THE CONNECTICUT POLICY INSTITUTE

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Improving the Equity and Efficiency of Connecticut's State K-12 Education Funding
– A Student-Based Funding Proposal –

EXECUTIVE SUMMARY
April 13, 2015

The Problems with Connecticut's Current K-12 Funding System:

Connecticut has one of the country's highest educational achievement gaps between high and low poverty students, and reform efforts have made little to no progress in mitigating this gap. This lack of success at least partly lies in these reforms' failure to address Connecticut's K-12 school funding system. The $3.7 billion the state spends on K-12 public education each year is distributed inefficiently and inequitably. The state's funding structure has failed to reduce the funding gap between high and low poverty districts; includes arbitrary and inefficient discrepancies in funding for similarly situated schools districts; and poorly integrates school choice into the funding system.

The fundamental failure of Connecticut's current funding formula is its focus on towns and school districts at the expense of students. In order to determine how much state aid each town receives, the current formula:

(1) multiplies $11,525 (the per-student baseline) by

(2) the number of students residing in the town, with each resident student who qualifies for the Free and Reduced Price Lunch Program (FRPL) weighted an additional 30%, and this product is

(3) multiplied by a "weighting formula" based on municipal property values.

This formula is subject to two important corollaries: the "minimum aid ratio" ensures that every school district receives at least 2% of the per-student baseline and that the 30 lowest-performing districts receive at least 10% of the baseline, and the "no-harm" clause ensures that no town receives a smaller grant in a given year than it did in the previous year, *even if the town has fewer resident students than it did in the previous year*. Because this formula is perennially underfunded, all of this is then multiplied by yet another "phase-in formula" which ultimately provides towns with a portion of what they would otherwise be due under the fully-funded formula. This direct funding is in turn complemented by a diverse set of funding schemes for Connecticut's school choice program, all of which have their own idiosyncrasies.

Unsurprisingly, this district-focused, complicated, and somewhat haphazard procedure fails to effectively mitigate the funding gap between the state's wealthy districts and its high-poverty districts (by neglecting to directly tie state funding to the wealth of school districts, see Figure 1 on the following page), which is particularly problematic since providing an adequate education to a lower-income student costs *more* than providing an adequate education to a middle-income or wealthy student; distributes equivalent sums to districts with widely divergent student need profiles; and distorts students' and schools' decisions to participate in charter school, magnet school, and Open Choice programs (by tying state funding to where a student *lives* instead of where the student *enrolls*).

Student-Based Funding as a Solution:

By refocusing its funding formula on *students*, Connecticut can ensure that all students have the education resources they need to succeed while also aligning incentives so that the state's school choice programs can fulfill their potential as drivers of improved student achievement. CPI's recommended student-based formula generates a per-student, need-based grant to be distributed to the school at which each student is enrolled by:

(1) taking an $11,000 baseline for most students (which other studies have indicated approximates the minimum cost to provide an adequate education for most students) and a $16,500 baseline for FRPL-qualifying students (to reflect what other studies have indicated are the increased costs of educating low-income students) and then

(2) multiplying these baselines by one of two state contribution percentages (10% for most students and 90% for FRPL-qualifying students).

A school's total state funding is determined by simply summing the state funding calculation for each of the students enrolled at the school; no corollaries or additional complicated formulas for school choice programs are needed; for students who enroll in schools other than their traditional local school, the local school district will pay the other district tuition no greater than the difference between the other school's per-student grant and their previous year's per-student expenditures.

In addition to being much simpler – and therefore much more politically accountable – than the current funding formula, this formula effectively aligns state funding with student need (by increasing the amount of state funding state funding as the proportion of a district's FRPL-qualifying students increases, see Figure 2 on the following page); eliminates arbitrary discrepancies between similarly situated districts (by giving towns with similar numbers of FRPL-eligible students similar state grants, see Figure 3 on the following page); and equitably distributes funds across traditional public schools and schools of choice (by allocating funding based on the number and income level of the students who enroll in each school and ignoring the type of school).
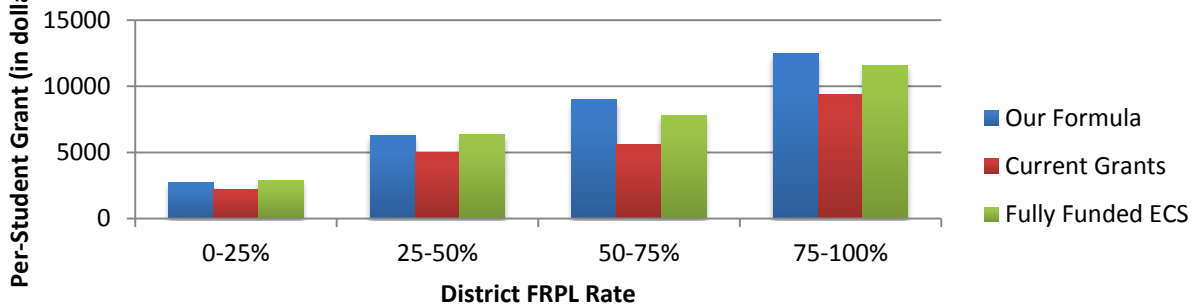
This proposed formula could be adjusted to accommodate a number of concerns, with impacts of varying magnitude. It could, for example, be adjusted to provide extra weighting for students with special needs; to provide a bonus to regional schools; to distinguish between students who qualify for free lunches and students who qualify for reduced-price lunches; or to increase or decrease the total level of state spending by increasing or decreasing the baseline numbers and/or state contribution percentages.

Figure 1: Net Expenditures per Student By District, 2013-2014

Legend:
- Wealthiest 80% of Districts
- Poorest 20% of Districts
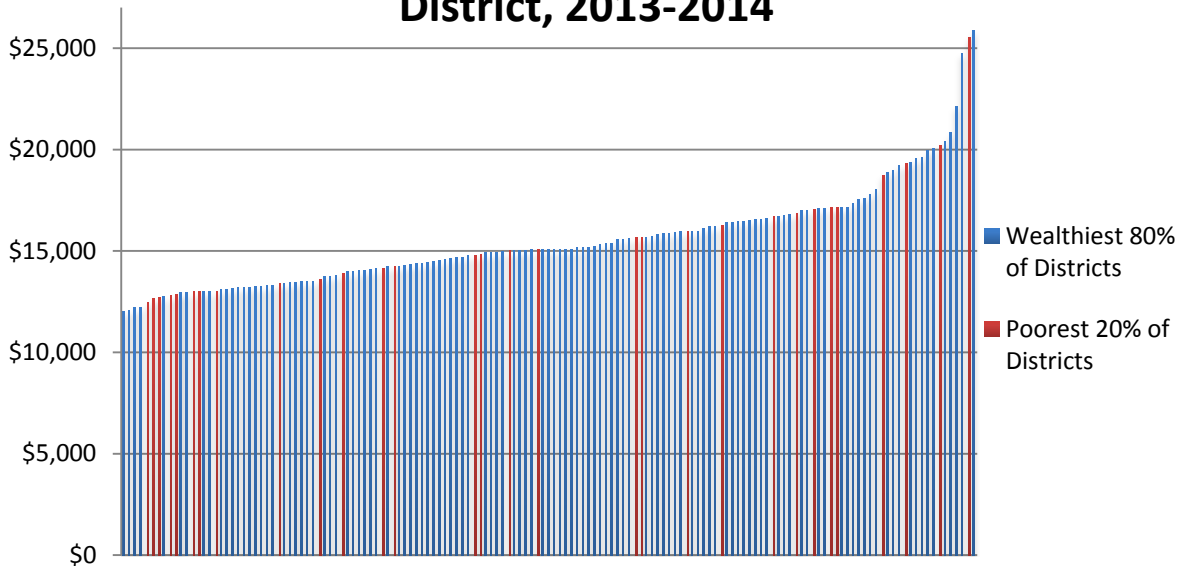
Source: CPI, Using U.S. DOE Data. Wealth Is Measured By Poverty Rate, Using Data from the US Census 2008-2012 ACS, Compiled by the Connecticut Economic Resource Center

Figure 2: Per-Student Grants by FRPL Rates

Y-axis: Per-Student Grant (in dollars)
X-axis: District FRPL Rate

Legend:
- Our Formula
- Current Grants
- Fully Funded ECS

Figure 3: How Much State Funding Each Town Receives, Arranged by Town FRPL Rate

Y-axis: Ratio of Town Grant to Average Grant
X-axis: Towns By FRPL Rate

Legend:
- Our Formula
- Current Formula
- Fully Funded ECS