

In Connecticut, the Education Cost Sharing (ECS) formula distributes approximately \$2.36 billion in state education funding annually to local and regional public school districts. The ECS formula consists of a foundation, student need-based weights, and a Base Aid Ratio that determines each community's ability to financially support its public schools. The formula's foundation amount is set at \$11,525 per student and is intended to reflect the cost to educate a student who does not have any additional learning needs.¹

However, the foundation amount is not adjusted to reflect the annual increase in expenses such as the rising costs of personnel pursuant to collective bargaining contracts, energy costs, or inflation. This is an issue impacting districts across the state and nation, and has recently generated media attention due to the high rates of inflation the country has experienced over the past few years.

Even with the influx of federal COVID-relief aid, the rising cost to provide educational services has put a strain on school district budgets. This strain will be further exasperated when federal relief dollars expire in September 2024 and school districts face a significant fiscal cliff that will impact their ability to meet the continued needs of their students.

What is inflation?

Inflation is when the prices for goods and services rises, leading to a decline in purchasing power over time. When the costs of goods and services rise, school districts have to spend more to provide the same educational services.

As a result, districts may need to eliminate teachers and staff, reduce programming and services, or make cuts elsewhere in order to balance their budgets. Additionally, when state funding formulas do not account — and adjust — for economic changes such as inflation, districts have to rely more on local funding revenue to support their operations and services.

What can be done?

The base of the ECS formula is the foundation, or the statutory cost that is intended to reflect the cost to educate a student without additional learning needs. The current foundation of \$11,525 has not been modified by the legislature since 2013.²

¹ This foundation amount is also used in other grant programs, such as the State Charter School grant and the partially implemented student-centered funding formula for fiscal year 2025.

² Conn. Gen. Statutes ch. 172, § 10-262h.

In order to mitigate the annual increasing costs of providing educational services, Connecticut can include an inflation-based adjustment³ to the foundation amount used in the ECS formula and other foundation-based formulas, such as the State Charter School grant and the partially implemented student-centered funding formula for other public schools of choice. This adjustment would alleviate districts' reliance on local sources to cover rising costs and would ensure all districts have the resources they need to properly operate their schools and provide their students with a high-quality education.

Currently, at least eight states adjust their funding formulas annually to account for inflation or cost of living.⁴ Massachusetts calculates a foundation budget for each district, which is adjusted annually for enrollment changes, demographics, and inflation.⁵ Meanwhile the State of New York's formula also includes annual inflation adjustments, as well as adjustments for student need and regional cost differences, to ensure equitable funding across districts.⁶

How would this fix impact the State and school districts?

If the State began implementing a foundation adjustment to the ECS formula starting in fiscal year 2026, districts would immediately start receiving additional dollars to educate their students. Increasing the State's contribution to K-12 education would reduce the reliance on local property taxes to fund all increases in spending that occur each year due to inflation, and could mitigate potential reductions in services if a district's local contribution is held steady.

Using the projected growth rate (4.23%) of the State's spending cap as a basis for the inflation-based adjustment, the ECS formula's foundation amount would increase by \$488 per student in FY 2026. Table 1 below estimates the ECS formula's foundation amount from FY 2026 to FY 2032 if an inflation-based adjustment was implemented.

³ This adjustment could be structured on the allowable growth to General Fund spending in the calculation of Connecticut's spending cap. The state spending cap limits growth in spending to the level of spending in the previous year plus a percent increase based on the greater of: 5-year compound growth in personal income (calendar year basis), or 12-month increase in Core Consumer Price Index for Urban Consumers (CPI-U). This method is currently in use to adjust spending for inflation in Connecticut, is clearly defined in existing state statute, and is simple to calculate and understand.

⁴ Griffith, M. (2005). *Inflation Adjustments In State Education Funding Formulas*. Denver, CO: Education Commission of the States, State Notes, Finance/Funding Formulas. Retrieved from <https://www.ecs.org/clearinghouse/57/55/5755.pdf>.

⁵ Massachusetts Department of Elementary and Secondary Education. (2023). *School Finance: Chapter 70 Program FY24 Chapter 70 Aid and Required Contribution Calculations August 2023*. Malden, MA: Author. Retrieved from <https://www.doe.mass.edu/finance/chapter70/fy2024/chapter-2024-whitepaper.docx>.

⁶ New York State Education Department. (2023). *2023-24 STATE AID HANDBOOK FORMULA AIDS AND ENTITLEMENTS FOR SCHOOLS IN NEW YORK STATE*. Albany, NY: State of New York, State Education Department, Office of State Aid. Retrieved from https://stateaid.nysed.gov/publications/handbooks/handbook_2324.pdf.

Table 1: Projected Adjusted Foundation Amounts Based on Spending Cap Framework⁷

Foundation	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Percent Growth Per Year	4.23%	4.13%	3.82%	3.50%	3.50%	3.50%	3.50%
Foundation Equivalent	\$12,013	\$12,509	\$12,986	\$13,441	\$13,911	\$14,398	\$14,902

When aggregated across all students, the foundation adjustment provides millions of additional dollars to communities and school districts across the state to alleviate increases in the costs of goods and services necessary to educate students. Implementing the foundation adjustment described above would provide an additional estimated \$88.5 million to Connecticut public schools in FY 2026. Based on the ECS formula's current phase-in schedule, an inflation-based foundation adjustment would provide an additional estimated \$674.6 million in FY 2032 to school districts throughout the state.

Table 2 below details the projected financial impact a foundation adjustment would have on the state's budget from FY 2026 to FY 2032.

Table 2: State Impact of ECS Formula with Foundation Adjustment

Year	Current ECS Formula	ECS Formula with Foundation Adjustment	Change (\$)
FY 2026	\$2,453,301,819	\$2,541,760,045	\$88,458,226
FY 2027	\$2,446,372,375	\$2,628,885,091	\$182,512,717
FY 2028	\$2,439,444,593	\$2,715,073,615	\$275,629,022
FY 2029	\$2,432,516,811	\$2,799,696,936	\$367,180,125
FY 2030	\$2,425,658,307	\$2,889,722,389	\$464,064,082
FY 2031	\$2,418,695,887	\$2,985,531,199	\$566,835,312
FY 2032	\$2,411,733,466	\$3,086,362,123	\$674,628,657

The State could also consider applying a fixed foundation adjustment annually. Table 3 on the following page estimates the ECS formula's foundation amount from FY 2026 to FY 2032 if a fixed adjustment of two percent was implemented.

⁷ The percent growth for FY 2029 to FY 2032 are placeholders and have not been estimated by the Office of Policy and Management.

State of Connecticut, Office of Policy and Management. (2023). *Fiscal Accountability Report, Fiscal Years 2024 – 2028*. Hartford, CT: Author. Retrieved from <https://portal.ct.gov/-/media/OPM/Budget/FiscalAccountability/OPM-2023-Fiscal-Accountability-Report-Final.pdf>.

Table 3: Projected Adjusted Foundation Amounts Based on Fixed Adjustment

Foundation	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Percent Growth Per Year	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Foundation Equivalent	\$11,756	\$11,991	\$12,230	\$12,475	\$12,725	\$12,979	\$13,239

Similar to the inflation-based adjustment, applying a fixed adjustment would provide millions in additional funding to support communities and school districts amid rising education costs. In FY 2026, the fixed adjustment would provide an additional \$41.4 million, and would increase to an additional \$339.6 million in FY 2032.

Table 4 below details the projected financial impact a fixed foundation adjustment would have on the state's budget from FY 2026 to FY 2032.

Table 4: State Impact of ECS Formula with Foundation Adjustment

Year	Current ECS Formula	ECS Formula with Foundation Adjustment	Change (\$)
FY 2026	\$2,453,301,819	\$2,494,711,728	\$41,409,909
FY 2027	\$2,446,372,375	\$2,531,536,244	\$85,163,869
FY 2028	\$2,439,444,593	\$2,570,784,973	\$131,340,380
FY 2029	\$2,432,516,811	\$2,611,955,840	\$179,439,029
FY 2030	\$2,425,658,307	\$2,655,595,663	\$229,937,356
FY 2031	\$2,418,695,887	\$2,701,807,451	\$283,111,564
FY 2032	\$2,411,733,466	\$2,751,309,845	\$339,576,379

Considerations

Although implementing an inflation-based foundation adjustment would ensure all public school districts have the resources to educate their students regardless of economic changes, estimates suggest this change to the ECS formula would require an additional \$2.6 billion investment from the State. Furthermore, should the foundation adjustment be applied to other foundation-based formulas, such as the State Charter School grant and the partially implemented student-centered funding formula, the total amount required would be an even larger investment.

Additionally, it would be difficult to predict future changes to the ECS formula's foundation, as inflation can be uncertain and can vary significantly from year to year. Including this adjustment, therefore, will impact the State's ability to project future ECS appropriations and may lead to unexpected increases in state spending due to unexpected rates of inflation.