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## OLR Bill Analysis

### sHB 5002

#### **AN ACT CONCERNING EDUCATION FUNDING, SPECIAL EDUCATION AND EARLY CHILDHOOD PROGRAMS.**

#### **SUMMARY**

This bill makes changes to education funding beginning in FY 27 by:

1. annually increasing the foundation amount in the education cost sharing (ECS) formula grant using the same adjustment that applies to the state's spending cap (§ 1);
2. fully phasing in, over four years, increases in the choice grant program grants for (a) interdistrict magnet school operators and (b) regional agricultural science and technology centers ("vo-ag centers") (§ 2);
3. expanding one of the student weights for the magnet school grant to apply to all regional educational service center (RESC)-operated magnet schools rather than just the ones in the *Sheff* (greater Hartford) region (§ 2);
4. gradually phasing out tuition that may be charged by magnet schools and vo-ag operators over four years until no tuition may be charged by FY 30 (§§ 3-6); and
5. fully phasing-in, over four years, increases in the charter school grant (§ 7).

When the choice grant increases and the tuition phase-out are taken together, the four-year phase-in of grant increases corresponds with the four-year phase-out of the program operators' ability to charge tuition to the sending towns (which is the student's town of residence that would otherwise be responsible for educating the student).

The bill also requires:

1. the State Department of Education (SDE) commissioner to consult with three specific organizations when developing special education services rates for approved private providers and expands the uses of the special education and expansion development (SEED) grant to include services provided by third-party contractors (§§ 9 & 10), and
2. child care programs funded by Early Start CT to give priority for child care spaces to those families who were previously receiving the Care 4 Kids child care subsidy but no longer meet the program's income eligibility (§ 11).

The bill also makes numerous technical and conforming changes (including in § 8).

EFFECTIVE DATE: July 1, 2026

### **§ 1 — ECS FOUNDATION INCREASE**

The bill increases the foundation amount, an important factor in determining how much ECS aid each town receives from the state, annually in line with any spending cap increase. Starting in FY 27, the foundation amount (currently \$11,525) equals the prior year's amount adjusted by the percentage increase in personal income or inflation, whichever is higher (see *Background – Spending Cap Allowable Growth*).

While ECS is the largest grant that uses the foundation, it is also used in the calculations for choice grants and charter school grants (see below). Therefore, the increase in the foundation amount will generally increase each of those grants (as long as other factors such as enrollment are constant or grow).

#### ***Background — Spending Cap Allowable Growth***

In the absence of emergency or extraordinary circumstances, the spending cap restricts the annual growth in general budget expenditures by the greater of the percentage increase in personal income or inflation.

The “increase in personal income” is the state's compound annual

growth rate in personal income over the preceding five calendar years, based on U.S. Bureau of Economic Analysis data. The “increase in inflation” is the increase in the consumer price index for all urban consumers during the preceding calendar year (all items, except food and energy), calculated on a December over December basis using U.S. Bureau of Labor Statistics data (CGS § 2-33a(b)(1) & (2)).

## **§ 2 — CHOICE GRANT INCREASES**

By law, the choice program grant gives funding to local or regional boards of education (“school boards”) that operate a magnet school (host magnet grants) or a vo-ag center (vo-ag grants). It also gives a grant to magnet schools operated by an entity that is not a school board, such as a RESC, an independent institution of higher education, or a third-party nonprofit organization the education commissioner approves (non-board of education magnet grants).

In PA 24-81, the legislature significantly changed how these grants are calculated, including by incorporating student need weightings that mirror the ECS weightings (such as students who qualify for free or reduced price meals (FRPM) or who are English language learners). Generally, the added weights increase an operator’s per student grant amount.

Currently, choice school operators do not receive the full amount of any funding increase resulting from the new grant calculation method; instead, the law entitles them to a portion of that increase. The bill increases this portion annually until the grant is fully phased-in.

All three grant types also have hold-harmless provisions, which guarantee that a program operator receives at least as much funding per student as it did for FY 24 (the year before the choice grants were started). The bill continues these hold harmless provisions going forward.

### ***Host Magnet and Vo-Ag Grants (§ 2(a), (c) & (d))***

By law, the choice program grants for the magnet schools operated by a school board (a host magnet) and for vo-ag centers are calculated similarly.

**Phase-in Grant Increases.** Under current law, a magnet operator’s or vo-ag center’s grant equals (1) the grant they would receive with the FY 24 grant method (under prior law) using enrollment for the current fiscal year and FY 24 tuition, plus (2) 42% of any increase above that amount resulting from the new grant calculation (the difference between the choice grant calculation (see below) and FY 24 revenue (FY 24 grant with current enrollment plus FY 24 tuition)).

Beginning with FY 27, the bill maintains the same method of determining the grants but increases the portion of the grant increase that an operator receives. As the percentage is increased, the grant amount for districts should rise, barring changes in other factors (such as falling enrollment). The bill has a four year phase-in of increases shown in the table below. Starting with FY 30, and all following years, the operator must receive the full choice grant.

**Table: Portion of Choice Grant Increase That Operators Receive**

<i>FY</i>	<i>Current Law</i>	<i>Bill</i>
26	42%	42%
27	42	56
28	42	70
29	42	85
30 and beyond	42	100

**Choice Grant Calculation.** Under existing law and unchanged by the bill, the grant calculation is the sum of the (1) grant amounts for out-of-district students, calculated for each sending town based on student need weightings and enrollment (the “sending town adjustment factor,” see *Background – Sending Town Adjustment Factor*) and (2) number of in-district students for the choice program multiplied by the applicable per-student grant (magnet or vo-ag). (The applicable magnet school grant is the one that applied in FY 24 when the state had an array of grants that depended upon the type of magnet school and when it was opened; the vo-ag grant amount is \$5,200.)

***Non-Board of Education Magnet Grants (§ 2(a) & (b))***

Under existing law and unchanged by the bill, a magnet school

operator that is not a board of education is entitled to a grant equal to (1) the grant amount it would receive with the FY 24 grant method using current fiscal year student enrollment and FY 24 tuition, plus (2) 42% of any increase above that amount resulting from the new grant calculation (the difference between the non-board of education grant calculation (see below) and FY 24 revenue (FY 24 grant with current enrollment plus FY 24 tuition)).

**Phase-in Grant Increases.** Beginning with FY 27, the bill maintains the same method of determining the grants but increases the portion of the grant increase that operators receive. As this increases, the grant amount for magnet school operators should rise, barring changes in other factors (such as falling enrollment). The bill’s four-year phase-in of increases for non-board of education magnet operators is the same as the one for host magnets and vo-ag centers (as shown in the table above).

**Non-Board of Education Grant Calculation.** By law, the grant is calculated by multiplying (1) the foundation (see § 1 above) by (2) a school’s total magnet school program need students.

The total magnet school program need students (1) counts full- and part-time students at the magnet schools; (2) generally uses the ECS student weights for student need (such as FRPM eligibility); and (3) includes, under current law, an additional *Sheff* region student weighting equal to 30% of the students enrolled in the magnet school (see *Background – Sheff v. O’Neill*).

The bill eliminates the specific *Sheff* region weighting after FY 26 and instead creates a new general weighting applicable to all non-board of education magnets that is not tied to a specific student or school status. Then, it reduces this new weighting for all the magnets in four increments as shown in the table below. The other aspects of total magnet school program need students are unchanged.

**Table: General Student Weighting for Non-Board of Education Magnets**

<i>Fiscal Year</i>	<i>Student Weighting %</i>
27	27.5

<i>Fiscal Year</i>	<i>Student Weighting %</i>
28	25
29	22.5
30 and all following years	20

**Background — Interdistrict Magnet Schools and Vo-Ag Centers**

By law, an inter-district magnet school (magnet school) must (1) enroll no more than 75% of its students from the same district with at least 25% coming from other districts; (2) maintain an enrollment that meets state standards for a reduced-isolation setting; (3) support racial, ethnic, and economic diversity; and (4) enroll students who are at least half time. The state’s vo-ag centers serve high school students from multiple sending towns and provide an agricultural career education in addition to the comprehensive high school education.

**Background — Sending Town Adjustment Factor**

The “sending town adjustment factor” equals:

1. the number of the town’s resident choice program students, multiplied by
2. the greater of the sending town’s (a) weighted funding amount per pupil or (b) total revenue per pupil.

The “weighted funding amount per pupil” equals (1) the foundation amount (see § 1) multiplied by a town’s total need students (student count with student weights added) for the fiscal year before the grant payment year, and then (2) divided by the number of a town’s resident students. The “total revenue per pupil” is the total revenue the operator received per pupil in FY 24. Effectively, the total revenue per pupil acts as the hold harmless per pupil amount for these grants as it is only used when the weighted funding amount per pupil would cause the operator to lose money compared to FY 24.

**Background — Sheff v. O’Neill State Supreme Court Decision**

In this decision, the Connecticut Supreme Court ruled that the state had a constitutional obligation to remedy the educational inequities in Hartford schools caused by racial and ethnic isolation (*Sheff v. O’Neill*,

238 Conn. 1 (1996)). The court ordered the state to craft a solution and the General Assembly enacted legislation to create voluntary desegregation in Hartford through magnet schools and other programs, such as Open Choice.

The “*Sheff* region” includes the school districts for the towns of Avon, Bloomfield, Canton, East Granby, East Hartford, East Windsor, Ellington, Farmington, Glastonbury, Granby, Hartford, Manchester, Newington, Rocky Hill, Simsbury, South Windsor, Suffield, Vernon, West Hartford, Wethersfield, Windsor, and Windsor Locks.

### **§ 3-6 — MAGNET SCHOOL AND VO-AG TUITION PHASE OUT**

The bill gradually phases out, over four years, tuition that magnet schools and vo-ag operators can charge a sending school district until tuition is prohibited starting in FY 30 (with certain exceptions beginning in FY 31).

Current law caps the allowable tuition for vo-ag centers and magnet school operators at 58% of the amount they charged in FY 24. This applies to magnet school programs run by boards of education, RESCs, Goodwin University Magnets, or any other operator recognized in statute. Current law applies the same cap to the tuition that these operators can charge parents for their preschool programs.

The bill phases out the authority to charge tuition to a sending district by capping tuition at an increasingly lower level in the following steps:

1. 44% for FY 27,
2. 30% for FY 28,
3. 15% for FY 29, and
4. prohibits charging tuition in FY 30 and all following years.

#### ***Exception to Ban on Tuition in FY 31 and Following Years***

Beginning in FY 31, the bill allows an exception to the tuition prohibition for certain magnets if the state fails to adjust the choice grant foundation amount in line with the increase in the spending cap. This

applies to operators including RESCs, Goodwin University Magnet Schools, independent institutions of higher education, and third-party nonprofit organizations the education commissioner approves (but not to host magnets or preschool magnet programs).

Under the bill, if the operator charges as the bill allows, it cannot be higher than the additional amount the operator would have received if the grant foundation was adjusted. (The bill does not indicate who informs the operator that the grant foundation had not been adjusted or when this notification would happen.)

## **§ 7 — CHARTER SCHOOLS**

The bill creates a four-year phase-in of increases for the per-student state charter school grant. (State law allows both state and local charter schools; local charters are part of the local school district and receive funding as would any other school in that district.)

Under current law, the grant for each student is the foundation (see § 1) plus 56.7% of the charter grant adjustment (which effectively increases the foundation amount based on student need, see below). The bill increases the grant over a four-year period by increasing the portion of the charter grant adjustment the authority receives to:

1. 67% for FY 27,
2. 78% for FY 28,
3. 89% for FY 29, and
4. fully funded (the foundation multiplied by the total charter need students) for FY 30 and the following years.

### ***Charter Grant Adjustment and Related Definitions***

By law the “charter grant adjustment” is the absolute value of the difference between the (1) foundation and (2) charter full weighted funding per student under the state charter school’s governing authority for that school year. The “charter full weighted funding per student” is calculated by (1) multiplying the total charter need students

and the foundation, and then (2) dividing that amount by the number of enrolled students for that school year under the charter school's governing authority.

By law, the number of "total charter need students" is the number of enrolled students at the charter schools adjusted based on the student weights under ECS and the magnet school grants (such as eligibility for FRPM and English language learner status).

## **§§ 9 & 10 — SPECIAL EDUCATION**

### ***Private Special Education Provider Rates (§ 9)***

By law, SDE must develop proposed rates for special education services (excluding transportation) for all approved private providers of special education services by December 31, 2027. Under current law, the commissioner must consult with approved nonprofit and for-profit private providers of special education services when developing the rates. The bill additionally requires her to consult with (1) ConnCASE (Connecticut Council of Administrators of Special Education); (2) the Connecticut Association of Private Special Education Facilities; and (3) the Children's League of Connecticut, along with other providers the commissioner deems necessary.

As required under existing law, the commissioner must submit the rates to the General Assembly the following January for approval.

### ***Special Education Grant Uses (§ 10)***

The bill expands the allowable uses of special education and expansion development (SEED) grants to include paying for special education and related services provided by a third-party contractor. It does so by eliminating the provision in current law explicitly excluding this use, but it retains existing law's exclusions for administrative functions or operating expenses related to special education and related services.

By law, the grant can also be used for:

1. directly providing special education and related services to students;

2. Tier 2 interventions (targeted interventions for students who need help but usually have not been identified as needing special education), and academic or behavioral interventions;
3. hiring and salaries for special education teachers, paraeducators, and behavioral and reading specialists who work directly with students;
4. equipment purchases and maintenance; and
5. curriculum materials.

### **§ 11 — EARLY START CT**

The bill requires programs funded through Early Start CT to give priority for child care spaces to those families who were previously receiving the Care 4 Kids child care subsidy but no longer meet the program's income eligibility requirements. Under existing law, unchanged by the bill, at least 60% of children enrolled in an Early Start CT funded program must be from families at or below 75% of the state median income (SMI).

By law, the Office of Early Childhood commissioner must set the family income limit for Care 4 Kids eligibility at between 50% of the SMI and the maximum federal law allows, which is 85% of SMI (it is currently set it at 60%). Care 4 Kids is a state and federally funded program that gives a child care subsidy to income-qualified families with a parent or caregiver who is either working or engaged in an approved job training or educational program such as the Department of Labor's Jobs First Program.

### **BACKGROUND**

#### ***Related Bill***

sSB 7, favorably reported by the Education Committee, also increases the foundation amount in the ECS and related grants.

**COMMITTEE ACTION**

Education Committee

Joint Favorable Substitute

Yea 45 Nay 0 (03/16/2026)