

## **Montville's Education Cost Sharing Grant (ECS) and Minimum Budget Requirements (MBR)**

At last Tuesday's Town Council meeting, several councilors mentioned their concerns about unknown possible expenses related to ECS and MBR when explaining why they were overruling the Mayor's veto of the 2019-2020 education budget. Below is an explanation of the issue and its relationship to the education budget for the current year and next year.

The Education Cost Sharing Grant was established as a method for redistribution of wealth across the state so that every student has an equal opportunity for success regardless of the town's ability to support education through its property taxes. The amount of funding provided to our town is based upon the number of students, the number of low income students and English learners, the town's property tax, and the median household income. Montville's 2018-2019 ECS entitlement is \$12,630,507, and our funding for next year is anticipated to increase by \$60,447 for a total of \$12,690,954.

This money is given directly to the town, and the state has developed very specific legislation to ensure that it is used only for education through its enforcement of the Minimum Budget Requirement (MBR). MBR is calculated by adding the town's previous year's education budget and any new ECS funding which the state provides to the town with allowances for some very specific exceptions. To ensure towns spend the ECS funding entirely on education, they are required to meet MBR. Failure to meet MBR results in a forfeiture of ECS grant funds in the amount equal to two times the shortfall.

Montville's MBR became complicated in November, 2017 when the state held back \$1,023,764 in ECS funding. When this occurred, the BOE and Councilors worked together to come up with a plan to manage the reduction by decreasing the BOE appropriation by one million dollars (from \$37,660,619 to \$36,660,619). When calculating our MBR for 2018-2019, there were two possible calculations depending upon whether to start with the original appropriation or the appropriation after the holdback.

At the time that our 2018-2019 budget was being developed, the state could not provide guidance on how to calculate our MBR, and the decision was made to start with the appropriation after the holdback. The Town and Board of Education received communication from the state in October that the amount which the Town had appropriated for education was \$670,367 below the minimum budget requirement. The penalty to the town for failure to allocate these funds to the 2018-2019 education budget would be a forfeiture of ECS funds in the amount of \$1,340,734 from the 2020-2021 ECS entitlement.

Initially, Montville officials worked with our state legislators to address this issue, and several bills were introduced seeking changes to legislation around MBR. The Mayor, Representatives France, Ryan, and McCarty, and Senators Formica and Osten have written letters to the Connecticut State Department of Education Chief Financial Officer, Kathy Demsey, requesting a waiver to the forfeiture. In other words, they are asking that the town not be penalized with a loss of future ECS funds for failing to appropriate an additional \$670,367 to the 2018-2019 budget.

I have spoken with Ms. Demsey several times. The state's stand is that they will not decide whether to waive the penalty until after June 30, 2019 because the town has until the end of the fiscal year to appropriate the funds to meet MBR. Ms. Demsey indicated that it is inadvisable for the Town to fail to

meet MBR because not only is the penalty a risk, but without a change in legislation the state will not waive the requirement that the town fund an additional \$670,367 to the education budget. On Friday afternoon, Finance Committee chair Wills Pike, committee member Joe Jaskiewicz, Mayor McDaniel, Board Chair Robert Mitchell, Kathy Lamoureux and I held a conference call with the Kathy Demsey. The Town will wait until the legislative session closes on June 5<sup>th</sup> to make a final decision about how to proceed.

The education appropriation which the Town Council approved for 2019-2020 of \$38,691,433 is \$300,000 above next year's estimated MBR. Starting with the 2018-2019 MBR of \$38,330,986 and adding the anticipated \$60,447 increase in state ECS funding establishes an MBR for 2019-2020 of \$38,391,433.