

SCHOOL + STATE
FINANCE PROJECT

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STATE K-12 EDUCATION
FUNDING CHANGES:
2026 LEGISLATIVE
SESSION

About Us



Statewide
organization
founded in 2015



Nonprofit,
nonpartisan policy
organization



Trusted resource that
works **collaboratively**
with policymakers,
school district
officials, community
leaders, and all
individuals



Develops data-
driven solutions to
ensure **ALL public
school** students
receive **equitable
education funding**
that supports their
learning needs

SUPPLEMENTAL EDUCATION FUNDING

The revised budget for FY 2027 provides over \$190 million in supplemental education funding

- This is **one-time, temporary funding** and is **not** part of existing education funding formulas.
- Supplemental education funding includes:
 - **\$172.9 million** for local and regional school districts.
 - **\$5.55 million** for Regional Educational Service Center (RESC) magnets.
 - **\$2.75 million** for Board of Education (BOE) magnets.
 - **\$8.7 million** for State Charter Schools.
 - **\$800,000** for Vocational Agriculture programs.

Supplemental Funding for: Local & Regional School Districts

Supplemental Funding for Local & Regional Districts

- **\$172.9 million distributed between two grants:**
 - Supplemental Education Aid grant
 - District Relief and Compensatory Use Learning Aid (DRACULA) grant
- Grants are **separate from ECS and Alliance District funding**
- Grants will be provided to municipalities — **not directly to districts**
 - Municipalities will receive the funds in a single payment by October 31, 2026 (there is no grant application)
- Funding must be used for **educational purposes only** and expended by the local or regional board of education
- Supplemental funds **will not be included in Minimum Budget Requirement calculations** for FY 2028

Supplemental Education Aid Grant: ECS-based Increases

- Grant amounts based — in part — off ECS formula and what districts would receive **IF** several changes were made
- Grant amounts reflect how much towns would receive **IF**:
 - ECS foundation amount was **increased from \$11,525 to \$13,087**
 - ECS formula's Regional District and Endowed Academy Bonus was extended to towns that do not have a high school and **pay tuition to a designated high school**
- Under these adjustments, **82 towns were calculated to receive funding in excess of their FY 2027 ECS grant**
 - As a result, these towns will receive a Supplemental Education Aid grant that equals the **difference between this calculation and their FY 2027 ECS grant.**

Supplemental Education Aid Grant: 2% Increases

- Under those theoretical changes to the ECS formula, **not every municipality would receive an increase in funding** (i.e. a larger calculated ECS grant than they're currently receiving) OR an **increase equal to at least 2% of their FY 2027 ECS grant.**
- To ensure every municipality receives an increase in education funding, the Supplemental Education Aid grant provides all towns with additional state education funding equal to **at least 2% of their FY 2027 ECS grant amount.**
- As a result, the 87 towns that were not calculated to receive increased funding of at least 2% under the theoretical ECS formula changes, will receive Supplemental Education Aid grants **equal to 2% of their FY 2027 ECS grants.**

Example: Supplemental Education Aid Grant Calculation for Montville

Component	Amount
2% of FY 2027 ECS Grant	= \$12,802,864 * 2% = \$256,057
Grant Increase Based on Theoretical ECS Changes	= \$201,389
Which option is larger?	2% increase
Supplemental Education Aid Grant	\$256,057

District Relief and Compensatory Use Learning Aid (DRACULA) Grant

- DRACULA grant builds on the Supplemental Education Aid grant.
- Provides additional state funding to ensure all towns receive a total increase in supplemental education funding that is **equal to at least 4% of their FY 2027 ECS grant amounts.**
- **Not all towns will receive funding under the DRACULA grant** as some towns already meet or exceed the 4% threshold under the calculations for the Supplemental Education Aid grant.

Example: DRACULA Grant Calculation for East Haven

Component	Amount
2% of FY 2027 ECS Grant	= \$20,005,957 * 2% = \$400,119
Grant Increase Based on Theoretical ECS Changes	= \$541,052
Which option is larger?	ECS-based Changes
Supplemental Education Aid Grant	\$541,052
4% of FY 2027 ECS Grant	= \$20,005,957 * 4% = \$800,238
Additional Amount Needed to Provide 4% Minimum	= \$800,238 - \$541,052 = \$259,186
DRACULA Grant	\$259,186

Supplemental Funding & Town Budget Adjustments

- Municipalities that adopted FY 2027 budgets **prior to the passage of the revised state budget** have the ability to revise their budgets and potentially reduce mill rates by July 1.
 - This will allow municipalities with adopted FY 2027 budgets to realize the benefits of supplemental funding and potentially provide property tax relief for their residents.
- However, if a town adjusts its previously approved FY 2027 budget, it must provide its local or regional board of education with, at a minimum, **funding equal to what the town provided in FY 2026 plus the supplemental education funding** allocated to the town under the revised state budget for FY 2027.
- If under its previously adopted FY 2027 budget, a town provided its board of education with an increase GREATER THAN the sum of what it provided in FY 2026 and its supplemental education funding, the **town cannot provide less to the BOE than it did in its original adopted FY 2027 budget.**

Example #1 of Possible Town Budget Adjustment

- A town's MBR is \$1 million. As part of its originally adopted budget for FY 2027, the **town provides \$1.5 million to its local BOE.**
- The town receives **\$250K in supplemental education funding.**
- Because the town provided its BOE with \$1.5 million in its adopted budget, it must provide **at least that much in its amended budget.**
- When amending its budget, the town could use the **\$250K in supplemental education funding and combine it with \$250K from local property tax revenue** to get the additional \$500K it originally budgeted (\$1.5 million total), or it could provide **the additional \$500K entirely from local revenue** and use the \$250K in supplemental funding for tax relief.
- However, under this scenario, the town **cannot provide less than \$1.5 million** to its local BOE.

Example #2 of Possible Town Budget Adjustment

- A town's MBR is \$1 million. As part of its originally adopted budget for FY 2027, the **town provides \$1.5 million to its local BOE.**
- The town receives **\$750K in supplemental education funding.**
- Because the town's MBR and supplemental education funding equal \$1.75 million, it must provide **at least that much to its BOE in the town's amended budget.**
- When amending its budget, the town could simply **provide the full \$750K in supplemental education funding to the district**, or it could **increase how much local funding it was planning to give to the BOE by \$250K** (for a total increase of \$750K) and use the \$750K in supplemental funding for tax relief.
- However, under this scenario, the town **cannot provide less than \$1.75 million** to its local BOE.

Supplemental Funding for: School Choice Programs

Supplemental Funding for School Choice Programs

- Combined **\$17.8 million in supplemental funding** is allocated for public school choice programs
- Funding **appears** to be calculated ***as if*** the foundation amount (\$11,525) for these grants was increased in line with the growth permitted under the State's spending cap, which is the greater of:
 - The percentage increase in personal income, or
 - The percentage increase in inflation
- This would **theoretically** bring the foundation to **\$12,210** for choice programs

SUPPLEMENTAL MUNICIPAL AID

\$100M in Supplemental Municipal Aid

- Supplemental aid is intended to help municipalities manage rising costs and reduce the burden of increasing local property taxes.
- **Funding is temporary, not part of any existing municipal aid formula, and not expected to continue beyond FY 2027.**
- While these funds **can** be used to support education, they are **not required** to be used for educational expenses.
- Funds are provided as a supplemental **Mashantucket Pequot and Mohegan grant**.
- Grant is **calculated using the existing Mashantucket Pequot and Mohegan grant formula**, which allocates funds to municipalities based on the value of their nontaxable property, their population, and their municipal wealth.

Supplemental Municipal Aid

- Municipalities will receive their funds in a single payment **by September 30, 2026**
- Municipalities will be required to report to the Office of Policy and Management on the **expenditure of the supplemental municipal aid** by January 1, 2027
- Municipalities that adopted their FY 2027 budget prior to the state budget being passed may **revise their budgets and reduce their mill rates by July 1** in response to the additional funds

EDUCATION COST
SHARING (ECS)
GRANT

ECS Formula Remains Unchanged

- No changes were made to any components of the ECS formula.
- While Supplemental Education Aid grant amounts are based off adjustments to the ECS formula, **the formula was not changed in statute and the foundation amount was not increased.**
- Minor ECS funding increases are provided to 16 towns to reflect enrollment and demographic changes.
- All other towns will **receive the same amount of ECS funding** in FY 2027 as they did in FY 2026.
- Budget requires a **\$152.2 million increase in the appropriation for ECS in FY 2028**, which would be the equivalent of raising the formula's foundation amount to \$13,087 based on current data.
- However, the budget **does not contain language** to direct the distribution of this funding or adjust the formula accordingly.

ECS Formula Hold-Harmless Provisions

- Gradual reductions in ECS funding for towns considered “overfunded” according to the formula are currently **set to begin in FY 2028**.
- Additionally, because the supplemental education funding is not ECS funding, it is **not included as part of the ECS formula’s hold-harmless provisions**.
 - Meaning districts, including Alliance Districts, **could receive less state funding in FY 2028** than they will receive this year.
 - This is something to be aware of, particularly if we see **significant shifts in enrollment** like we saw this year.

SCHOOL CHOICE
PROGRAM GRANT
CHANGES

No Change for School Choice Grant Formulas

- Like the ECS formula, the funding formulas for public school choice programs **did not experience any changes**.
- Funding for magnet schools, charter schools, and AgriScience programs was adjusted based on **updated projected enrollment and demographic information**.
- Magnet schools and AgriScience programs will continue to receive their FY 2024 per-student grant **plus 42%** of the difference between that amount and their full ECS-based weighted funding, based on student need and enrollment.
 - General education tuition remains capped at **58%** of the FY 2024 per-student amount.
- Charter schools will continue to receive the **ECS foundation amount plus 56.7%** of their full ECS-based weighted funding.

Other School Choice Funding to Note

- RESC magnet operators will receive a **\$6.41 million increase** in FY 2027.
 - In the biennial budget passed last year, **\$12 million was set aside for one-time funding** for RESC-operated magnet schools in FY 2027.
 - The revised budget cuts this allocation to \$6.41 million, however, RESC magnet schools will receive **roughly the full \$12 million when combined with the other supplemental education funding.**
- Formulaic funding for state charter schools in FY 2027 will also **increase by \$5.5 million over current levels** to reflect increases in enrollment and updated student need data.
 - This increase also includes an additional \$225K to make \$75K planning grants to **three proposed charter schools.**

Estimating Town and District Grants

- Reminder, we've created a model to assist district leaders with estimating **current and future education funding**. The model linked below can be used to help project ECS, BOE magnet school, and ASTE grants.

District & Town Grant Projection Models

- The model provides detailed steps and allows users to enter key formula components, such as enrollment projections and estimates of student needs.

To begin, users can navigate to the “**Overview**” sheet and select their town from the drop-down menu in the cell highlighted in **orange**.

SPECIAL EDUCATION

Special Education Grants Flat Funded for FY 2027

- Budget provides **no increase in funding** for the Excess Cost grant and the Special Education Expansion and Development (SEED) grant.
- Total Excess Cost grant reimbursement requests from districts grew from \$299,123,458 last year (2024-25 school year) to \$316,980,298 this year (2025-26 school year) — an **increase of approximately \$17.9 million (6%)**.
- Fully funding the grant's statutory tiered reimbursement levels in FY 2026 would have required approximately \$281.2 million, or **\$60.1 million more than the \$221.1 million that was appropriated**.
- Due to this significant shortfall, districts were reimbursed for between **66.8% and 71.5% of their eligible costs**.

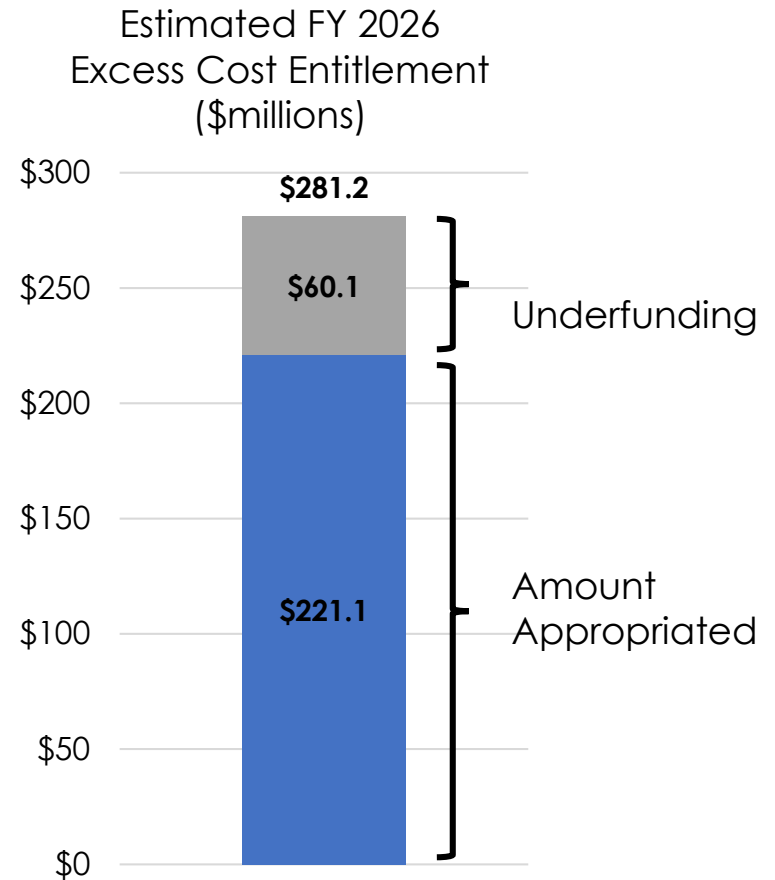
Excess Cost Grant Reimbursement Tiers

Tier	Statutory Reimbursement Tiers	Actual Reimbursement Tiers, FY 2026
Districts with the lowest wealth (municipalities ranked 115 to 169)	91%	<u>71.5%</u>
Districts in the middle tier (municipalities ranked 59 to 114)	88%	<u>69.1%</u>
Districts in the wealthiest tier (municipalities ranked 1 to 58)	85%	<u>66.8%</u>

Estimated Excess Cost Support FY 2026

For FY 2026, the Excess Cost grant is not fully funded. The total amount appropriated by the legislature is currently estimated to be at least:

- \$60.1 million short of what is needed to fully fund the grant at its reimbursement tiers.
- \$95.9 million short of what is needed to fund the grant at 100% reimbursement.



SEED Grant Funding

- Overall funding for the Special Education Expansion and Development (SEED) grant remains **flat at \$30 million.**
- Some districts **may see declines or increases in their FY 2027 SEED grants,** compared to FY 2026, due to changes in their overall special education population or their community wealth.
- Fully funding the SEED grant would require an **estimated \$185+ million.**
- Because the state budget only appropriates \$30 million for the grant, grant allocations are proportionately reduced for every town, which results in districts receiving roughly **16.2% of their fully-funded grant amounts.**

LOOKING AHEAD

Significant Work Remains

- ECS foundation amount remains at \$11,525 per student — **unadjusted since 2013**
- General education tuition billing remains **capped at 58% of FY 2024 per-student levels**
- Phase-in of **need-based funding for choice programs is paused** at 42% for magnets and AgriScience programs and 56.7% for charter schools
- Special education funding is **lagging behind significantly**

We look forward to continuing to partner with you to address these issues

QUESTIONS?

Contact Us

For questions or comments about the information in this presentation, please contact:

Lisa Hammersley, Executive Director

Email: lisa.hammersley@schoolstatefinance.org

To learn more about the School and State Finance Project, visit us at:

www.schoolstatefinance.org

Or connect with us on social media

