

OFFICE OF FISCAL ANALYSIS

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sHB-5002

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

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Education, Dept.	GF - Cost	71.8 million	217.1 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 27 \$	FY 28 \$
Various Local and Regional School Districts	Revenue Gain/Savings	See Below	See Below
Various Municipalities	Revenue Gain	See Below	See Below

Explanation

The bill makes substantial changes to education funding which result in significant ongoing costs to the State Department of Education (SDE), a savings to most towns, and a net revenue increase to all impacted choice school operators, beginning in FY 27, as described below. The funding changes include annually increasing the Education Cost Sharing (ECS) foundation amount according to inflation beginning in FY 27 (which also applies to certain choice grants), phasing in various choice school grants to full funding over four years, and, correspondingly, eliminating tuition charged by such operators.

The bill also expands the permitted uses of the Special Education and Expansion Development (SEED) grant and makes changes to Early Start

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Sections 1 - 7 result in a net cost to SDE of approximately \$71.8 million in FY 27 and \$217.1 million in FY 28, with costs continuing to rise in the out years. The actual cost will vary based on enrollment, student demographics, and other annually updated data. The estimated cost to the General Fund in FY 27 through FY 30 by program is shown below.

**Estimated Cost to the General Fund in FY 27 - FY 30,
sHB 5002 by Program (In Millions)**

Program	FY 27	FY 28	FY 29	FY 30
ECS	23.7	119.4	240.3	364.2
RESC Magnets	25.7	49.8	78.1	108.1
BOE Magnets	8.3	18.5	31.6	46.4
Charter Schools	12.4	25.6	39.8	53.8
Vocational Agriculture	3.2	6.9	11.2	16.0
SDE Tuition Savings	(1.6)	(3.1)	(4.8)	(6.4)
TOTAL	71.8	217.1	396.2	582.1

Notes:

Estimates use FY 25 data, except for ECS which uses FY 26 data. The BOE magnets and Vo Ag estimates use the ECS data for sending towns from FY 25.

Estimates include the impact of magnet seat increases (for RESC and BOE magnets) as anticipated by SDE in October 2025.

SDE Tuition Savings are based on FY 25 tuition assistance payments.

The charter school and ECS grant increases are equivalent to the net gains to towns and operators. The grant increases to magnet and Vo Ag operators are partially offset by the phase-out of tuition. Exact impacts will vary among operators due to the grant structures and annual data updates. The bill has a net positive impact to all operators of the affected programs in FY 27. Net revenue impacts by program are shown in the table below.

**Estimated Total Revenue
Impacts to Program Operators,
FY 27 (In Millions)**

Program	FY 27 Net Impact
ECS	23.7
RESC Magnets	13.6
BOE Magnets	7.8
Charter Schools	12.4
Vocational Agriculture	1.4
TOTAL	58.9

Note: The table includes the impacts of both the change in the state grant and any tuition impacts for operators.

ECS foundation amount. The bill requires the ECS foundation amount, currently \$11,525, to increase annually beginning in FY 27, in line with inflation (as calculated for the spending cap).¹ In FY 27, 49 towns benefit from this change, and in FY 28, 159 towns benefit.

Because the ECS foundation amount is tied to multiple other grants, increasing the foundation results in a cost to SDE and a corresponding revenue gain to towns and choice school operators through: (1) the ECS grant; (2) magnet school grants; (3) vocational agriculture (Vo Ag) grants; and (4) charter school grants.

The SEED grant is also tied to the ECS foundation amount. However, as the grant is reduced proportionally within available appropriations, increasing the foundation does not change the grant distribution.

Choice school formula grants phase-in and tuition phase-out. In recent years, the grants for charter schools, magnet schools, and Vo Ag have been overhauled to replace flat per-student grants with partially need based formulas. The new formulas' phase-in levels have remained unchanged since FY 25 and will remain unchanged in future fiscal years

¹ Pursuant to CGS Sec. 2-33a, the percentage increase in personal income or the percentage increase in inflation, whichever is greater.

under current law. The bill establishes a four-year phase-in schedule for the existing charter, magnet, and Vo Ag grant structures to reach full funding in FY 30. The schedule results in net revenue increases to these operators.

The bill also gradually eliminates tuition to Vo Ag and magnet school operators through a four-year phase-out.² This results in an annual savings beginning in FY 27 to: (1) towns that pay tuition to Vo Ag operators and to magnet school operators that charge tuition, which is most towns (155 of 169); and (2) parents who pay tuition for preschool programs offered by certain magnet school operators. The savings to sending towns from the tuition cap are anticipated to be approximately \$13.4 million in FY 27. The savings increase annually until reaching approximately \$55.6 million in FY 30 (and annually thereafter).

The phase-out of tuition also results in an annual savings to SDE associated with decreasing, and eventually eliminating, tuition payments made on behalf of East Hartford, Manchester, and low-income families who send children to preschool programs operated by certain magnet schools.³

RESC magnet grant change. The bill alters the RESC magnet grant formula. Under current law, RESC operators in the Sheff region receive an additional student weight; the bill extends this weight to all RESC operators in FY 27 and partially phases it down from FY 27 through FY 30, when it reaches 20%. This results in a cost to SDE and a corresponding gain to the operators newly receiving the weight. Sheff region RESC operators experience decreased gains due to the weight changes; however, there is a hold harmless provision that precludes a per student revenue loss from FY 24 levels.

² Under current law, tuition is capped at 58% of FY 24 levels. The amount of tuition paid by districts varies, from nothing for certain magnet schools to approximately \$4,000 for other magnet schools and full-time Vo Ag programs.

³ In FY 25, SDE's approximate tuition payments totaled \$6.4 million as follows: (1) \$2.6 million for East Hartford; (2) \$1.4 million for Manchester; and (3) \$2.4 million for low-income families who send children to preschool programs operated by certain magnet schools.

Numerous factors. The bill's fiscal impact in FY 27 and annually thereafter is subject to changes in many factors, including: (1) enrollment, including enrollment changes related to the Sheff settlement; (2) student characteristics; (3) the number of students sent from each town to any of the affected programs; (4) new or closed schools or programs (beyond those within the Sheff settlement); and (5) inflation.

The bill's grants to BOE magnets and Vo Ag operators depend in large part on the student characteristics of the towns sending out-of-district students to the programs and the ECS foundation amount, which vary from year to year under the bill. While in a year the average change across towns is typically small, the change to the grant amount associated with students from any one town can be large (either lower or higher). Any such changes will result in different grant totals than projected above (impacting the anticipated General Fund appropriations) and affect grants to the towns, districts, or RESCs operating the programs. In FY 26, used for this estimate, the grant amounts for these students ranged from \$11,544 (students sent from New Canaan) to \$15,932 (students sent from Bridgeport). The median town grant amount for FY 26 is \$12,567.⁴

Sections 8 and 9 make conforming and procedural changes which do not result in a fiscal impact.

Section 10 expands the potential uses of the SEED grant to include special education and related services provided by a third-party contractor.

Section 11 prioritizes Early Start CT childcare slots for families transitioning out of the Care4Kids program due to exceeding income

⁴ Vo Ag and BOE magnet operators generally are not receiving these amounts in FY 26, due to the partial phase-in currently in place. These amounts represent the full funding levels, which the bill would reach in FY 30. Additionally, the grant structures in place (and continued under the bill) ensure that every year, no Vo Ag or magnet operator receives less in total revenue (tuition plus grant) funding per student than in FY 24. The hold harmless provision is not necessary for charter schools.

limits. This results in no fiscal impact as the bill does not expand the total number of program slots or increase per-slot subsidies, and the Office of Early Childhood (OEC) can implement this prioritization within existing resources.

The Out Years

The bill's projected annual net costs to the General Fund (compared to current law) in the out years are \$396.2 million in FY 29 and \$582.1 million in FY 30. Costs relative to current law will rise annually beyond FY 30 due to the inflation adjustment to the ECS foundation amount. As discussed above, the fiscal impact of the bill depends on many factors and will vary, possibly markedly, from this estimate, and year to year.