

For tens of thousands of Connecticut students, the 2025-26 school year marks the first time their school districts are receiving the full state funding they are owed. Local and regional public school districts in Connecticut receive funding via the Education Cost Sharing (ECS) grant and its formula, which has been funded partially over time but has gradually increased in recent years through a phase-in process.

As of the 2025-26 school year, districts deemed “underfunded” by the ECS formula will now receive their full grant amount as calculated by the formula. Since the beginning of the ECS formula’s phase-in, many school districts have experienced annual increases in their ECS grants, including those with the largest numbers of high-need students and those in communities with the least capacity to fund their public schools via local property tax dollars. While the full funding of the ECS formula represents a historic milestone for these districts and the State, it represents a different environment for state funding for some school districts.

This policy briefing identifies how reaching “full” ECS funding will alter what education funding school districts can expect from the State each year. Additionally, this briefing examines the impacts of ECS grant changes, budgeting uncertainty, future shifts in funding, and how inflation looms larger for “fully-funded” districts.

Key Takeaways

- Beginning with the 2026-27 school year, **“fully-funded” districts will no longer receive predictable increases in ECS funding**, which have been the norm throughout the grant’s phase-in process.
- Any changes in ECS grants for “fully-funded” districts will be **based solely on changes in student enrollment, student learning needs, and community wealth**.
 - “Fully-funded” districts with declining resident student enrollment may experience a reduction in their ECS grants, even if their need-student count increases.
 - “Fully-funded” districts with relatively stable student enrollment are expected to experience only minor fluctuations in their ECS grants instead of predictable increases.
 - “Fully-funded” districts experiencing increased enrollment will see their ECS grants increase.
- **“Fully-funded” districts, in particular, will feel the effects of inflation** as they set their budgets for the 2026-27 school year.¹
 - While full funding of the ECS grant was being gradually phased in, districts were able to use the predictable grant increases to cover cost increases.
 - However, as those gradual grant increases are complete and inflation persists, yearly cost increases are no longer covered and are instead potentially passed on to local property taxpayers.

History of the Education Cost Sharing (ECS) Formula^A

The ECS formula has been in place for over 35 years and been revised significantly during that time. The formula was first established in 1988 in response to a court case challenging the constitutionality of the state's school funding policy. Since then, the formula has been substantially revised to provide more equitable support to school districts.

Nonetheless, the ECS formula has seldom received adequate funding from the State due to the high cost of doing so and competing budget priorities. In 2017, after years of statutory bypasses, a new ECS formula was signed into law and took effect at the start of fiscal year 2019. To reduce the fiscal burden on the State and lessen impacts on districts deemed "overfunded," who would otherwise face decreases under the new formula, the State implemented a 10-year phase-in of the formula. This phase-in was designed to gradually increase grants to "underfunded" districts while gradually decreasing grants for "overfunded" districts.²

Since its enactment, the ECS formula has also undergone several revisions to better reflect the costs of educating students. These revisions included increasing weights for multilingual learners and concentrated poverty, lowering the eligibility threshold for the concentrated poverty weight, and adjusting the formula's regional district bonus. The formula's phase-in schedule was also accelerated for "underfunded" districts, moving "full funding" from FY 2029 to FY 2026. A hold-harmless provision for "overfunded" districts was also established that delayed gradual decreases in ECS grants and pushed the completion date of the phase-out schedule until FY 2034.³

Using Newington Public Schools, an "underfunded" district, as an example, Table 1 below shows the yearly increases the district received as the ECS formula's phase-in schedule was taking place from FY 2019 to FY 2026.

Table 1: Newington ECS Grant Phase-in

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 ^B	FY 2024	FY 2025	FY 2026
ECS Grant Change	\$1,864,983	\$341,563	\$338,718	\$358,849	\$304,417	\$875,503	\$1,408,521	\$169,447

^A For more information on the history of the ECS grant, please see:

School and State Finance Project. (2025). *History of School Finance in Connecticut*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/History%20of%20School%20Finance%20in%20Connecticut.pdf>.

^B Prior to FY 2023, "underfunded" districts were provided, each year of the phase-in, 10.66% of the difference between their "fully-funded" grant amount and their prior year grant amount. However, this methodology would have resulted in some towns receiving a grant amount that exceeded their "fully-funded" amount in the final year of the phase-in. To account for this, the methodology for the phase-in was modified, resulting in different phase-in percentages for FY 2023 and beyond.

Impact of Inflation on ECS Funding^{4,5}

Before delving into the implications for districts and communities of ECS being “fully funded,” it is important to note there is a fundamental misalignment between how the ECS formula calculates student education costs and the actual cost of educating students. The formula uses a foundation amount that has remained stagnant since its enactment in FY 2014. Since that time, there has been no adjustment to account for the increasing expenditures districts may face due to inflation.

A case study of over 10 district superintendents and chief financial officers found inflation has had a direct impact on school and district-level budgets. Districts have seen rising costs for transportation, utilities, special education outplacements, and salary and benefits for faculty and staff. These costs have resulted in hiring freezes, reductions in specialized staff (e.g., speech therapists, paraprofessionals, and tutors), and reductions in course offerings, including Advanced Placement (AP), International Baccalaureate (IB), early college experience, and gifted and talented programs.^c

If the ECS formula’s foundation amount had kept pace with inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U) from July 2013 to July 2025, the current foundation amount would be \$15,938 per student.⁶ This would have provided 141 of Connecticut’s 169 school districts with higher grant allocations than they receive under current law, with some districts receiving as much as \$80 million more than their current allocations.

Implications of Full ECS Funding for Districts

The “full funding” of the ECS grant marks a historic milestone in state education funding, as it is the first time all districts in Connecticut will receive at least the amount mandated by the formula. The “full funding” of ECS has provided historically “underfunded” districts with increased financial support during the formula’s phase-in period, which resulted in substantial increases in the State’s contribution to education funding and improved the ability of districts to serve their students.

Now that the ECS formula is “fully funded,” many districts are facing varying year-over-year changes in their student populations, which directly affect their ECS grant amounts more significantly than in prior years. This section explores the implications of a “fully-funded” ECS on school budgets across various student enrollment scenarios. All hypothetical examples provided in this section are based on Newington Public Schools, which has received grant increases through the ECS phase-in over the past several years. Throughout this section, the scenarios are based on two constants: Newington is not designated as an Alliance District and its Base Aid Ratio has had little to no change.

^c For more information and findings from the case study, please see: School and State Finance Project. (2025). *Insights from District Leaders: How Rising Costs are Impacting Students & Teachers*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Impacts%20of%20Inflation%20-%20District%20Case%20Study.pdf>.

Implications for Districts with Declining Resident Student Enrollment

- School districts that are now “fully funded” but experiencing declining resident student enrollment may receive a reduction in their ECS grants once the phase-out schedule of the ECS formula resumes in FY 2028.
 - **Example:** If Newington’s resident student count fell by 500 students, with no drastic change to its need-student count, it will see a decrease in its ECS grant once the phase-out schedule for “overfunded” districts resumes in FY 2028 (as shown in Table 2 below).
- This potential funding decrease may occur even if the needs of Newington’s students increase.

Table 2: Impact of Losing 500 Students vs. Current Enrollment, Newington ECS Grant^D

Fiscal Year	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Impact to ECS Grant	\$0	-\$311,904	-\$623,761	-\$935,544	-\$1,247,326

Implications for Districts with Flat Enrollment

- “Fully funded” districts with minor changes to their resident or need-student counts may see reductions to their ECS grants when the phase-out schedule resumes in FY 2028.
 - **Example:** If Newington sees no change in its resident student enrollment, need-student enrollment, or Base Aid Ratio after the ECS formula is “fully funded,” its ECS grant would not change, even as inflation raises costs.
- A slight change in resident student counts could make some districts, previously “underfunded,” considered to be “overfunded” despite rising need-student counts.

Implications for Districts with Increasing Student Enrollment

- “Fully funded” districts that have increasing enrollment will see increases in their ECS grant amount, even if their student needs and community wealth are constant.
 - **Example:** If Newington experiences a 500-student increase in its resident student count, it will receive an approximately \$2.18 million increase in its ECS grant allocation in FY 2027.

^D Estimated impacts assume resident student counts decline by 500 students, but the percentages of students eligible for free or reduced-price lunch and students who are multilingual learners remain consistent. Additionally, estimates assume no changes to community wealth or the ECS formula’s phase-out.

Recommendations

As Connecticut continues to develop an equity-focused education funding formula, it will be important to review and adjust it to help the State achieve its goal of preparing all students to be college- and career-ready by providing a high-quality, public education regardless of a student's background or zip code. To achieve this mission, we recommend the State annually adjust the foundation amount of the ECS formula to account for inflation.

Due to rising costs and no foundation adjustment since 2013, the current ECS formula risks underfunding schools as the State's main education funding source fails to keep pace with inflation and the actual cost of educating students. Districts across the state are facing approximately 39% higher costs due to inflation. This is primarily due to rising transportation and utility costs, higher faculty and staff wages, and higher health insurance costs for staff.

To meet the demands of rising inflation, both districts and schools have had to freeze hiring, lay off staff, eliminate school enrichment programs, reduce course offerings, and consolidate bus routes.⁷ Connecticut should incorporate an inflation adjustment into the ECS foundation amount to assist districts in handling increasing costs and ensuring they can deliver the a highest-quality, equitable education to all students.⁸

Endnotes

¹ School and State Finance Project. (2025). *Adjusting the ECS Formula for Inflation*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Adjusting%20the%20ECS%20Formula%20for%20Inflation.pdf>.

² School and State Finance Project. (2025). *History of School Finance in Connecticut*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/History%20of%20School%20Finance%20in%20Connecticut.pdf>.

³ Ibid.

⁴ School and State Finance Project. (2025). *Adjusting the ECS Formula for Inflation*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Adjusting%20the%20ECS%20Formula%20for%20Inflation.pdf>.

⁵ Ibid.

⁶ U.S. Bureau of Labor Statistics. (n.d.). CPI Inflation Calculator. Retrieved from https://www.bls.gov/data/inflation_calculator.htm.

⁷ School and State Finance Project. (2025). *Adjusting the ECS Formula for Inflation*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Adjusting%20the%20ECS%20Formula%20for%20Inflation.pdf>.

⁸ Ibid.