

SCHOOL + STATE
FINANCE PROJECT

www.schoolstatefinance.org

STATE K-12 EDUCATION FUNDING CHANGES: 2023 LEGISLATIVE SESSION

Contents

- **Organization Overview**

- Context and Goals for Today
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - Choice Programs That Charge Tuition
 - Choice Programs That Do Not Charge Tuition
- Other Education Funding
- Unknowns and Next Steps

Organization Overview: About the School and State Finance Project



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

Contents

- Organization Overview
- **Context and Goals for Today**
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - Choice Programs That Charge Tuition
 - Choice Programs That Do Not Charge Tuition
- Other Education Funding
- Unknowns and Next Steps

HB 5003, our policy proposal, was an ambitious effort to re-imagine state education funding

- Our goals were to:
 - Accelerate full funding of the ECS formula to FY 2025
 - Extend the ECS formula to all public school students
 - Magnet schools, state charter schools, AgriScience programs, and the Open Choice program
- By achieving this:
 - ECS formula would be used to determine state education funding for ALL public school students
 - Current block grant system would be eliminated
 - Every student would be funded fully according to their learning needs
 - Local general education tuition would be eliminated

With your teamwork and collaboration, we won historic education investments this session

- Together, we achieved a **historic investment in education funding** for Connecticut students.
 - Largest year-over-year investment in the past decade and second largest in state history.
 - Increase of \$324 million over the next biennium for K-12 students.
- We changed the trajectory of the Education Cost Sharing (ECS) grant to provide **more funding sooner** to districts.
- We provided **fiscal stability to districts** by alleviating part of their **choice tuition burden** in future years.
 - Districts will save at least \$34 million per year due to a new tuition cap.
- We **increased state support for choice programs** such as magnet schools, charter schools, AgriScience programs, and the Open Choice program.

Our goals for today

- Review and understand the context of how new funding policies were developed.
- Review and understand how new funding policies will impact towns, districts, and choice programs.
- Plan and discuss next steps to build upon these successes and clarify future uncertainty.

Contents

- Organization Overview
- Context and Goals for Today
- Funding Policy Changes
 - **Education Cost Sharing (ECS)**
 - Choice Programs That Charge Tuition
 - Choice Programs That Do Not Charge Tuition
- Other Education Funding
- Unknowns and Next Steps

The ECS grant phase-in is significantly revised, which results in additional funding

- The biennial budget contains a significant investment in the ECS grant.
- The ECS formula's phase-in schedule for “underfunded” towns is continued per current law for FY 2024 and **accelerated to 56.5%** of the grant adjustment in FY 2025.
- Full funding for “underfunded” towns is also sped up by two years so the ECS grant will be fully funded **in FY 2026 instead of FY 2028**.
- Towns considered “overfunded” according to the ECS formula are **held harmless at their FY 2023 funding levels for FYs 2024 and 2025** instead of receiving gradual decreases in their ECS grants.
 - However, the phase-out for overfunded towns will resume in FY 2026, continuing through FY 2032.
- The additional ECS investment in FY 2025 is funded by **\$68.5 million** in the Education Finance Reform line item (which totals \$150 million).

ECS phase-in schedule for “underfunded” towns

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Previous ECS Schedule	Previous year's ECS grant amount plus 20% of its grant adjustment	Previous year's ECS grant amount plus 25% of its grant adjustment	Previous year's ECS grant amount plus 33.33% of its grant adjustment	Previous year's ECS grant amount plus 50% of its grant adjustment	Towns Receive 100% of their Calculated Grant				
New ECS Schedule	Previous year's ECS grant amount plus 20% of its grant adjustment	Previous year's ECS grant amount plus 56.5% of its grant adjustment	Towns Receive 100% of their Calculated Grant						

ECS phase-in schedule for “overfunded” towns

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Previous ECS Schedule	Previous year's ECS grant amount minus 14.29% of its grant adjustment	Previous year's ECS grant amount minus 16.67% of its grant adjustment	Previous year's ECS grant amount minus 20% of its grant adjustment	Previous year's ECS grant amount minus 25% of its grant adjustment	Previous year's ECS grant amount minus 33.33% of its grant adjustment	Previous year's ECS grant amount minus 50% of its grant adjustment	Towns Receive 100% of their Calculated Grant		
New ECS Schedule	Held harmless to previous year's ECS grant amount	Held harmless to previous year's ECS grant amount	Previous year's ECS grant amount minus 14.29% of its grant adjustment	Previous year's ECS grant amount minus 16.67% of its grant adjustment	Previous year's ECS grant amount minus 20% of its grant adjustment	Previous year's ECS grant amount minus 25% of its grant adjustment	Previous year's ECS grant amount minus 33.33% of its grant adjustment	Previous year's ECS grant amount minus 50% of its grant adjustment	Towns Receive 100% of their Calculated Grant

Changes to the ECS phase-in schedule result in an additional \$232 million over FY 2023 funding level

Fiscal Year	Education Cost Sharing (ECS) Grant (includes \$68.5 million in Education Finance Reform line item in FY 2025)	
	Appropriation	Change from FY 2023
2023	\$2,178,800,382	\$ -
2024	\$2,233,420,315	<u>+ \$54,619,933</u>
2025	\$2,356,399,732	<u>+ \$177,599,350</u>

Contents

- Organization Overview
- Context and Goals for Today
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - **Choice Programs That Charge Tuition**
 - Choice Programs That Do Not Charge Tuition
- Other Education Funding
- Unknowns and Next Steps

RESC magnet, BOE magnet, and AgriScience formulas are unchanged in FY 2024, and unclear in FY 2025

- **FY 2024**
 - Existing per-student formulas for state grants are in place.
 - Operators have **no changes in ability to charge tuition** to sending districts.
- **FY 2025 and each year thereafter**
 - Operators will receive **at least** the per-student grant they received for each student in FY 2024.
 - Tuition (regular education) per student is capped at **58%** of the amount charged per student in FY 2024.
 - The FY 2025 per-student changes are supported by additional state funding in the Education Finance Reform line item.
 - It is not clear **how** per-student grants will increase in FY 2025 to invest this additional money.

Choice operators will receive additional state support in FY 25, but it is unclear how it will be allocated

- **FY 2025 Education Finance Reform Appropriations:**

- RESC magnet schools: \$40.2 million more
 - BOE magnet schools: \$13.3 million more
 - AgriScience (ASTE) programs: \$7.2 million more
- It is not clear whether choice operators that charge tuition will receive more total funding per student in FY 2025.
 - Tuition cap will result in less local revenue from sending districts.
 - State per-student grants (though increased) may not make up for tuition loss.
 - This means choice operators **could** receive less per student from all sources.

Sending districts receive revised tuition relief in FY 2024

- **Prior Law**

- **For FY 2023 and each FY after:** East Hartford and Manchester received \$4,400 per student in tuition relief for each student in excess of 4% of their resident students.
- **For just FY 2023:** *Sheff*-region towns, New Britain, and New London received \$4,400 per student in tuition relief for each student in excess of 4% of their resident students.

- **Adopted Budget and Bond Bill**

- **For FY 2023 and each FY after:** East Hartford and Manchester will receive \$4,400 per student in tuition relief for each student in excess of 4% of their resident students.
- **For just FY 2024:** Windsor, New Britain, New London, and Bloomfield will receive \$4,400 per student in tuition relief for each student in excess of 4% of their resident students.
- **For just FY 2024:** Hartford will receive \$3,000,000 in tuition relief.

RESC and BOE magnet school investments result in a \$48 million increase in state funding in FY 2025 over FY 2023 level

Fiscal Year	Magnet Schools (both RESC and BOE) (includes \$53.4 million in Education Finance Reform line item in FY 2025)	
	Appropriation	Change from FY 2023
2023	\$292,926,486	\$ -
2024	\$284,942,141	<u>- \$7,984,345</u>
2025	\$340,927,052	<u>+ \$48,000,566</u>

NOTE: Magnet operator funding, in TOTAL, will not increase by \$48 million in FY 2025 due to the impact of the tuition cap. Additional changes impacting line item include:

- Adjustments to reflect current enrollment;
- Funding for the *Sheff* settlement; and
- The magnet school tuition cap.

Changes to AgriScience funding in FY 2025 result in an additional \$7.2 million in state funding above FY 2023 level

Fiscal Year	AgriScience (ASTE) Programs (includes \$7.2 million in Education Finance Reform line item in FY 2025)	
	Appropriation	Change from FY 2023
2023	\$18,824,200	\$ -
2024	\$18,824,200	\$ -
2025	\$26,073,260	<u>+ \$7,249,060</u>

NOTE: AgriScience program funding, in TOTAL, will not increase by \$7.2 million in FY 2025 due to the impact of the tuition cap.

Contents

- Organization Overview
- Context and Goals for Today
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - Choice Programs That Charge Tuition
 - **Choice Programs That Do Not Charge Tuition**
- Other Education Funding
- Unknowns and Next Steps

State charter schools receive funding increases, but no phase-in schedule to full funding is included

The biennial budget contains a significant investment in state charter schools.

Prior Law

- Charter schools received the ECS foundation plus **25.42%** of their phase-in in FY 2023.
- There was no phase-in written in statute past FY 2023.

• Adopted Budget

- **FY 2024:** Charter schools will receive the ECS foundation plus **36.08%** of their weighted funding phase-in.
- **FY 2025 and each FY thereafter:** Charter schools will receive the ECS foundation plus **56.7%** of their weighted funding phase-in.
- Phase-in will be **kept at 56.7% beyond the biennium**, rather than ramping up to full funding.
- Budget contains funding for new charter schools in **New Haven and Norwalk.**

Charter school changes result in an additional \$17.8 million above FY 2023 level across both years

Fiscal Year	State Charter Schools (includes \$9.4 million in Education Finance Reform line item in FY 2025)	
	Appropriation	Change from FY 2023
2023	\$134,477,285	\$ -
2024	\$135,077,285	<u>+ \$600,000</u>
2025	\$151,643,098	<u>+ \$17,165,813</u>

Additional changes impacting line item include:

- Funding for new charter schools in New Haven and Norwalk (\$7.8 million in FY 25).

Funding for non-tuition BOE magnets and Open Choice operators is broadly unchanged in FY 2024, and unclear in FY 2025

- **FY 2024**

- Existing per-student formulas for state grants are in place.
- Operators are not permitted to charge tuition.

- **FY 2025 and each year thereafter**

- Operators will receive **at least** the per-student grant they received for each student in FY 2024.
- The FY 2025 per-student changes are supported by additional state funding in the Education Finance Reform line item.
- It is not clear **how** per-student grants will increase in FY 2025 to invest this additional money.

Choice operators will receive additional state support in FY 25, but it is unclear how it will be allocated

- **FY 2025 Education Finance Reform Appropriations:**
 - State Charter Schools: \$9.4 million more (for phase-in)
 - BOE magnet schools: \$13.3 million more
 - Open Choice program: \$11.4 million more

Changes to Open Choice program funding in FY 2025 result in an additional \$4.5 million in state funding above FY 2023 level

Fiscal Year	Open Choice Program (includes \$11.4 million in Education Finance Reform line item in FY 2025)	
	Appropriation	Change from FY 2023
2023	\$38,360,327	\$ -
2024	\$31,189,780	<u>- \$7,170,547</u>
2025	\$42,902,846	<u>+ \$4,542,519</u>

Additional changes impacting line item include:

- Transfer Non-Sheff Open Choice transportation funding to different line item (-\$4.7 million)
- Adjust funding to reflect current enrollment (-\$3 million)
- Fund requirements of the *Sheff* settlement (\$500K-\$1 million)

Contents

- Organization Overview
- Context and Goals for Today
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - Choice Programs That Charge Tuition
 - Choice Programs That Do Not Charge Tuition
- **Other Education Funding**
- Unknowns and Next Steps

Excess Cost Grant is not fully funded, but receives significant funding increase

- Excess Cost grant increased by **\$25 million in FYs 24 and 25** over FY 23 level.
 - FY 23 funding: \$156 million
 - FY 24 funding: \$181 million
 - FY 25 funding: \$181 million
- Reimbursement formula was revised early in session (Conn. Acts 23-1) to provide additional reimbursement to all districts:

Tier	Prior Law	Adopted Law
Districts with the lowest wealth (municipalities ranked 115 to 169)	76.25%	<u>91%</u>
Districts in the middle tier (municipalities ranked 59 to 114)	73%	<u>88%</u>
Districts in the wealthiest tier (municipalities ranked 1 to 58)	70%	<u>85%</u>

- Actual reimbursement levels will depend on total claims made statewide.
- Statute now contains a mechanism for disbursing grant funds if grant is not fully funded but projected reimbursements do not meet the total appropriated amount for the grant.

Adopted budget also contains various education policy changes outside of main grants

- **School Meals**

- Re-allocated \$60 million from ARPA for **FY 2023** to provide free school meals for all students.
- Provides **\$16 million in FY 2024** to extend free school meals to all students from families making at or below **200% of the federal poverty line.**

- Various state grants are **capped through FY 2025.**

- Health services for private school students
- RESC Operations
- School Transportation
- Bilingual Education

- **Priority School Districts**

- Extends phase-out eligibility for exiting districts by one more year (now FY 2024 for those districts that received a third phase-out year in FY 2023)
- Revised supplemental grant eligibility.
 - Supplemental grants based on Priority School District population-based status are established in perpetuity.

School construction reimbursement rates are revised to provide more state funding

- **Prior Law**

- New construction was reimbursed on a range of **10% to 70%**.
- Federal funds were not allowed to be considered part of the municipal share of project costs.

- **Adopted Law**

- New construction is reimbursed on a range of **10% to 80%**.
 - New reimbursement range applies to applications submitted on or after July 1, 2024.
 - Federal funds are now **allowed to be considered** part of the municipal share of project costs.
- Reimbursement rate calculation continues to use adjusted equalized net grand list per capita (AENGLC) rank.

Contents

- Organization Overview
- Context and Goals for Today
- Funding Policy Changes
 - Education Cost Sharing (ECS)
 - Choice Programs That Charge Tuition
 - Choice Programs That Do Not Charge Tuition
- Other Education Funding
- **Unknowns and Next Steps**

Adopted budget contains significant “unknowns” for school funding in FY 2025 and future years

- Per-student grant amounts for most choice programs are **not established for FY 2025 and onwards.**
 - RESC magnet schools (\$40.2 million more in FY 2025)
 - BOE magnet schools (\$13.3 million more in FY 2025)
 - AgriScience (ASTE) programs (\$7.2 million more in FY 2025)
 - Open Choice programs (\$11.4 million more in FY 2025)
- It is not clear whether choice operators that charge tuition will receive more total funding per student in FY 2025.
 - Tuition cap will result in less local revenue from sending districts.
 - State per-student grants (though increased) may not make up for tuition loss.
 - This means choice operators **could** receive less per student from all sources.

The uncertainty around FY 2025 funding requires a collaborative effort next legislative session (2024)

- The 2024 legislative session is the opportunity to ensure the \$150 million investment is allocated effectively and equitably.
- The goals of HB 5003, which resulted in this investment, were to:
 - Help bridge the “Fiscal Cliff”;
 - Respond to the crisis of growing student needs;
 - Reduce economic and racial funding disparities; and
 - Invest in Connecticut’s future.
- By continuing to work together next session, we can ensure this investment in education can achieve these goals.
- Next session, we will work collaboratively to ensure the \$150 million investment provides students, regardless of where they live or the type of public school they attend, the resources they need in order to succeed both inside and outside the classroom.