

Presentation to ECS Task Force

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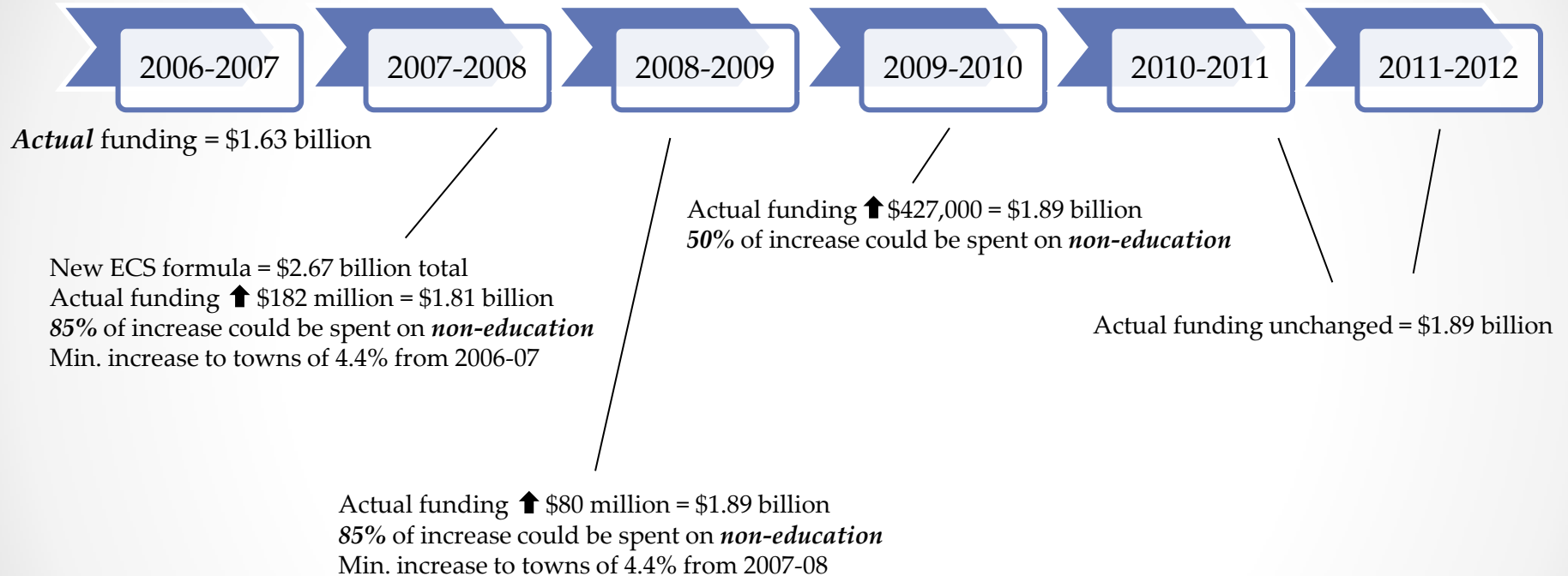
Sr. Policy Fellow

Connecticut Voices for Children

November 17th, 2011

ECS

Recent History



Sources: CT State Dept. of Education and the CT Office of Legislative Research

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Statutes Do *Not* Halt the Supplanting of Local Education Funding

Statutes currently specify what towns must ***budget*** from local funding: not what they must ***spend*** on education.

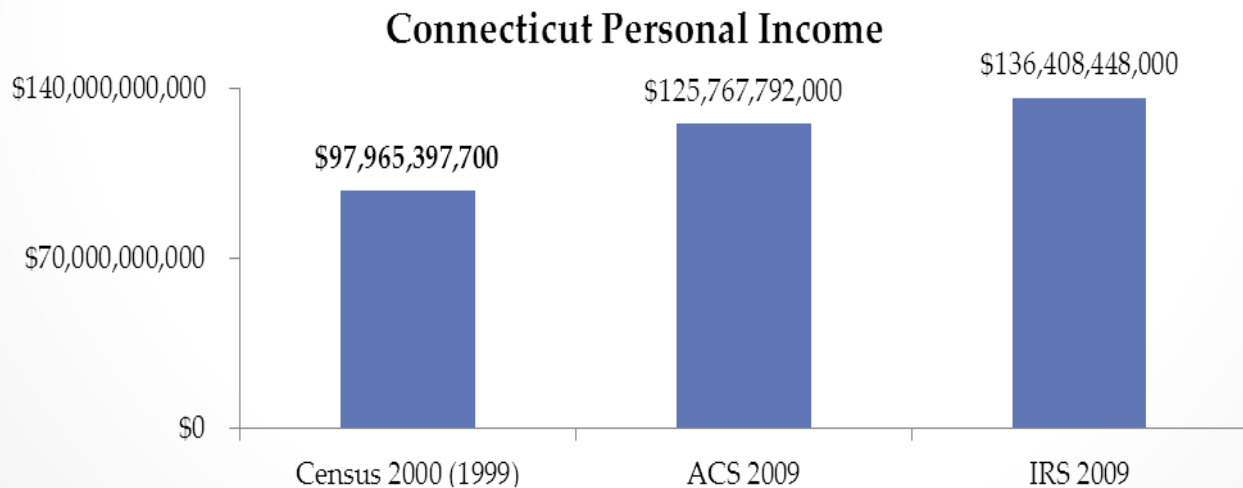
- CT General Statute 10-262i(c)
“The **budgeted** appropriation for education in any town receiving an increase in funds pursuant to this section shall be not less than the amount appropriated for education for the prior year plus such increase in funds.”
- CT General Statute 10-262i(d) a.k.a. the Minimum Budget Requirement
“For the fiscal years ending June 30, 2010, and June 30, 2011, the **budgeted** appropriation for education shall be no less than the **budgeted** appropriation for education for the fiscal year ending June 30, 2009. . .”
- OLR Backgrounder: ECS Minimum Budget Requirement for FY 12 and FY 13
“For FY 12 and FY 13, unless their enrollment has fallen (see below), most towns must **budget** the same amount for education as they **budgeted** in the previous fiscal year.”

This allows local boards of education to return ***unspent*** (but budgeted) local education dollars to the town. These returned funds (local taxes collected for education) can then be spent on non-education purposes.

Town Income Data in ECS

ECS Currently Uses Out-of-Date Income Data

- ECS uses Census 2000 (**1999 Income**): \$98 billion statewide
- American Community Survey (2009): \$126 billion statewide
- IRS (2009): \$136 billion statewide
- Income growth between 1999 and 2009 has been distributed unevenly across 169 towns
- Using more current income data would reallocate roughly **\$150 million** of the fully funded ECS total among roughly 130 towns.



Town Income Data in ECS

Alternatives for Town Income Data

- American Community Survey: \$126 billion in income statewide in 2009
 - Is based on a sample of the population which results in high margins of error
 - Kent \pm 25% for per capita income
 - The data is self-reported and not verified
 - Excludes capital gains (\$5.2 billion in 2009)
- CT State Tax Return: Federal Adjusted Gross Income (AGI) of \$132 billion in income statewide in 2009
 - Excludes roughly \$12 billion (8.3%) of income because of tax-exempt interest, non-taxable pensions/annuities, non-taxable IRA distributions, and non-taxable social security payments
 - Federal AGI has further deductions from total income of about \$416 million

Town Income Data in ECS

What Do Other States Use to Measure Income in Education Funding Formulas?

State	Personal Income	Source of Personal Income Data
CT	Y	Census 2000 (<i>1999</i> Income)
MA	Y	State Income Tax Return
ME	N	NA
NH	N	NA
NJ	Y	State Income Tax Return
NY	Y	State Income Tax Return
RI	Y	2005-2009 American Community Survey
VT	Y	State Income Tax Return

Town Income Data in ECS

Options for Town Income Data

- **Option 1: Use federal AGI from the Connecticut income tax return**
 - Pros: No changes needed to Connecticut income tax form.
 - Cons: *Excludes roughly \$12 billion* (8.3%) of income because non-taxable income is not included in federal AGI. This would lower the income measure (and therefore benefit) for towns with high concentrations of upper-income households (tax-exempt interest) and/or retirees (pensions, annuities, and social security).
- **Option 2: Use the Connecticut income tax return and recapture only *non-taxable income* that would then be added to federal AGI**
 - Pros: A better measure of personal income that includes all types of income and would *recapture about \$12 billion* from the federal tax return.
 - Cons: Requires adding a new line item to Schedule 1 of the Connecticut income tax form that would include the sum of several line items from the federal 1040 form. Does not recapture other deductions (\$416 million) reflected in federal AGI.
- **Option 3: Use the Connecticut income tax return and recapture both *non-taxable income and deductions* calculated in federal AGI**
 - Pros: The most comprehensive measure of personal income which includes all types of income. *Recaptures roughly \$12,416,000,000* from the federal tax return. Will not benefit or disadvantage particular towns due to missing income.
 - Cons: Requires adding a new line item to Schedule 1 of the Connecticut income tax form that would include the sum of several line items from the federal 1040 form.

Population Data in ECS

What Happens to Income When Dorm Residents and Prisoners are Counted in Town Population?

Town	Total Population Census 2000	Population in Dorms & Prisons in Census 2000	Census 2000 Per Capita Income	Census 2000 Per Capita Income (excl. Dorms & Prisons)
Mansfield	20,720	7,904 (38%)	\$18,094	\$26,365 (+46%)
Somers	10,417	2,291 (22%)	\$23,952	\$29,216 (+22%)
East Hampton	13,352	2,396 (18%)*	\$22,769	\$27,748 (+22%)

In current funding formulas, Mansfield's per capita income (**\$18,094**) is lower than New Britain's (**\$18,404**).

Population counts are used in formulas for two purposes:

- Total population count.
- Per capita income: As population goes up then per capita income goes down and funding increases. Including dorm and prison populations artificially lowers per capita income, which increases funding to towns with residents in dorms and/or prisons.

Excluding dorm residents and prisoners would reallocate roughly **\$20.5 million** of the fully funded ECS total among 130 towns.

* There are no dorms/prisons in East Hampton. It is an error in Census 2000.

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Current Funding is Based on Increases from 2006-07 and Out-of-Date Income Data

Town	ECS 2008-2009*				ECS 2008-2009** (corrected for income/dorms/prisons)	
	Actual ECS Funding	Percentage Increase from 2006-2007	ECS Formula Total Amount	Actual as Percentage of ECS Formula Total	Corrected ECS Formula Total Amount	Actual as Percentage of Corrected ECS Formula
Statewide	\$1,889,180,324	16%	\$2,669,696,372	71%	↓ \$2,659,502,549	71%
New Britain	\$73,929,296	15%	\$99,534,356	74%	↑ \$101,960,544	73%
Stratford	\$20,495,602	23%	\$35,442,280	58%	↑ \$38,560,828	53%
Avon	\$1,232,688	56%	\$3,159,625	39%	= \$3,159,625	39%
Glastonbury	\$6,201,152	59%	\$17,352,150	36%	↓ \$6,606,334	94%
Milford	\$10,728,519	9.0%	\$10,180,471	105%	↓ \$6,619,674	162%

* CT State Dept. of Education

** CT Voices for Children Calculations

Declining K-12 Enrollments

Projected Decline of About 91,000 in Enrollment by 2020

Where have all the children gone?

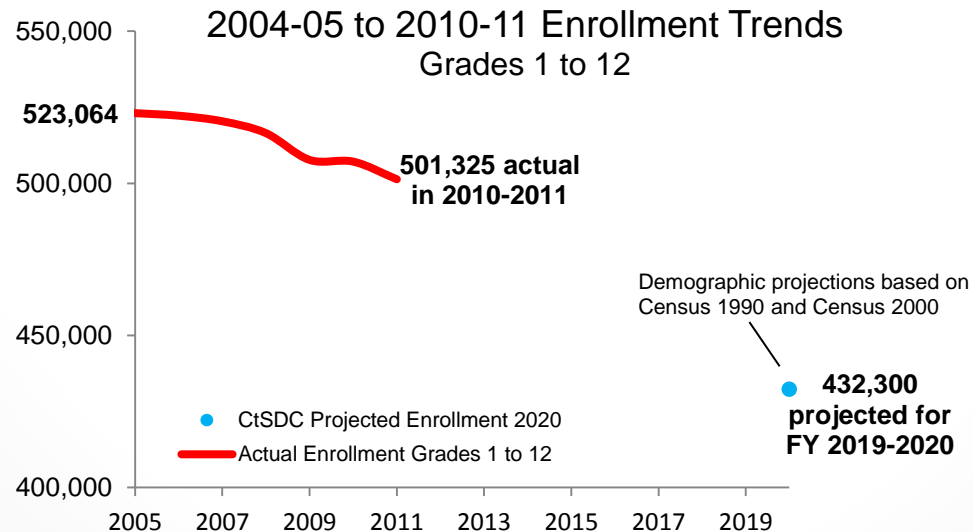
Connecticut's Public School Enrollment Projected to Shrink by 90,000

Orlando Rodriguez, Demographer and Manager of CtSDC, states:

"We have been expecting this downward enrollment trend to begin. The leading edge of Baby Boomers are approaching retirement and the trailing edge of their children have aged beyond K to 12 schooling."

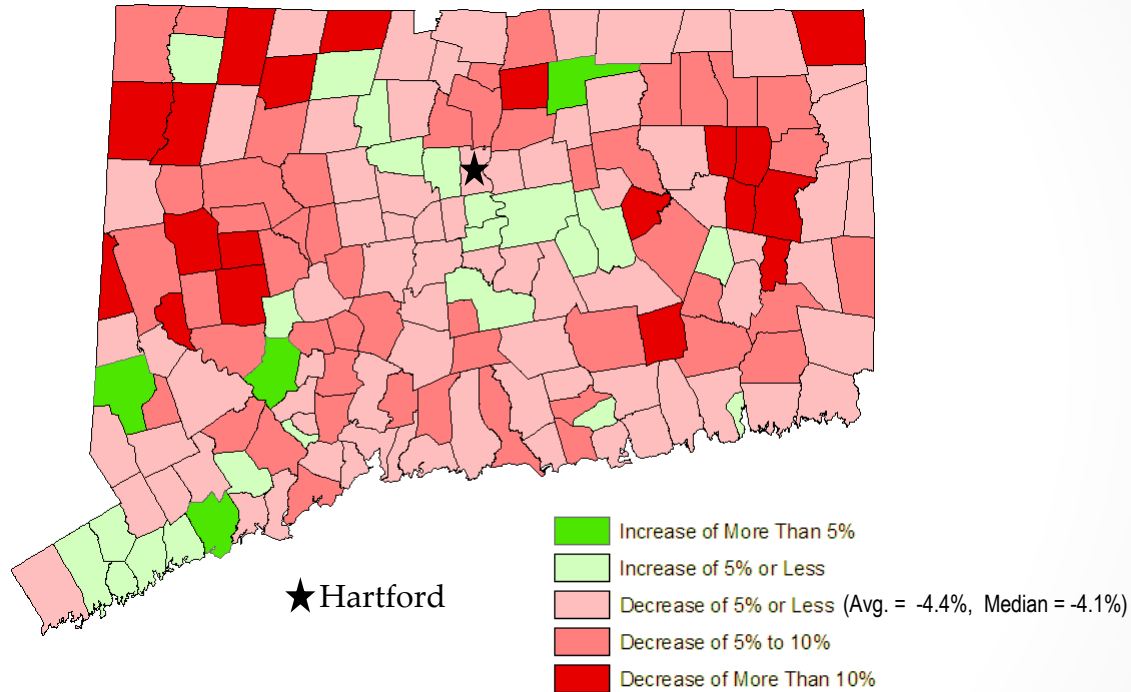
June 2008
UConn Press
Release

June 2008
UConn Press
Release



Declining K-12 Enrollments

Change in K-12 Enrollment 2006-07 to 2010-11
(based on town of residence)



- 85% (143 of 169) of towns had a net decline in K-12 enrollment between 2006-07 and 2010-11
- Largest percentage decline was in Cornwall at -16.9% from 207 to 172
- Largest percentage increase was in Fairfield at +7.4% from 9,337 to 10,031

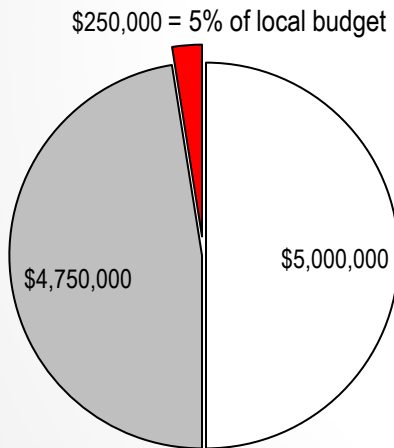
Declining K-12 Enrollments

Fiscal Consequences of Focusing on Budgets – Not Spending

Current statutes specify what towns must **budget** (*not spend*) on education. This allows towns to shift unspent local tax dollars collected for education to non-education purposes.

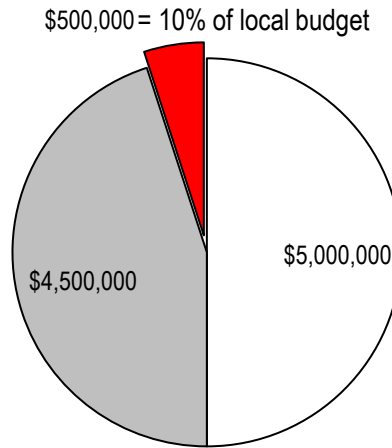
2005 Fiscal Year

Total Education Budget = \$10,000,000
Education funds to non-education = \$250,000
ECS pays **51%** of “actual” education spending
1,000 Students @ **\$9,750/student**



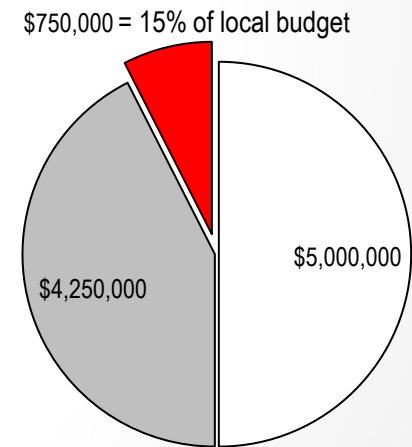
2010 Fiscal Year

Total Education Budget = \$10,000,000
Education funds to non-education = \$500,000 ↑
ECS pays **53%** of “actual” education spending ↑
975 Students @ **\$9,744/student** ↓



2015 Fiscal Year

Total Education Budget = \$10,000,000
Education funds to non-education = \$750,000 ↑
ECS pays **54%** of “actual” education spending ↑
950 Students @ **\$9,737/student** ↓



- Local tax dollars collected for education and spent on non-education
- Local tax dollars collected for education and spent on education
- ECS funding

Declining K-12 Enrollments

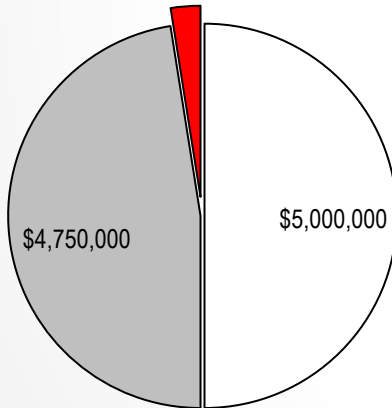
Allow Towns to Decrease Budgets and
Create Mandates on Spending – Not Budgets

By allowing towns to reduce their total education budget but maintain *“per pupil” spending* we ensure that all education dollars go to education. ECS funding should also be adjusted so that towns with declining enrollments do not benefit relative to towns with flat or increasing enrollments.

2005 Fiscal Year

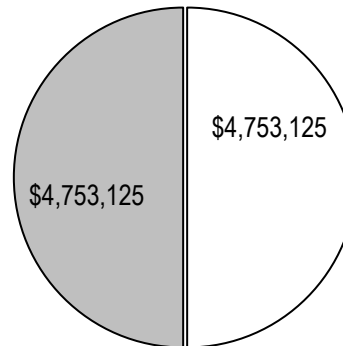
Total Education Budget = \$10,000,000
Education funds to non-education = \$250,000
ECS pays **51%** of “actual” education spending
1,000 Students @ **\$9,750/student**

\$250,000 = 5% of local budget



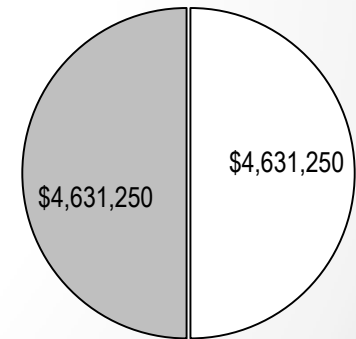
2010 Fiscal Year




Total Education Budget = \$9,506,250 ↓
Education funds to non-education = 0 ↓
ECS pays **50%** of “actual” education spending ↓
975 Students @ **\$9,750/student**



2015 Fiscal Year

Total Education Budget = \$9,262,500 ↓
Education funds to non-education = 0 ↓
ECS pays **50%** of “actual” education spending ↓
950 Students @ **\$9,750/student**



-  Local tax dollars collected for education and spent on non-education
-  Local tax dollars collected for education and spent on education
-  ECS funding

Declining K-12 Enrollments

What Could be Done with ECS Dollars Recaptured from Declining Enrollments & Local Non-Education Spending?

- Increase ECS funding to *all* towns
- Increase ECS funding to *low-income* towns
- A little of both

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Goals & Recommendations

Goal 1: Realign funding with local need as originally intended for ECS.

- **Recommendation A:** Obtain both *per capita* income and *median household* income data from the state income tax return. Update *all* state funding formulas yearly with the most recently available income data from state income tax returns.
- **Recommendation B:** Exclude populations living in dorms and prisons from both town *population counts* and calculations of town *per capita income* in *all* funding formulas.

Goal 2: Halt the supplanting of local education funds by ECS.

- **Recommendation C:** Require that all *local* education funds be *spent* on education (yearly surpluses would be carried-over to the next fiscal year).
- **Recommendation D:** Do not allow towns to reduce per-pupil spending.
- **Recommendation E:** ECS funding to towns with declining enrollments should be proportionately reduced so that towns with declining enrollments do not benefit relative to towns with flat or increasing enrollments.

Goal 3: Increase transparency of local education spending.

- **Recommendation F:** Require yearly standardized and audited reporting of all *local* education budgets.