

Background

Connecticut has various public school options for students and their families. Charter schools are among these options — publicly funded and established through a charter agreement under Connecticut state law, charter schools operate independently of local or regional boards of education.¹ A charter school contract is between the governing council of a charter school and the Connecticut State Board of Education (SBOE), which establishes the roles, powers, responsibilities, and performance expectations.²

There are two types of charter schools in the state: local charter schools and state charter schools. A local charter school is either a part or all of an existing public school that has been converted into a charter school. In contrast, a state charter school is a new public school approved by the SBOE that operates independently of a local or regional school district.³

In Connecticut, all charter schools receive funding through local, state, and federal sources, while some charter schools receive philanthropic donations or local tuition. For most charter schools, the aid received from the State is their primary funding source, with charter schools receiving state dollars through a separate funding stream than local school districts.^{4A} However, despite charter schools receiving most of their funding through state sources, local school districts may still be impacted financially by the opening and operation of a charter school.

This briefing focuses on the potential financial implications of state charter schools on local school districts. Please note these financial implications are difficult to estimate due to student populations, special education expenses, and transportation requirements. Additionally, this briefing should not be inferred as the School and State Finance Project endorsing or opposing the establishment of any specific Connecticut state charter school.

Potential Impacts of State Charter Schools on Local School Districts

Education Cost Sharing (ECS) Grant

Some towns may receive less ECS funding due to the opening of a state charter school than they otherwise would have received had the school not opened.

When a new state charter school opens in a district, the host district is likely to experience a reduction in Education Cost Sharing (ECS) funding when compared to not having the charter school in operation. This is the result of a reduction in the ECS formula's resident

^A For more information on how charter schools in Connecticut are established, managed, and funded please visit <https://schoolstatefinance.org/resource-assets/Introduction-to-Charter-Schools-in-Connecticut.pdf>.

student count for the local district, as well as changes in student need demographics due to the establishment of the charter school, which impact town ECS grant amounts.

Unlike several other Connecticut school choice programs, students who attend a state charter school are not counted as a resident student in the calculation of the ECS grant for the town where the student resides.⁵ As a result, when a new charter school opens and students enroll, the resident school district's resident student count is reduced by the number of students that reside in the town and attend the charter school — resulting in a reduction of state ECS support compared to if the charter school did not exist. Additionally, as resident students enroll, a resident school district's student need demographics may also change — resulting in changes to ECS grant calculations that take the needs of town students into account.

For many districts, the impact of decreasing student counts is currently offset by the ongoing phase-in of increased ECS funding, which is scheduled to continue in fiscal year 2025 with full funding of the grant occurring in FY 2026. Though many districts will receive more money over the previous fiscal year, if student counts decrease as a result of a charter school opening, grant amounts will be less for the town than it otherwise would have received had the charter school not opened. Additionally, the reduction in resident students may result in a district changing from receiving ECS increases to receiving ECS decreases depending on the number of students attending the charter school.⁶ Alliance Districts are partially shielded from the impact of charter schools on ECS funding as these districts statutorily cannot receive less in ECS funding than they received in either the prior year or for FY 2017. As a result, decreases in student counts will not result in funding decreases compared to the prior year or FY 2017 amounts.^{6,C}

Minimum Budget Requirement

Some towns may be eligible to receive a reduction in their Minimum Budget Requirement (MBR) due to any decrease in resident student counts related to charter school operation.

Connecticut municipalities are generally required to annually maintain or increase support for their local public school district. The state's Minimum Budget Requirement (MBR) requires towns to maintain their total budgeted appropriation for education compared to the prior year, plus or minus the change in the town's ECS grant amount over the prior year.⁷ Though there are allowable exceptions to the MBR — including reduced resident student counts, school consolidations, and documented savings resulting from improved efficiencies — any district designated as an Alliance District cannot reduce funding for its local public schools from one year to the next.⁸ Districts that are not designated as Alliance Districts, however, have the option to reduce their

^B The state ECS grant is expected to fully phased-in for towns that are considered underfunded by FY 2026. At that time, districts experiencing reductions in resident student counts will experience corresponding reductions in state ECS support.

^C For a list of current Alliance Districts please visit https://portal.ct.gov/-/media/SDE/Alliance-Districts/List_of_Alliance_Districts.pdf.

appropriations by 50 percent of their net current expenditure per pupil for any reduction of resident student counts experienced.^{9,D}

Special Education

Districts may experience changes in special education spending due to the presence of a new charter school.

For students attending charter schools, the sending district (i.e. the district where the student resides) remains fiscally responsible for the planning and costs associated with educating students with disabilities in charter schools.¹⁰ By statute, the local public school district where a charter school student resides remains responsible for holding the planning and placement meeting for students and must pay the state charter school the reasonable cost of providing special education services.^{11,E} Charter schools are responsible for ensuring the student receives the special education services as mandated by the student's Individual Education Program (IEP). These services can be provided by the local public school district or the charter school the student attends. Local school districts are eligible for state reimbursement for special education costs covered under the state Excess Cost grant.¹²

Transportation

Districts may experience changes in student transportation budgets due to the presence of a new charter school.

As with special education costs, sending districts remain responsible for providing transportation for some, but not all, students who enroll in state charter schools.¹³ The school district where a charter school is located is required to provide transportation services for charter school students who live in the district unless the charter school makes other arrangements. Districts are not, however, required to provide transportation for students attending charter schools located outside of their district.¹⁴

Total Impact

The financial impact on a local school district of opening a new charter school is difficult to estimate due to fluctuating costs related to special education and transportation, as well as changing student demographics. Even though a new state charter school may lead to a decrease in ECS support to the local school district due to reduced resident

^D Example: If a town experienced a reduction of 50 students and had a net current expenditure per pupil of \$10,000, the district would be able to reduce spending by \$5,000 per student for a total reduction of \$250,000. Districts are allowed to look back up to five years to calculate their decrease in resident students, however, the decline for each year can only be used once.

^E At its May 1, 2024 meeting, the SBOE issued a declaratory ruling defining the meaning of "reasonable cost of educating such student" in statute (C.G.S. 10-66ee(d)(7)) to mean the actual costs incurred by the charter school, inclusive of time spent on administrative and planning activities, in addition to time spent on direct instruction, provided that costs incurred are documented in "clear and unambiguous detail." For more information, please see visit the following resources:

- https://portal.ct.gov/-/media/sde/board/boardmaterials050124/consideration_of_declaratory_ruling_brass_city_charter_school.pdf
- https://portal.ct.gov/-/media/sde/board/minutes2024/minutes_sbe_050124.pdf.

student counts, the net impact may result in more state education funding to support a town's students because state charter schools receive larger state grants per student, and because charter schools do not receive any funding from local property taxes. Additionally, in many districts, state law prevents cities and towns from reducing local support for education, even when resident student count reductions occur. This can result in higher per-student funding for town students.

Endnotes

- ¹ Conn. Gen. Statutes ch. 164, § 10-66aa(1).
- ² Conn. Gen. Statutes ch. 164, § 10-66aa(6).
- ³ Conn. Gen. Statutes ch. 164, § 10-66aa(1).
- ⁴ Conn. Gen. Statutes ch. 164, § 10-66bb(i).
- ⁵ Conn. Gen. Statutes ch. 164, § 10-66ee(a).
- ⁶ Conn. Gen. Statutes ch. 172, § 10-262h.
- ⁷ Conn. Gen. Statutes ch. 172, § 10-262j(a).
- ⁸ Conn. Gen. Statutes ch. 172, § 10-262(c).
- ⁹ Conn. Gen. Statutes ch. 172, § 10-262(a)(2).
- ¹⁰ Conn. Gen. Statutes ch. 164, § 10-66ee(d)(5).
- ¹¹ *Ibid.*
- ¹² Conn. Gen. Statutes ch. 164, § 10-66ee(b)(1).
- ¹³ Conn. Gen. Statutes ch. 164, § 10-66ee(f).
- ¹⁴ *Ibid.*