of findings and establishes deadlines to correct audit findings based on their seriousness.

Position: This recommendation again raises issues that are much broader in that it applies to various types of grantees, including RSDs. Establishing a tracking system does not ensure satisfactory resolution of findings. Currently OPM does have a system that tracks all state single audit reports for findings for those entities in which OPM is considered the Cognizant Agency. Corrective action plans related to these state single audit findings are tracked and follow-up is conducted when the corrective action plan is not submitted or is inadequate for those findings in which OPM, as Cognizant Agency, has responsibility. Resolution of findings by the auditor that relate to a specific state grant is the responsibility of the state agency that awarded/administered the grant.

The power to levy a fine or impose other penalties on entities that fail to submit a corrective action plan or fail to comply with the corrective action plan is the key to adequately resolving audit findings. Current law does not provide any cognizant agency with the authority to enforce adequate resolution of audit findings that are reported in State Single Audit reports.

Recommendation No. 9: The SDE shall assume the responsibilities of OPM under the Municipal Auditing Act for RSDs regarding the review of audit reports, tracking of corrective actions, and performing a fiscal analysis of RSDs. The SDE, in consultation with OPM, shall develop criteria to perform an annual fiscal analysis of the RSDs.

Position: None.[1]

Recommendation No. 10: Clarify C.G.S. Sec. 7-349b related to the Municipal Finance Advisory Commission (MFAC) under the Municipal Auditing Act to include RSDs and require reports generated under the statute be filed with each Town's board of selectmen and board of finance, if applicable, in regional districts.

Position: Agree.

Recommendation No. 11: The SDE shall regularly solicit competitive proposals from qualified and licensed auditing firms to perform annual audits for RSDs and randomly assign the firms to regional districts. The audit firms shall be rotated at least every three years among the regional districts.

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[1] If this recommendation is implemented, OPM will work with the State Dept. of Education in developing fiscal condition criteria.

Position: Strong disagreement with this recommendation. The establishment of an audit committee for each RSD would alleviate the need for legislation and clarify the responsibility of securing audit services.

OPM does check the licensing status of all auditors engaged to perform an audit of an entity subject to the Municipal Auditing Act, and all auditors engaged to perform an audit of an entity subject to the State Single Audit Act in which OPM is the Cognizant Agency. This includes auditors that conduct regional school district audits as well as other audited agencies, municipalities, and nonprofit agencies subject to the State Single Audit Act.

Recommendation No. 12: Audits performed for RSDs under the Municipal Auditing Act shall contain a written management letter, in accordance with guidelines developed by the SDE. The SDE shall define the items that should be contained in the management letter and when one is necessary. It shall include at a minimum those issues identified by the auditor during the course of the audit that do not rise to the level of a reportable condition but indicate deficiencies with internal controls, inter-fund transactions, reserves, and financial documentation.

Position: Well-established standards that control audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), define the process and requirements of written communication with audit committees and clients.

The State of Connecticut and Federal Govt. require that single audits be conducted in accordance with GAGAS. This recommendation goes beyond those requirements and will substitute a checklist of issues to replace the auditors' judgment. The recommendation would establish an unnecessary precedent.

OPM has been reviewing audit reports since at least 1977 and has not found the need to require this type of regulatory oversight.

Sincerely,

Marc S. Ryan
Secretary

STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

February 3, 2003

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Sincerely,

Marc S. Ryan
Secretary

Appendix B

Regional School Governance in Other New England States

Program review committee staff examined the authority of regional schools in other New England states. Information on these states was gathered through a review of ECS literature, as well as through a phone survey of New England state Departments of Education. Table A-1 compares Connecticut with the other New England states in four areas including:

- taxing authority of regional districts and whether they are fiscally dependent or independent of local government;
- the entity responsibility for approving regional school budgets and performing on-going oversight;
- the local revenue sources available to support school spending; and
- state mandated spending limits or restrictions on property tax increases to fund public schools.

Table B-1. Comparison of Regional District Authority in New England.

State	Taxing Authority			Fiscal Oversight of Board			Local Revenue Sources				Tax and Spending
	Fiscally Dependent	***Fiscally Independent***	***Both***	***County***	***Local***	***Voters***	***Property Tax***	***Income Tax***	***Sales Tax***	***Other***	***Limits on Property tax increases***
CT	X					X	X				No
ME	X					X	X				No
MA	X					X	X				Yes
NH	X					X	X				Yes
RI	X				X	X	X				No*
VT	X					X	X				Yes

* Rhode Island's restrictions are for municipalities - cities and towns may not exceed a 5.5 percent cap on increasing property tax rates without state approval. Rhode Island has four regional school districts, and there is local input into the budget process.

Appendix C

Program Review Committee Survey Results

In its evaluation of Regional School District Governance, the program review committee surveyed local officials, including chief elected officials (45 First Selectmen and two Mayors) and 43 local fiscal authorities (43 Board of Finance chairpersons and two town councils)[8] in towns belonging to regional school districts. The 17 regional school board chairpersons were sent a separate, more extensive survey. The purpose of the survey was to solicit opinions and other information from elected local and regional public officials regarding regional school governance. Specifically, survey questions encompassed three broad areas including the:

- opinions on the fairness of the statutory formula mandating local share of education costs;
- information on regional school board operations, including the process used by boards in developing regional school budgets, strategic planning and the conduct of audits; and
- types of communication between the regional board and elected officials from member towns.

The survey sent to first selectmen and board of finance chairs contained 26 questions and the committee received a response rate of 87 percent, and 76 percent respectively. The survey of regional school board chairs asked 40 questions with an 82 percent response rate. Highlights of the survey responses, as well as aggregated results by type of elected office held are presented below.

Regional School District Highlights

Although regional school board chairs and local officials received different surveys, many of the survey questions asked were identical and concerned regional boards budget practices, long term capital planning process, and the extent of communication with and types of fiscal information provided to elected town officials. In analyzing the responses, program review committee staff found several inconsistencies between the responses of local officials and regional board chairs to *identical* survey questions. Furthermore, the responses of town officials *in the same* regional school district to factual questions on regional board practices were also compared, and even these responses differed.

It is important to remember that regional boards of education are autonomous and there is no mandate for them to include, in any way, officials from member towns in any board deliberations. However, the reasons for the inconsistencies in the survey responses, given the factual nature of the questions, are puzzling to committee staff. Nevertheless, the contradictions

[8] Four towns belonging to Regional School Districts do not have boards of finance. Of these, two towns have town councils. Only one town council responded to the survey, and this response was included, for purposes of analysis, as a board of finance response. The other two towns have a selectmen-town meeting form of government and thus, no board of finance responses were provided.

do illustrate the divergent perceptions that exist among all surveyed parties, in the types and level of communication between town officials and regional boards. The variation also is an indication of the different working relationships that the various boards have with elected town officials in their regions. Finally, it may also show the level of importance that both parties place on intergovernmental participation, and the impression each has on the willingness of the other elected body to communicate.

An example of the response variation can be demonstrated by examining one survey question concerning the regional school board budget process. Both regional board of education chairs and local officials were surveyed on whether local officials were invited to participate in the budget process, and if so, at what stage. Of the 14 regional board chairs that responded to the survey:

- five regional boards asked town officials to participate either prior to and/or during the budget development process, as well as following the public hearing on the budget but before it was presented for vote;
- nine regional boards invited town official participation during the budget development phase and prior to the public hearing; and
- no regional board has town officials participate in the budget revision process, if the budget was rejected at the town meeting or referendum and needs to be resubmitted to the voters
- all regional board chairs stated that town officials were asked to participate at some stage in the process.

However, if responses from town officials are compared to those of the regional board chairpersons regarding town official participation:

- five towns in four different regional districts that responded to the survey, said they were not invited to participate (two other town officials indicated they also were not invited to participate, however, the regional district chair did not submitted a survey response so a comparison could not be done); and
- although all regional board chairs stated that town officials were not invited to participate in budget revisions if voters rejected a budget, 10 towns in nine regional districts said they were invited to participate at this stage in the process.

Another factual survey question that produced divergent responses was whether the regional board conducts formal long-range capital planning. Eleven of the 14 regional board chairs responded to the survey question affirmatively; while three board chairs stated that no formal planning occurs. However, 13 towns in seven of the regional districts that replied in the affirmative, stated the regional board *does not* conduct long-range planning. The discrepancy in these responses again illustrates the lack of communication between the regional board and elected town officials.

Description of Relationship between Boards and Local Town Officials

Some survey questions asked local officials and regional board chairpersons' to provide their opinion on the relationship between elected officials in member towns and the regional board. Table C-1 shows that the vast majority of regional board chairs (93 percent) would characterize the relationship as "good" or "average", while almost half of the responses from the boards of finance indicated the relationship was "below average" or "poor." Responses received from board of finance chairpersons in at least one of the member towns in eight of the regional school districts described the relationship as "below average" or "poor".

Table C-1. Response of Finance Board and Regional Board of Education Chairs.

Description of Relationship	***Bd. of Finance Chairs***	***Regional Bd. of Ed Chair***
Excellent	3%	0%
Good	15%	57%
Average	33%	36%
Below Average	18%	7%
Poor	27%	0%

Town Withdrawal From or Dissolution of a Regional School District.

The survey also queried elected officials on whether a town should be able to withdraw from a regional school district without the approval of other towns in the district. Affirmative responses were as follows:

- 36 percent of boards of finance;
- 50 percent of first selectmen; and
- 21 percent of regional school board chairs.

Legislative Program Review and Investigations Committee

Survey on Regional School District Governance
Regional Board of Education Chairpersons Response

Response Rate = 82% (14/17 Responded)

Name/No. of Regional School District _____
Name of person completing survey _____
Position of person completing survey _____
Number of years in current position _____

Statutory Formula for Local Share of Costs

1. Connecticut law specifies the local share of education costs for regional schools be apportioned among member towns on a per student basis. In your opinion, does the formula fairly allocate costs among member towns? **N=14**
79% yes (skip to question #4)
21% no

2. If you answered no, select the formula that you believe should be used to calculate local share: **N=3**
33% consolidated grand list of towns belonging to district in order to calculate an education mill rate for the entire district.
0% maintain per student town-based formula for operating costs; apportion capital costs accounting for student growth among member towns
33% maintain per student town-based formula with modifications based on town property and income wealth
0% maintain per student town-based formula for operating costs; allocate fixed costs on per capita basis
0% towns charged based on costs of specific schools attended within the region
33% other (please specify)_____

3. If you answered #2, please provide reason(s) why you selected this formula. _____

Budget Development and Adoption

4. During the last education budget cycle, at what stage were elected town officials invited to participate (check all that apply): **N=14**
50% pre-budget development (prior to regional superintendent's budget submission to board)
79% budget development (prior to regional public meeting to present budget)
21% budget adoption (after public meeting but before annual meeting or referenda)
0% post-budget (if budget is rejected by voters, prior to resubmission to voters)
0% not invited to participate (If checked, skip to # 8)

5. During the last education budget cycle, if elected town officials were invited to participate by the regional board, what was the level of their participation? **N=14**
36% present at all or most meetings
36% occasionally attended meetings
29% rarely attended meetings
0% never attended meetings

6. During the last education budget cycle, if elected town officials were invited to participate, how did they participate? **N=14**
0% observer (no speaking, no voting)
29% information resource for board (respond to questions, no voting)
50% non-voting participant (speak to any issue, no voting)
0% voting participant
21% multiple response (voluntary)

7. During the last education budget cycle, if elected town officials were invited to participate, was it beneficial to the process? **N=14**
86% yes
7% no
7% multiple response (voluntary)

8. Do individual members of the Board of Finance or Board of Selectman take a public position on the regional school budget? (If only some individuals in the district take a public position please note the towns they represent.) **N=14**
64% yes (towns)_____
36% no

9. Does the Board of Finance or Board of Selectmen vote to endorse or oppose the education budget prior to the regional district annual meeting or referenda? (If some but not all towns in your district vote, please specify towns that take a vote.) **N=13**
8% yes (towns voting)_____
85% no
8% multiple response

10. Has the regional school district run a budget deficit within the last five years? **N=14**
14% yes
86% no

11. If the answer to number #10 is yes, how was the budget deficit resolved? **N=2**
0% supplemental tax increase
50% rolled into next years budget
50% other (please specify – checked both options)

Board Governance and Oversight

Planning

12. Does the regional board do formal long-range capital planning? **N=14**
79% yes
21% no (if checked, skip to question #19)

13. How many years out does the plan cover? **N=11**
3-5 years (1 respondent)
5 years (9 respondents)
3 years (3 years technologies/10 years buildings) (1 respondent)

14. What elements does the plan contain? **N=11**
71% projections of student population growth/decline
57% minor renovation
57% major renovation
57% new construction
57% cost projections

15. How often is the plan updated? **N=11**
73% annually
9% biennially
0% five years
18% other (please specify)_____

16. In developing the capital plan, how does the regional board take into account the long-range capital plans of member towns? **N=11**
0% town plans reviewed by board
36% input obtained from elected town officials
0% public hearing held
36% other (please specify)_____
36% town plans not taken into account
0% towns do not have long-rang capital plans

17. How does the regional board communicate their long-range capital plan to local legislative bodies? **N=11**
46% input of local elected officials solicited prior to plan adoption
18% public hearing
64% other (please specify)_____

9% not communicated to local legislative bodies

18. On average, how closely has the schedule for capital improvements been followed? **N=14**
29% within 2 years of schedule
35% between 2 and 5 years of schedule
0% over 5 years
50% not applicable
7% no response (voluntary)

Reporting of Routine Information

19. What routine information does the regional board receive about district operations? (check all that apply) **N=13**
77% financial statements (circle frequency - monthly, quarterly, annually)
92% minutes of meetings
92% annual audit
62% long-term planning documents
54% other (specify)_____

20. What routine information about district operations does the regional board provide to local officials? (check all that apply) **N=14**
71% financial statements (circle frequency - monthly, quarterly, annually)
93% minutes of meetings
79% annual report
100% annual audit
57% long-term planning documents
29% other (specify)_____
0% none

21. In your opinion, should a regional finance board be established? **N=14**
14% yes
79% no (skip to question #23)
7% no response (voluntary)

22. If you answered yes to question #21, what authority should the regional finance board be given (check all that apply) **N=2**
50% greater access to regional board of education financial information
100% power to participate on an advisory basis in board of education fiscal matters
0% approve proposed board of education budgets prior to regional meeting or referenda
0% other (please specify) _____

Line Item Transfers

23. Does the regional board have written policies or procedures governing line item transfers? **N=14**
79% yes

21% no (If checked, skip to #25)

24. If written policies or procedures exist, what actions are performed when a transfer is made? (check all that apply**)** **N=10**
0% notice published in local paper
60% announcement made at board meeting prior to transfer
0% announcement made at board meeting after transfer
30% announcement of dollar amounts of transfers made at end of fiscal year
10% notice be given at next board meeting
30% reason for transfer be recorded as part of public record
40% vote approving transfer be taken at board meeting
20% other (specify) _____

25. If the answer to #23 is no, does the board follow certain *practices* in approving line item transfers. **N=3**
67% yes
33% no (If checked, skip to #27)

26. If the board has policies or practices, do they govern line item transfers involving: **N=10**
50% specific dollar amounts (please specify dollar amount) $_____
40% specific types of transfers (specify type)_____

Audits

27. Who is responsible for selecting an auditor to fulfill the annual audit requirement? (check all that apply) **N=14**
29% regional superintendent
43% business office manager
0% board Chairman
93% board members
7% board audit committee

28. How many years has the current auditor been employed by your district? **N=14**
14% 3 years or less
21% 4 - 5 years
64% 6 years or more

29. In the course of the audit, who has input in identifying audit issues? (check all that apply) **N=14**
79% regional superintendent
43% board chair
29% board members
21% board audit committee
64% other (please specify) _____

30. Who does the auditor report to? (check all that apply) **N=14**
57% regional superintendent
14% board chair
64% board members
14% board audit committee
36% other (please specify)_____

31. Who is the audit distributed to? (check all that apply) **N=14**
100% regional superintendent
100% board chair
100% board members
29% board audit committee
79% State Department of Education
21% State Board of Education
50% other (please specify)_____

32. What is the compliance status of the recommendations contained in the last audit? **N=14**
71% full compliance
14% partial compliance
0% no compliance
7% multiple response (voluntary)
7% not applicable

Union Contract Negotiations

33. For the most recent contract negotiations for certified personnel, did the regional board confer with elected town officials prior to opening contract negotiations for certified school personnel? **N=14**
79% yes
21% no

34. How frequently did representatives of elected local fiscal authorities participate as part of a school board's case during the most recent contract negotiation meetings for certified personnel? **N=14**
14% always
36% sometimes
21% rarely
29% never

35. Since 1990, has a negotiated contract ever gone to referendum? **N=14**
0% yes (specify year)_____
100% no

36. Since 1990, have local fiscal authorities provided fiscal information during arbitration hearings between certified personnel and the regional district? **N=13**
31% yes
23% no
46% not applicable

37. Since 1990, has the arbitration award ever gone to referendum? **N=14**
0% yes (specify year)_____
100% no

Overall Relationship

38. How would you describe the regional board's relationship with member towns' local fiscal authority? **N=14**
0% excellent
57% good
36% average
7% below average
0% poor

39. If you answered average, below average, or poor in question #38, do you have any suggestions on how to improve the relationship?

_____

_____

40. In you opinion, should a town be able to withdraw from a regional school district without the approval of the other towns in the district? **N=14**
21% yes
79% no

IF YOU HAVE ANY ADDITIONAL COMMENTS,
PLEASE ATTACH A SEPARATE SHEET OF PAPER.

PLEASE RETURN THE COMPLETED SURVEY IN THE ENCLOSED ENVELOPE
BY AUGUST 1, 2002
THANK YOU FOR YOUR PARTICIPATION

Legislative Program Review and Investigations Committee

Town Survey of Regional School District Governance
Board of Selectmen Response

Response Rate = 87% (41/47 Responsed)

Name of Town _____
Name of person completing survey _____
Position of person completing survey _____
Number of years in current position _____

Statutory Formula for Local Share of Costs

1. Connecticut law specifies the local share of education costs for regional schools be apportioned among member towns on a per student basis. In your opinion, does the formula fairly allocate costs among member towns? **N=41**
   71% yes (skip to question #4)
   29% no

2. If you answered no, select the formula that you believe should be used to calculate local share: **N=12**
   17% consolidated grand list of towns belonging to district in order to calculate an education mill rate for the entire district.
   17% maintain per student town-based formula for operating costs; apportion capital costs accounting for student growth variation among member towns
   8% maintain per student town-based formula with modifications based on town property and income wealth
   8% maintain per student town-based formula for operating costs; allocate fixed costs on per capita basis
   0% town charged based on costs of specific schools attended within the region
   50% other (please specify) - multiple responses

3. If you answered #2, please provide reason(s) why you selected this formula. _____

Budget Development and Adoption

4. During the last education budget cycle, at what stage during the budget process were elected town officials invited to participate? (check all that apply) **N=40**
   43% pre-budget development (prior to regional superintendent's budget submission to board)
   60% budget development (prior to regional public meeting to present budget)
   17% budget adoption (after public meeting but before annual meeting or referenda)
   12% post-budget (if budget is rejected by voters, prior to resubmission to voters)
   15% not invited to participate (If checked, skip to question #8)

5. During the last education budget cycle, if elected town officials were invited to participate by the regional board, what was the level of participation? **N=41**
29% present at all or most meetings
34% occasionally attended meetings
20% rarely attended meetings
0% never attended meetings
15% not applicable
2% multiple responses checked (voluntary response)

6. During the last education budget cycle, if elected town officials were invited to participate, how did they participate? **N=41**
7% observer (no speaking, no voting)
22% information resource for board (respond to questions, no voting)
51% non-voting participant (speak to any issue, no voting)
0% voting participant
7% multiple responses checked (voluntary response)
12% not applicable

7. During the last education budget cycle, if elected town officials were invited to participate, do you believe it was beneficial to the process? **N=41**
54% yes
34% no
12% not applicable

8. Do individual members of the Board of Finance or Board of Selectmen take a public position on the regional school budget? **N=40**
25% yes
71% no
5% multiple response

9. Does the Board of Finance or Board of Selectmen vote to endorse or oppose the education budget prior to the regional district annual meeting or referenda? **N=40**
25% yes
73% no
3% multiple response

Board Governance and Oversight

Long-Range Capital Planning

10. Should there be a requirement that all regional boards of education produce a long-range capital plan? **N=41**
95% yes
5% no

11. Does the regional board do formal long-range capital planning? **N=41**
46% yes
44% no (If checked, skip to question #14)
10% don't know (voluntary response)

12. How does the regional board communicate their long-range capital plan to local legislative bodies? (check all that apply**)** **N=41**
7% input solicited prior to plan adoption
10% copy of plan provided after adoption
27% no formal means of communication
5% other (please specify) _____
56% not applicable

13. In developing the long-range capital plan, how does the regional board take into account the long-range capital plans of member towns? (check all that apply) **N=40**
13% input from town officials solicited prior to plan adoption
8% public hearing
3% other (please specify)_____
20% town plans not formally taken into account
5% town does not have a long-range capital plan
58% not applicable

Reporting of Routine Information

14. On a scale of one through five, rate how informative the following documents are in understanding the regional board's fiscal activities:

	Not Informative			**Very Informative**		**Not Provided**
	1	***2***	***3***	***4***	***5***	
General budget document **N=38**	8%	13%	21%	32%	26%	0%
Budget detail **N=37**	3%	11%	24%	27%	24%	11%
Monthly/quarterly financial statements **N=34**	15%	9%	6%	6%	9%	56%
Annual Report **N=32**	9%	13%	19%	19%	9%	31%
Annual Audit **N=31**	13%	13%	16%	36%	16%	7%
Long-term planning documents **N=32**	9%	6%	6%	0%	6%	72%
Line item transfer explanations **N=32**	19%	9%	13%	0%	0%	59%
Other Information **N=7**	14%	0%	14%	14%	14%	43%

15. Do you feel sufficiently informed about the regional district's fiscal activities? **N=41**
37% yes
63% no

16. In your opinion, does the regional board exercise sufficient oversight over the regional district's fiscal activities? **N=34**
44% yes
51% no
5% not sure (voluntary response)

17. In your opinion, should a regional finance board be established? **N=41**
66% yes
29% no (skip to question #19)
5% not sure (voluntary response)

18. If you answered yes to question #17, what authority should the regional finance board be given? (check all that apply) **N=27**
74% greater access to regional board of education financial information
70% participate on an advisory basis in board of education fiscal matters
82% approve proposed board of education budgets prior to regional meeting or referenda
41% other (please specify)_____

Union Contract Negotiations

19. For the most recent contract negotiations for certified personnel, did the regional board confer with local officials prior to opening contract negotiations for certified school personnel? **N=39**
36% yes
59% no
5% not sure (voluntary response)

20. How frequently did representatives of elected local fiscal authorities participate as part of a school board's case during the most recent contract negotiation meetings for certified school personnel? **N=39**
3% always
23% sometimes
21% rarely
44% never
5% multiple response (voluntary)
5% don't know (voluntary response)

21. Since 1990, has a negotiated contract for certified school personnel ever gone to referendum? **N=38**
0% yes (specify year/s)_____
100% no

22. Since 1990, have local fiscal authorities provided fiscal information during arbitration hearings between certified school personnel and the regional district? **N=38**
24% yes
45% no
24% not applicable
8% don't know (voluntary response)

23. Since 1990, has the arbitration award ever gone to referendum? **N=38**
3% yes (specify year/s)_____
90% no
3% don't know (voluntary response)
5% not applicable

Overall Relationship

24. How would you describe your board's relationship with the regional board? **N=41**
7% excellent
29% good
32% average
7% below average
17% poor
5% multiple responses checked (voluntary)
2% not applicable (voluntary)

25. If you answered average, below average, or poor in question #24, do you have any suggestions on how to improve the relationship?
_____
_____

26. In your opinion, should a town be able to withdraw from a regional school district without the approval of other towns in the district? **N=40**
50% yes
48% no
3% depends (voluntary response)

IF YOU HAVE ANY ADDITIONAL COMMENTS,
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BY AUGUST 1, 2002
THANK YOU FOR YOUR PARTICIPATION

Legislative Program Review and Investigations Committee

Town Survey of Regional School District Governance
Board of Finance Chairperson Response

Response Rate = 76% (34/45 Responded)

Name of Town _____
Name of person completing survey _____
Position of person completing survey _____
Number of years in current position _____

Statutory Formula for Local Share of Costs

1. Connecticut law specifies the local share of education costs for regional schools be apportioned among member towns on a per student basis. In your opinion, does the formula fairly allocate costs among member towns? **N=34**
85% yes (skip to question #4)
15% no

2. If you answered no, select the formula that you believe should be used to calculate local share: **N=4**
25% consolidated grand list of towns belonging to district in order to calculate an education mill rate for the entire district.
25% maintain per student town-based formula for operating costs; apportion capital costs accounting for student growth variation among member towns
25% maintain per student town-based formula with modifications based on town property and income wealth
0% maintain per student town-based formula for operating costs; allocate fixed costs on per capita basis
0% town charged based on costs of specific schools attended within the region
25% other (please specify) _____

3. If you answered #2, please provide reason(s) why you selected this formula. _____

Budget Development and Adoption

4. During the last education budget cycle, at what stage during the budget process were elected town officials invited to participate? (check all that apply) **N=34**
32% pre-budget development (prior to regional superintendent's budget submission to board)
74% budget development (prior to regional public meeting to present budget)
29% budget adoption (after public meeting but before annual meeting or referenda)
18% post-budget (if budget is rejected by voters, prior to resubmission to voters)
6% not invited to participate (If checked, skip to question #8)

5. During the last education budget cycle, if elected town officials were invited to participate by the regional board, what was the level of participation? **N=32**
41% present at all or most meetings
34% occasionally attended meetings
22% rarely attended meetings
0% never attended meetings
6% not applicable

6. During the last education budget cycle, if elected town officials were invited to participate, how did they participate? **N=33**
6% observer (no speaking, no voting)
9% information resource for board (respond to questions, no voting)
73% non-voting participant (speak to any issue, no voting)
0% voting participant
9% multiple response
3% not applicable

7. During the last education budget cycle, if elected town officials were invited to participate, do you believe it was beneficial to the process? **N=33**
70% yes
27% no
3% multiple response (voluntary)

8. Do individual members of the Board of Finance or Board of Selectmen take a public position on the regional school budget? **N=32**
58% yes
39% no
3% multiple response

9. Does the Board of Finance or Board of Selectmen vote to endorse or oppose the education budget prior to the regional district annual meeting or referenda? **N=34**
24% yes
71% no
6% multiple response

Board Governance and Oversight

Long-Range Capital Planning

10. Should there be a requirement that all regional boards of education produce a long-range capital plan? **N=34**
94% yes
6% no

11. Does the regional board do formal long-range capital planning? **N=32**
44% yes
41% no (If checked, skip to question #14)

16% not sure (voluntary response)

12. How does the regional board communicate their long-range capital plan to local legislative bodies? (check all that apply**)** **N=31**
10% input solicited prior to plan adoption
19% copy of plan provided after adoption
19% no formal means of communication
3% other (please specify) _____

13. In developing the long-range capital plan, how does the regional board take into account the long-range capital plans of member towns? (check all that apply) **N=33**
12% input from town officials solicited prior to plan adoption
9% public hearing
27% other (please specify)_____
29% town plans not formally taken into account
6% town does not have a long-range capital plan

Reporting of Routine Information

14. On a scale of one through five, rate how informative the following documents are in understanding the regional board's fiscal activities:

	Not Informative			**Very Informative**		**Not Provided**
	1	***2***	***3***	***4***	***5***	
General budget document **N=32**	9%	19%	28%	22%	19%	3%
Budget detail **N=33**	6%	12%	33%	18%	18%	12%
Monthly/quarterly financial statements ***N=28***	7%	0%	7%	11%	7%	66%
Annual Report **N=31**	0%	7%	29%	13%	10%	42%
Annual Audit **N=29**	7%	3%	17%	21%	10%	41%
Long-term planning documents **N=28**	11%	14%	7%	4%	7%	57%
Line item transfer explanations **N=30**	7%	7%	10%	3%	3%	70%
Other Information **N=9**	10%	20%	10%	0%	10%	74%

15. Do you feel sufficiently informed about the regional district's fiscal activities? **N=34**
41% yes
59% no

16. In your opinion, does the regional board exercise sufficient oversight over the regional district's fiscal activities? **N=34**
38% yes
59% no
3% not sure (voluntary response)

17. In your opinion, should a regional finance board be established? **N=34**
62% yes
35% no (skip to question #19)
3% not sure (voluntary response)

18. If you answered yes to question #17, what authority should the regional finance board be given? (check all that apply) **N=21**
67% greater access to regional board of education financial information
67% participate on an advisory basis in board of education fiscal matters
95% approve proposed board of education budgets prior to regional meeting or referenda
24% other (please specify)_____

Union Contract Negotiations

19. For the most recent contract negotiations for certified personnel, did the regional board confer with local officials prior to opening contract negotiations for certified school personnel? **N=34**
35% yes
56% no
9% not sure (voluntary response)

20. How frequently did representatives of elected local fiscal authorities participate as part of a school board's case during the most recent contract negotiation meetings for certified school personnel? **N=34**
3% always
18% sometimes
24% rarely
47% never
6% multiple response (voluntary)
3%don't know (voluntary response)

21. Since 1990, has a negotiated contract for certified school personnel ever gone to referendum? **N=34**
0% yes (specify year/s)_____
85% no
15% don't know (voluntary response)

22. Since 1990, have local fiscal authorities provided fiscal information during arbitration hearings between certified school personnel and the regional district? **N=33**
36% yes
42% no
15% not applicable
6% don't know voluntary response)

23. Since 1990, has the arbitration award ever gone to referendum? **N=34**

_0% yes (specify year/s)_____
79% no
18% don't know (voluntary response)
_3% not applicable

Overall Relationship

24. How would you describe your board's relationship with the regional board? **N=33**
_3% excellent
15% good
33% average
18% below average
27% poor
_3% multiple response (voluntary)

25. If you answered average, below average, or poor in question #24, do you have any suggestions on how to improve the relationship?
_____
_____

26. In your opinion, should a town be able to withdraw from a regional school district without the approval of other towns in the district? **N=33**
36% yes
64% no

IF YOU HAVE ANY ADDITIONAL COMMENTS,
PLEASE ATTACH A SEPARATE SHEET OF PAPER.

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BY AUGUST 1, 2002
THANK YOU FOR YOUR PARTICIPATION

Appendix D

Significant Fiscal Reports, Audits, and Investigations Involving the Amity District Since 1999

1) **Annual Audit for FYE June 30, 1999 – Issued October 20, 1999**
   Simione, Scillia, Larrow, and Dowling, independent auditors, issued unqualified audit opinions and did not find any reportable conditions or material weaknesses

2) **Operational Review (a.k.a. Rusconi report) – November 2000**
   Initiated in August 2000 by the board of education. RSM McGladrey, Inc. performed an operational review of the central office of the Amity Regional School District. Report provided various financial, organizational, and management findings and recommendations. It was not until November 2001 that the report was formally acted on by the board or administration.

3) **Annual Audit FYE June 30, 2001 – Issued November 14, 2001**
   Scallia, Dowling, and Natarelli, independent auditors, issue unqualified audit and make three findings. One finding concerning the $1.2 million deficit was considered a material weakness.

4) **Tri-Town Amity Investigation Committee Report - March 2002**
   Report issued by the special committee established in November 2001 by the board of selectman of the three member towns of the regional district. The committee was charged to investigate the cause of the district's deficit, identify the people responsible for the deficit and any operational flaws, and make recommendations for improvements. An accounting firm and an investigator assisted the committee. The committee identified six major problems, including identifying board policies and Connecticut General Statutes that were not followed, construction funds not segregated from operational funds, poor financial controls, and various violations of state tax laws. It also identified six responsible parties including the Superintendent, Finance Director and members of the board, and made six recommendations as well as demanding that all members of the school board who were on the board for the year ending June 30, 2001 immediately resign.

5) **Connecticut Association of Business Officials (CASBO) Report – May 2002**
   CASBO is a statewide group of school finance officials. Four of their members issued a report containing suggested actions that Amity could take to end the fiscal year within the 2002 budget and a time-line to implement various fiscal controls recommended in previously issued reports.

6) **State's Attorney Letter to First Selectman Mitchell Goldblatt– July 2002**
   Letter from state's attorney for the judicial district of New Haven stating, that based on a review of the tri-town investigation report and the Rusconi Report, there "is no

information contained in the reports which suggest the occurrence of any state criminal violation."

7) **Review issued by State Department of Education, Office of Internal Audit (OIA) – July 2002**
   Review by the State Department of Education of allegations made by Woodbridge board of finance members. The report concluded "some level of neglect to take corrective action in a timely manner is evident" that "could have led to the early identification of the deficit condition." In addition, the report found the district's "budgetary reporting process lacked accuracy and accountability," an improper loan arrangement, violations of the tax code, and additional issues that required further investigation.

8) **Office of the Attorney General Letter to Commissioner Theodore Sergi – September 2002**
   Initial response to State Department of Education's request for a review of report issued by OIA. The attorney general states the evidence suggests the district entered into an illegal loan arrangement, improperly allowed a vendor to use of the district's tax exemption status, and indicated additional investigative work is on-going.

Appendix E

Recall of Regional School Board Members

As noted in the briefing, the power of recall, that is the ability to remove elected officials during their term in office by a vote of the people, is one extreme form of holding officials accountable. The Connecticut Supreme Court held towns do not have the authority to recall elected officials because the legislature has not explicitly granted this power to municipalities and the authority is not implied in other powers. Only five municipalities (Bristol, Milford, New Haven, Stratford, and Westport) have valid recall provisions because they were granted the authority by special act before the enactment of the constitution's home rule provision.

However, even if a town had a recall provision, it probably would not be binding on school board members. The Superior Court has ruled a recall of a school board member is not allowed because recall provisions in a town charter cannot apply to school board members because they are agents of the state.

As a result of continued voter rejection of the FY 03 school budget in the Amity School District (Region No. 5 is on the 11th referendum), and calls from some members of the voting public for certain board members to resign, the program review committee examined whether a recall provision for regional school board members should be enacted. However, the committee decided not to recommend a recall provision that would be limited to only regional school board members. The committee believed any consideration of implementing a recall provision should contemplate a wider application to all state elected officials, or at a minimum all school board members. Therefore, such a provision would be beyond the scope of this study.

Appendix F

Table F-1 below presents a comparison between calculating local share for education costs based on the current per pupil formula and a combined regional tax base for fiscal year 2001. It assumes no changes to the state's Education Cost Sharing formula as a result of combining the tax bases. (Table F-2 provides definitions of the terms in used in Table F-1).

The current formula requires each town contribute to the regional district in the same ratio as the number students in the town to the total number of pupils in the regional district – that is if your town sends 10 percent of the pupils to the regional district your town pays 10 percent of the costs.

In the table, columns four through seven show each towns' portion of the local share of regional education costs, the percentage of local share each town contributes, costs on a per pupil basis, and the mill rate necessary to support those education costs for each town. Column eight shows the mill rate necessary to support education costs in each municipality based on each municipality's equalized net grand list (ENGL). An equalized rate is necessary to compare the rate among towns because unadjusted mill rates are based on different assessment ratios and schedules for valuation. The ENGL calculated by the Office of Policy and Management is the value of real and personal property at 100 percent fair market value.

Columns nine through 17 show the effect of the combined tax base on local share, per pupil costs, and mill rates. The key comparison is between columns seven and 16. Column seven shows the mill rate required for each town to raise its local share of education costs based on the current formula and column 16 shows the mill rate required for each town to raise its local share based on a combined tax base. A mill is equal to $1.00 of tax for each $1,000 of assessment. It can be noted that:

- the total number of towns with mill rates that increase is about equal to the number of towns that decrease -- twenty -three town's mill rates decrease while 24 increase;

- the average decrease is 14 percent and the range is from less than 1 percent to 50 percent; and

- the average increase is 17 percent and the range is from less than 1 percent to 66 percent.

Table F-1 Comparison between Current Formula and Combined Tax Base for FY 01

			Current Per Pupil Formula					Combined Tax Base								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Regional District Name	Regional Grade Range	Town	Local Share	% of Total Local Share	Per Pupil Cost	Education Mill Rate	Comp. Education Mill Rate based on ENGL	Regional Mill Rate based on Combined ENGL	Difference between Regional and Comp. Mill Rate	Local Share based on Regional Mill Rate	% of Total Local Share	% Change Local Share	Per Pupil Cost	Per Pupil Difference	New Education Mill Rate	Difference between current and new rate
District No. 1	9-12	Canaan	$577,749	10%	$10,699	$6.67	$3.66	**$2.49**	-1.17	$393,293	7%	-32%	$7,283	($3,416)	$4.54	(2.13)
		Cornwall	588,448	10%	10,699	3.25	2.10	**2.49**	0.40	699,537	12%	19%	12,719	2,020	3.86	0.61
		Kent	909,420	15%	10,699	3.04	2.12	**2.49**	0.37	1,067,259	18%	17%	12,556	1,857	3.56	0.53
		North Canaan	1,551,363	26%	10,699	8.04	4.97	**2.49**	-2.48	777,497	13%	-50%	5,362	(5,337)	4.03	(4.01)
		Salisbury	1,465,770	25%	10,699	2.92	2.00	**2.49**	0.49	1,824,025	30%	24%	13,314	2,615	3.63	0.71
		Sharon	888,021	15%	10,699	2.60	1.82	**2.49**	0.68	1,219,160	20%	37%	14,689	3,990	3.56	0.97
Total			**5,980,771**							**5,980,771**						
District No. 4	7-12	Chester	2,316,927	28%	10,074	8.56	5.92	**4.81**	-1.11	1,882,256	22%	-19%	8,184	(1,890)	6.95	(1.61)
		Deep River	3,072,447	37%	10,074	11.60	6.87	**4.81**	-2.06	2,150,273	26%	-30%	7,050	(3,024)	8.12	(3.48)
		Essex	3,022,079	36%	10,074	4.81	3.32	**4.81**	1.49	4,378,924	52%	45%	14,596	4,523	6.97	2.16
Total			**8,411,453**							**8,411,453**						
District No. 5	7-12	Bethany	4,868,797	19%	11,116	14.64	10.17	**7.11**	-3.06	3,403,944	13%	-30%	7,772	(3,344)	10.23	(4.40)
		Orange	12,160,877	47%	11,116	9.78	6.50	**7.11**	0.61	13,306,875	52%	9%	12,164	1,048	10.70	0.92
		Woodbridge	8,692,693	34%	11,116	11.08	6.86	**7.11**	0.25	9,011,547	35%	4%	11,524	408	11.49	0.41
Total			**25,722,367**							**25,722,367**						
District No. 6	K-12	Goshen	4,289,058	43%	9,972	19.63	10.21	**10.11**	-0.10	4,248,516	42%	-1%	9,878	(94)	19.44	(0.19)
		Morris	4,009,842	40%	9,972	22.33	14.07	**10.11**	-3.96	2,881,777	29%	-28%	7,167	(2,805)	16.05	(6.28)

Table F-1 Comparison between Current Formula and Combined Tax Base for FY 01

			Current Per Pupil Formula					Combined Tax Base								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Regional District Name	Regional Grade Range	Town	Local Share	% of Total Local Share	Per Pupil Cost	Education Mill Rate	Comp. Education Mill Rate based on ENGL	Regional Mill Rate based on Combined ENGL	Difference between Regional and Comp. Mill Rate	Local Share based on Regional Mill Rate	% of Total Local Share	% Change Local Share	Per Pupil Cost	Per Pupil Difference	New Education Mill Rate	Difference between current and new rate
		Warren	1,775,016	18%	9,972	15.03	6.10	**10.11**	4.01	2,943,623	29%	66%	16,537	6,565	24.92	9.89
Total			**10,073,916**							**10,073,916**						
District No. 7	7-12	Barkhamsted	2,591,303	27%	9,597	12.74	8.78	**7.89**	-0.89	2,329,403	24%	-10%	8,627	(970)	11.46	(1.29)
		Colebrook	1,113,301	12%	9,597	9.38	7.33	**7.89**	0.56	1,198,111	12%	8%	10,329	731	10.10	0.71
		New Hartford	4,769,918	50%	9,597	12.73	8.81	**7.89**	-0.92	4,270,587	44%	-10%	8,593	(1,005)	11.40	(1.33)
		Norfolk	1,132,496	12%	9,597	7.12	4.94	**7.89**	2.95	1,808,916	19%	60%	15,330	5,732	11.37	4.25
Total			**9,607,017**							**9,607,017**						
District No. 8	7-12	Andover	1,440,262	16%	5,761	10.27	6.23	**6.21**	-0.02	1,435,546	16%	0%	5,742	(19)	10.24	(0.03)
		Hebron	4,499,378	51%	5,761	10.97	6.54	**6.21**	-0.33	4,271,943	49%	-5%	5,470	(291)	10.42	(0.55)
		Marlborough	2,851,719	32%	5,761	9.78	5.74	**6.21**	0.47	3,083,870	35%	8%	6,230	469	10.58	0.80
Total			**8,791,359**							**8,791,359**						
District No. 9	9-12	Easton	4,861,753	44%	14,513	6.54	3.34	**3.58**	0.24	5,212,648	47%	7%	15,560	1,047	7.01	0.47
		Redding	6,138,869	56%	14,513	6.46	3.79	**3.58**	-0.22	5,787,974	53%	-6%	13,683	(830)	6.09	(0.37)
Total			**11,000,622**							**11,000,622**						
District No. 10	K-12	Burlington	10,312,822	62%	6,532	21.30	14.89	**14.23**	-0.66	9,853,121	59%	-4%	6,241	(291)	20.35	(0.95)
		Harwinton	6,294,297	38%	6,532	20.35	13.26	**14.23**	0.97	6,753,998	41%	7%	7,009	477	21.84	1.49
Total			**16,607,119**							**16,607,119**						
District No. 11	7-12	Chaplin	959,190	34%	6,951	11.24	7.86	**8.54**	0.68	1,042,612	37%	9%	7,555	605	12.22	0.98

Table F-1 Comparison between Current Formula and Combined Tax Base for FY 01

			Current Per Pupil Formula					Combined Tax Base								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Regional District Name	Regional Grade Range	Town	Local Share	% of Total Local Share	Per Pupil Cost	Education Mill Rate	Comp. Education Mill Rate based on ENGL	Regional Mill Rate based on Combined ENGL	Difference between Regional and Comp. Mill Rate	Local Share based on Regional Mill Rate	% of Total Local Share	% Change Local Share	Per Pupil Cost	Per Pupil Difference	New Education Mill Rate	Difference between current and new rate
		Hampton	903,585	32%	6,951	11.75	8.21	**8.54**	0.33	940,189	34%	4%	7,232	282	12.22	0.48
		Scotland	938,338	33%	6,951	14.21	9.80	**8.54**	-1.25	818,311	29%	-13%	6,062	(889)	12.39	(1.82)
Total			**2,801,112**							**2,801,112**						
District No. 12	K-12	Bridgewater	3,150,172	26%	11,211	16.50	9.41	**7.38**	-2.03	2,470,946	20%	-22%	8,793	(2,417)	12.94	(3.56)
		Roxbury	3,581,779	29%	11,211	12.61	7.01	**7.38**	0.37	3,772,875	31%	5%	11,809	598	13.28	0.67
		Washington	5,617,508	45%	11,211	9.71	6.79	**7.38**	0.59	6,105,638	49%	9%	12,185	974	10.56	0.84
Total			**12,349,459**							**12,349,459**						
District No. 13	K-12	Durham	9,752,000	65%	7,379	24.69	16.00	**15.15**	-0.85	9,233,894	61%	-5%	6,987	(392)	23.38	(1.31)
		Middlefield	5,343,525	35%	7,379	22.96	13.81	**15.15**	1.34	5,861,631	39%	10%	8,095	716	25.19	2.23
Total			**15,095,525**							**15,095,525**						
District No. 14	K-12	Bethlehem	4,582,023	29%	7,550	20.92	14.59	**12.37**	-2.22	3,885,095	25%	-15%	6,401	(1,148)	17.73	(3.18)
		Woodbury	11,023,973	71%	7,550	16.68	11.64	**12.37**	0.74	11,720,901	75%	6%	8,027	477	17.73	1.05
Total			15,605,996							**15,605,996**						
District No. 15	K-12	Middlebury	9,425,507	26%	8,230	19.17	10.74	**10.61**	-0.14	9,304,325	26%	-1%	8,124	(106)	18.92	(0.25)
		Southbury	26,200,346	74%	8,230	18.11	10.56	**10.61**	0.05	26,321,528	74%	0%	8,268	38	18.20	0.08
Total			**35,625,853**							**35,625,853**						
District No. 16	K-12	Beacon Falls	4,780,598	39%	5,217	21.17	11.92	**10.96**	-0.96	4,395,798	36%	-8%	4,797	(420)	19.47	(1.70)
		Prospect	7,444,253	61%	5,217	18.87	10.42	**10.96**	0.54	7,829,053	64%	5%	5,486	270	19.85	0.98

Table F-1 Comparison between Current Formula and Combined Tax Base for FY 01

			Current Per Pupil Formula					Combined Tax Base								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Regional District Name	Regional Grade Range	Town	Local Share	% of Total Local Share	Per Pupil Cost	Education Mill Rate	Comp. Education Mill Rate based on ENGL	Regional Mill Rate based on Combined ENGL	Difference between Regional and Comp. Mill Rate	Local Share based on Regional Mill Rate	% of Total Local Share	% Change Local Share	Per Pupil Cost	Per Pupil Difference	New Education Mill Rate	Difference between current and new rate
Total			**12,224,851**							**12,224,851**						
District No. 17	K-12	Haddam	11,205,018	53%	8,720	22.68	14.90	**15.12**	0.21	11,366,054	54%	1%	8,845	125	23.01	0.33
		Killingworth	9,770,013	47%	8,720	27.69	15.37	**15.12**	-0.25	9,608,977	46%	-2%	8,576	(144)	27.23	(0.46)
Total			**20,975,031**							**20,975,031**						
District No. 18	K-12	Lyme	3,014,153	19%	10,141	11.11	7.77	**9.66**	1.89	3,749,242	24%	24%	12,614	2,473	13.82	2.71
		Old Lyme	12,847,293	81%	10,141	15.39	10.25	**9.66**	-0.59	12,112,204	76%	-6%	9,561	(580)	14.51	(0.88)
Total			**15,861,446**							**15,861,446**						
District No. 19	9-12	Ashford	1,418,959	20%	6,279	8.67	5.69	**5.09**	-0.60	1,269,862	18%	-11%	5,619	(660)	7.76	(0.91)
		Mansfield	3,936,669	55%	6,279	7.69	5.24	**5.09**	-0.15	3,823,241	54%	-3%	6,098	(181)	7.47	(0.22)
		Willington	1,745,445	25%	6,279	6.35	4.43	**5.09**	0.67	2,007,969	28%	15%	7,223	944	7.31	0.96
Total			**7,101,072**							**7,101,072**						

Source: State Department of Education and LPRIC calculations

Table F-2 Column Definitions for Table F-1		
Column	**Title**	**Definition**
1	Regional District Name	District number
2	Regional Grade Range	Grades offered in regional district
3	Town	Municipalities in regional district
4	Local Share	Amount of funding from municipality to support regional school district based on number of pupils
5	% of Total Local Share	Percentage of costs borne by each municipality for their portion of total local share
6	Per Pupil Cost	Per pupil cost assessed to each municipality to support local share of education expenditures
7	Education Mill Rate	Mill rate necessary to support regional education costs in each municipality based on each municipality's *net grand list*. A mill is equal to $1.00 of tax for each $1,000 of assessment.
8	Comparable Education Mill Rate based on ENGL	Mill rate necessary to support education costs in each municipality based on each municipality's *equalized net grand list (ENGL)*. An equalized rate is necessary to compare the rate among towns because unadjusted mill rates are based on different assessment ratios and schedules for valuation. The ENGL calculated by the Office of Policy and Management is the value of real and personal property at 100 percent fair market value.
9	Regional Mill Rate based on Combined ENGL	Mill rate necessary to support total education costs for the region based on the sum of each towns ENGL in the region
10	Difference between Regional and Comparable Mill Rate	Difference between the regional mill rate and each towns' individual mill rate based on its ENGL
11	Local Share based on Regional Mill Rate	Local share of regional education costs based on regional mill rate
12	% of Total Local share	Local share based on combined regional ENGL divided by the total local share
13	% Change Local Share	Percentage change in local share
14	Amount Per Pupil	Local share based on combined regional ENGL divided by the number of resident students from each town
15	Per Pupil Difference	Difference between per pupil cost based on current formula and per pupil costs based on a combined regional ENGL
16	New Education Mill Rate based on Net Grand List	Actual mill rate necessary to support each town's new local share by dividing the local share based on combined ENGL by each town's net grand list
17	Difference Between Current and New	Difference between the current mill rate to support local share of education and the new education mill rate

Appendix G

Table G-1 presents the estimated changes to the Education Cost Sharing (ECS) formula for fiscal year 2001 that would have occurred if the town tax bases in regional school districts were combined and those changes were incorporated into the formula. The impact of this change on ECS funding levels is approximated because certain factors in the formula had to estimated due to time constraints and the availability of certain data. (See note 1 in the table for further explanation).

Changes are indicated for both target aid and ECS entitlement aid. *Target aid* is the grant amount computed under the basic formula without special adjustments or any supplement for population density, while *ECS entitlement aid* is the ECS payment towns actually receive after all adjustments are applied. Special adjustments include the overall cap on expenditures, hold harmless provisions, and alternative minimum grant amounts for priority and transitional school districts. The table shows how towns would be affected by including combined regional tax bases into the formula and no other adjustments were made.

- Target aid would be reduced in 10 regions between $6 and $6.4 million and increase in seven regions ranging from about $3,000 to over $600,000.
- Entitlement aid would decline in 10 regions between $325 to over $400,000 and increase in seven regions from $13 to over $200,000.
- Both target aid and entitlement aid in all other municipalities would stay the same or increase.
- Statewide, total target aid would rise $49 million and entitlement aid would increase $9 million.

Table G-1. Estimated Changes to ECS Under Proposed Regional Schools Combined Tax Base, FY 00-01[1]

			Original Formula		Combined Tax Base			
Region	Grades	Name	Target Aid	Total ECS Entitlement	Target Aid	Total ECS Entitlement	Target Aid Difference	Entitlement Difference
1	K-8	Canaan	$218,997	$170,916	$43,000	$166,945	($175,997)	($3,971)
1	K-8	Cornwall	90,478	11,381	71,332	11,363	(19,146)	(18)
1	K-8	Kent	152,616	74,879	123,238	74,711	(29,378)	(168)
1	K-8	North Canaan	1,541,372	1,736,163	749,819	1,736,163	(791,553)	0
1	K-8	Salisbury	194,653	40,286	145,397	40,214	(49,256)	(72)
1	K-8	Sharon						

Table G-1. Estimated Changes to ECS Under Proposed Regional Schools Combined Tax Base, FY 00-01[1]								
			Original Formula		Combined Tax Base			
Region	**Grades**	**Name**	**Target Aid**	**Total ECS Entitlement**	**Target Aid**	**Total ECS Entitlement**	**Target Aid Difference**	**Entitlement Difference**
			137,588	43,990	99,405	43,886	(38,183)	(104)
1	9-12	REGION 01			222,450		222,450	0
1 Total			**2,335,704**	**2,077,615**	**1,454,641**	**2,073,282**	**(881,063)**	**(4,333)**
4	K-6	Chester	396,368	581,186	115,826	581,186	(280,542)	0
4	K-6	Deep River	1,597,316	1,439,435	159,348	1,398,031	(1,437,968)	(41,404)
4	K-6	Essex	330,179	128,319	200,469	127,787	(129,710)	(532)
4	7-12	REGION 04			348,888		348,888	0
4 Total			**2,323,863**	**2,148,940**	**824,531**	**2,107,004**	**(1,499,332)**	**(41,936)**
5	K-6	Bethany	1,415,863	1,448,766	215,018	1,448,766	(1,200,845)	0
5	K-6	Orange	889,467	306,315	466,979	304,604	(422,488)	(1,711)
5	K-6	Woodbridge	654,695	194,751	359,308	193,913	(295,387)	(838)
5	7-12	REGION 05			892,421		892,421	0
5 Total			**2,960,025**	**1,949,832**	**1,933,726**	**1,947,283**	**(1,026,299)**	**(2,549)**
6	k-12	Goshen	193,172	95,927	0	0		
6	k-12	Morris	551,938	563,868	0	0		
6	k-12	Warren	85,842	47,740	0	0		
6	k-12	REGION 06			456,453	705,451		
6 Total			**830,952**	**707,535**	**456,453**	**705,451**	**(374,499)**	**(2,084)**
7	K-6	Barkhamsted	998,912	1,157,016	121,486	1,157,016	(877,426)	0
7	K-6	Colebrook	271,053	210,184	49,408	205,359	(221,645)	(4,825)
7	K-6	New Hartford	2,400,445	2,394,611	228,892	2,325,730	(2,171,553)	(68,881)
7	K-6	Norfolk	103,867	333,424	60,522	333,424	(43,345)	0
7	7-12	REGION 07			391,115		391,115	0
7 Total			**3,774,277**	**4,095,235**	**851,423**	**4,021,529**	**(2,922,854)**	**(73,706)**

Table G-1. Estimated Changes to ECS Under Proposed Regional Schools Combined Tax Base, FY 00-01[1]								
			Original Formula		Combined Tax Base			
Region	Grades	Name	Target Aid	Total ECS Entitlement	Target Aid	Total ECS Entitlement	Target Aid Difference	Entitlement Difference
8	K-6	Andover	1,611,152	1,387,386	524,947	1,337,374	(1,086,205)	(50,012)
8	K-6	Hebron	4,914,856	5,065,169	1,123,955	5,065,169	(3,790,901)	0
8	K-6	Marlborough	2,440,508	2,610,366	285,979	2,610,366	(2,154,529)	0
8	7-12	REGION 08			568,602		568,602	0
8 Total			**8,966,516**	**9,062,921**	**2,503,483**	**9,012,909**	**(6,463,033)**	**(50,012)**
9	K-8	Easton	480,342	109,426	356,611	109,238	(123,731)	(188)
9	K-8	Redding	596,687	76,897	440,538	76,760	(156,149)	(137)
9	9-12	REGION 09			282,982		282,982	0
9 Total			**1,077,029**	**186,323**	**1,080,131**	**185,998**	**3,102**	**(325)**
10	K-12	Burlington	2,835,558	3,056,579	0	0		
10	K-12	Harwinton	2,273,453	2,273,453	0	0		
10	K-12	REGION 10			5,728,843	5,475,074		
10 Total			**5,109,011**	**5,330,032**	**5,728,843**	**5,475,074**	**619,832**	**145,042**
11	K-6	Chaplin	1,390,633	1,593,072	631,012	1,593,072	(759,621)	0
11	K-6	Hampton	1,147,634	1,118,826	327,997	1,069,627	(819,637)	(49,199)
11	K-6	Scotland	1,144,062	1,222,536	444,461	1,222,536	(699,601)	0
11	7-12	REGION 11			515,510		515,510	
11 Total			**3,682,329**	**3,934,434**	**1,918,980**	**3,885,235**	**(1,763,349)**	**(49,199)**
12	K-12	Bridgewater	130,582	59,682	0	0		
12	K-12	Roxbury	144,044	27,168	0	0		
12	K-12	Washington	250,188	73,428	0	0		
12	K-12	REGION 12			524,808	160,773		
12 Total			**524,814**	**160,278**	**524,808**	**160,773**	**(6)**	**495**
13	K-12	Durham	2,866,953	2,969,977	0	0		

Table G-1. Estimated Changes to ECS Under Proposed Regional Schools Combined Tax Base, FY 00-01[1]								
			Original Formula		Combined Tax Base			
Region	Grades	Name	Target Aid	Total ECS Entitlement	Target Aid	Total ECS Entitlement	Target Aid Difference	Entitlement Difference
13	K-12	Middlefield	1,604,309	1,367,057	0	0		
13	K-12	REGION 13			4,935,017	4,429,597		
13 Total			**4,471,262**	**4,337,034**	**4,935,017**	**4,429,597**	**463,755**	**92,563**
14	K-12	Bethlehem	1,081,506	1,081,506	0	0		
14	K-12	Woodbury	951,969	425,631	0	0		
14	K-12	REGION 14			2,621,629	1,514,310		
14 Total			**2,033,475**	**1,507,137**	**2,621,629**	**1,514,310**	**588,154**	**7,173**
15	K-12	Middlebury	515,193	210,673	0	0		
15	K-12	Southbury	1,529,461	678,283	0	0		
15	K-12	REGION 15			2,524,032	889,296		
15 Total			**2,044,654**	**888,956**	**2,524,032**	**889,296**	**479,378**	**340**
16	K-12	Beacon Falls	2,887,266	2,887,266	0	0		
16	K-12	Prospect	3,979,228	4,041,279	0	0		
16	K-12	REGION 16			7,319,816	7,147,398		
16 Total			**6,866,494**	**6,928,545**	**7,319,816**	**7,147,398**	**453,322**	**218,853**
17	K-12	Haddam	587,185	267,015	0	0		
17	K-12	Killingworth	2,227,390	1,836,872	0	0		
17	K-12	REGION 17			3,131,871	2,096,127		
17 Total			**2,814,575**	**2,103,887**	**3,131,871**	**2,096,127**	**317,296**	**(7,760)**
18	K-12	Lyme	139,643	26,538	0	0		
18	K-12	Old Lyme	597,147	145,721	0	0		
18	K-12	REGION 18			736,760	172,272		
18 Total			**736,790**	**172,259**	**736,760**	**172,272**	**(30)**	**13**
19	K-8	Ashford	2,836,370	2,871,643	1,740,832	2,871,643	(1,095,538)	0

Table G-1. Estimated Changes to ECS Under Proposed Regional Schools Combined Tax Base, FY 00-01[1]								
			Original Formula		Combined Tax Base			
Region	**Grades**	**Name**	**Target Aid**	**Total ECS Entitlement**	**Target Aid**	**Total ECS Entitlement**	**Target Aid Difference**	**Entitlement Difference**
19	K-8	Mansfield	8,205,787	7,947,813	4,984,271	7,519,694	(3,221,516)	(428,119)
19	K-8	Willington	2,877,994	3,100,705	1,491,096	3,100,705	(1,386,898)	0
19	9-12	REGION 19			412,153		412,153	0
19 Total			**13,920,151**	**13,920,161**	**8,628,352**	**13,492,042**	**(5,291,799)**	**(428,119)**
		All Other Towns	1,406,390,643	1,328,576,133	1,472,739,659	1,337,850,871	66,349,016	9,274,738
		Grand Total	**1,470,862,564**	**1,388,087,257**	**1,519,914,155**	**1,397,166,451**	**49,051,591**	**9,079,194**

Source: State Department of Education and LPRIC calculations

[1] Due to time constraints and the unavailability of certain data, some factors contributing to the changes in the ECS formula under the combined tax base proposal had to be estimated. For example, students who qualify for AFDC or who had limited English proficiency in split regional districts were apportioned according to the total number of students attending the regional school district and the local school district. Those factors contribute to the total number of need students, which in nearly all cases contribute less than 1 percent to the total number of need students, and supplemental aid, which is less than ¼ percent of total target aid for regional districts. In addition, per capita income and median household income figures obtained from the U.S. Census Bureau on a town basis were apportioned for the combined regional district calculation.