

## FAQs: MINIMUM BUDGET REQUIREMENT

### What is the minimum budget requirement (MBR)?

Connecticut's MBR prohibits a municipality from budgeting less for education than it did the previous year, unless it meets specific exceptions. School districts that are in the top 10 percent of all school districts, according to the Connecticut State Department of Education's (CSDE) accountability index, are exempt from MBR requirements. However, towns whose local public school districts are Alliance Districts (the 33 lowest-performing local public school districts in the state) are not permitted to reduce educational expenditures and are not eligible for any of the MBR exceptions. As part of the biennial state budget passed in June 2019, the Connecticut General Assembly reauthorized the MBR requirements for fiscal years 2020 (2019-20 school year) and 2021 (2020-21 school year).<sup>1</sup>

### Why does Connecticut have a minimum budget requirement for towns?

In 1975, the Connecticut General Assembly created the minimum expenditure requirement, which required towns to spend a minimum amount per pupil on education based on statewide expenditures.<sup>2</sup> This requirement, now slightly altered and known as the MBR, was implemented to prevent towns from reducing their local spending on education and using state aid for education as a replacement for local funds, as well as to prevent towns from using state funds targeted for education for other purposes.

### What happens if a town fails to meet its MBR?

If a town fails to meet its MBR, the State can withhold the town's Education Cost Sharing (ECS) funds in the amount of two times the difference between the town's MBR and what the town actually budgeted for education. If this happens, the CSDE would withhold the amount of ECS funds forfeited starting in the second fiscal year immediately following when the town did not meet its MBR.<sup>3</sup> If a town that is part of a regional school district fails to meet its MBR, the amount of ECS funds withheld from that town by the CSDE is proportional to the number of resident students attending the regional school district from the town that did not meet its MBR.<sup>4</sup>

A town may increase its education budget during the year in which the forfeiture of ECS funds would occur by an amount not less than the amount of the forfeiture or "for other good cause shown." Should a town do this, the CSDE may waive the forfeiture and the additional funds expended to have the forfeiture waived would not count toward the town's future MBR.<sup>5</sup>

The biennial state budget for FYs 2020 and 2021 contains a number of exceptions to these provisions. Specifically, the bill reduces the penalty for towns the CSDE has determined have failed to meet their MBR threshold in FY 2019 to an amount equal to the MBR shortfall. The legislation also allows these towns to avoid the penalty in their FY 2021 ECS grant if the town increases its funding for education in FY 2020 in an amount equal to the FY 2019 shortfall.<sup>6</sup>

### What are exceptions to the MBR?

Below is a list of exceptions allowing a town to reduce its MBR.<sup>7</sup> It is important to note that towns in which Alliance Districts are located are not permitted to reduce their MBR and are not eligible for any of the MBR exceptions. In addition, districts in the top 10 percent of performance according to the CSDE's accountability index do not have to adhere to the MBR. New legislative provisions for FYs 2020 and 2021 are italicized.

- A town may reduce its MBR if it experiences a decrease in ECS funding from the prior fiscal year; however, the MBR reduction may not be more than the decrease in ECS funding.
- *Districts that have experienced a reduction in their resident student count may look back up to a 5-year period to calculate their decrease in resident student count. The district can decide which consecutive years, up to the last five years, they would like to include in this calculation. However, the decline in student count for a given year can only be used one time to prevent districts from counting the same student count decline twice. When calculating a MBR reduction under this exemption, the district is permitted to reduce*

its MBR by an amount equal to the net reduction in resident students multiplied by 50 percent of its net current expenditure per resident student.

- If a district does not maintain a high school and the number of students for which it pays tuition has decreased, the district's town may reduce its MBR by the difference between the number of students it paid tuition for in the previous year and the number of students it currently pays tuition for, multiplied by the cost of tuition.
- If a district realizes new and documented savings through increased efficiencies approved by the commissioner of the CSDE or through regional collaboration or cooperative arrangements, the town may reduce its MBR by half of the achieved savings, provided that amount does not exceed 0.5 percent of the district's budget. Efficiency savings include, but are not limited to, the following:
  - Reductions in contract costs not including collective bargaining agreements, transportation service efficiencies, or a cost savings in school district administration;
  - Cost savings in medical or health care benefit agreements;
  - Cooperative agreements related to administrative or central office functions;
  - Reductions in costs due to purchasing of insurance including property insurance, casualty insurance, and workers' compensation insurance;
  - Reductions in costs associated with the purchasing of payroll or accounts payable software;
  - Savings from the consolidation of information technology services; and
  - Reduction in costs associated with athletic field care and maintenance.
- The commissioner of the CSDE may allow a town to reduce its MBR by an amount determined by the commissioner if the town's school district has closed one or more schools due to declining enrollment.
- Member towns of a newly formed regional school district do not have to adhere to the MBR during the first full fiscal year following its establishment.
- Expenses that are incurred as a result of a catastrophic insurance loss can be excluded from expenditures for the purposes of calculating a district's MBR in the following year. This exemption can only be taken by a school district that is self-insured and can only be taken when the school district provides documentation that the expenses are a result of a catastrophic event by a nationally recognized catastrophic loss index provider. Please note this exemption is related to insurance coverage purchased by the district and not related to expenses incurred by educating the student population. For example, a loss incurred as a result of unusually high medical costs may be captured by this provision. A large increase in expenditures due to the student population would not.

### **How do I know what my district's MBR is?**

The biennial state budget for FYs 2020 and 2021 included a new requirement that the CSDE compile a MBR worksheet for each school district and provide the worksheet to each local and regional board of education. The CSDE is also required to post the worksheet for each school district on the department's website.<sup>8</sup>

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<sup>1</sup> Conn. Acts 19-117 § 271.

<sup>2</sup> Moran, J.D., Sullivan, M., Bourne, S., & Shepard, A. (2016). *Education Cost Sharing Grants (2016-R-0167)*. Hartford, CT: Connecticut General Assembly, Office of Fiscal Analysis and Office of Legislative Research. Retrieved from <https://www.cga.ct.gov/2016/rpt/pdf/2016-R-0167.pdf>.

<sup>3</sup> Conn. Gen. Statutes ch. 172, § 10-262i(e).

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Conn. Acts 19-117 § 288.

<sup>7</sup> Conn. Acts 19-117 § 271.

<sup>8</sup> Conn. Acts 19-117 § 250.