SCHOOL + STATE FINANCE PROJECT

FAQs: Impact of Property Revaluation on the Education Cost Sharing (ECS) Grant

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In Connecticut, the Education Cost Sharing (ECS) grant is the primary mechanism the state uses to fund elementary and secondary education — allocating approximately $2.46 billion annually to local and regional school districts. ECS grants are calculated annually using updated data for each district's enrollment, student learning needs, and community wealth.[1] One component of the ECS formula that varies year to year is the Base Aid Ratio, which is the primary focus of this frequently asked questions (FAQ) document.

The ECS formula's Base Aid Ratio determines a municipality's ability to fund its public schools. The Base Aid Ratio uses the combination of a property wealth factor and an income wealth factor to calculate each community's ability to financially support its public schools with the towns with the least ability to fund their public schools receiving more ECS funding. The Base Aid Ratio is calculated in part based on the assessed value of taxable property in each town.

In recent years, house prices and residential property values have surged, with the median home price skyrocketing from $289,000 in 2020 to $418,000 in 2025 — a 45% increase nationwide.[2] Connecticut, which saw a bit of a cool down initially, has been experiencing steeper increases in home values. Housing prices in the state have risen 67.3% over the past five years, creating large year-over-year swings in assessed property values.[3] These fluctuations have affected the property wealth component of the Base Aid Ratio for municipalities. While historically small fluctuations in property value between revaluation and non-revaluation years did not significantly impact ECS grants, recent property value increases have contributed to volatility in the "fully funded" ECS grant amounts for towns.

This FAQ dives into this complex issue, providing high-level answers to questions about the property revaluation process and its relationship to the ECS formula. It also identifies key terms, explains how revaluation impacts the calculation of a town's ECS grant, addresses current issues with the revaluation processes, and proposes potential solutions.

Key Terms

Before examining Connecticut's property revaluation process and its relationship to the ECS formula, it's essential to understand some key terms.

- **Education Cost Sharing (ECS) Formula:** The main method used by the State of Connecticut to distribute state education funding to local and regional school districts.[4,A]

- **Base Aid Ratio:** The variable used in the ECS formula that determines a municipality's capacity to financially support its public schools, using a combination of a local

[A] For more information on the ECS formula, please visit https://schoolstatefinance.org/issues/ecs-formula.

property wealth factor and an income wealth factor. It serves as an equity measure to distribute state education funding through the ECS formula.[5,B]

  - **Property Wealth Factor:** Accounts for 70% of a town's Base Aid Ratio and is determined by using the municipality's Equalized Net Grand per Capita (ENGLPC), compared to the state median town ENGLPC.[6,C]

  - **Income Wealth Factor:** Accounts for 30% of a town's Base Aid Ratio and is determined using a town's Median Household Income (MHI), compared to the state median MHI.[7,D]

- **Public Investment Communities (PIC) Index Bonus:** The PIC index is a metric compiled by Connecticut's Office of Policy and Management that measures the relative wealth and need of municipalities. The 19 municipalities with the highest PIC index scores receive a bonus of 3 to 6 percentage points added to their Base Aid Ratio, thereby increasing ECS funding to those municipalities.[8,E]

- **Net Grand List (NGL):** The total assessed value of all taxable property in a town after subtracting any exemptions permitted by state law.[9]

- **Assessment Ratio:** The difference between what a property is assessed at, and its full market value. This helps give a clearer picture of how property values are determined.[10]

- **Equalized Net Grand List (ENGL):** The estimate of the market value of all taxable property in a municipality. It's calculated by adjusting a municipality's NGL using the assessment ratio, providing a clearer picture of property values for local planning and budgeting.[11]

- **Equalized Net Grand List Per Capita (ENGLPC):** The measure of a municipality's taxable property divided by its residents, reflecting its capacity to generate local property tax revenue while accounting for the size (population) of the municipality.[12,F]

What is a Property Revaluation?

Property revaluation is a state-mandated process municipalities use to ensure all taxable real estate reflects current fair market values, thereby allowing municipalities to set property tax rates and distribute the local tax burden. While municipalities assess all property annually by October 1, revaluations are a large-scale assessment of all taxable real estate.[13] Connecticut's municipalities must conduct revaluations every five years

[B] For more information on the Base Aid Ratio, please visit https://schoolstatefinance.org/issues/ecs-formula.
[C] For more information on the Base Aid Ratio's property wealth factor, please visit https://schoolstatefinance.org/issues/ecs-formula.
[D] For more information on the Base Aid Ratio's income wealth factor, please visit https://schoolstatefinance.org/issues/ecs-formula.
[E] For more information on the PIC index, please visit https://schoolstatefinance.org/issues/ecs-formula.
[F] For more information on the ENGLPC visit, https://schoolstatefinance.org/issues/property-taxes.

and physical inspections every 10 years, with revaluations staggered so not all towns conduct revaluations in the same year. During non-physical revaluations, other statistical means, such as prior-year assessments adjusted for improvements made since October 1 of the prior year, and keeping the assessment at 70% of fair market value, can be used.[14,15]

How Do Property Revaluations Work?

During revaluations, by state law, assessors may use one or more of three accepted methods to assign a fair market value to property in a municipality. Those methods are:

1. **Cost Approach:** A value is derived for a property based on the cost to construct a reproduction or replacement of the existing structure, with adjustments for the value of the land on which the building is located and for fees and incentives.
2. **Market Approach:** A value is derived for a property by comparing market information for similar properties with the property being appraised, with adjustments based on relevant, market-identified elements of comparison.
3. **Income Approach:** A value is derived for an income-producing property by converting anticipated benefits into a property value.[16]

Municipalities generally employ a combination of all three methods, depending on the contractor conducting the revaluation. The chosen method matters because in years without revaluations, the State relies solely on sales data to estimate the full market value of properties within municipalities.[17] This methodological difference can lead to two different values for the same property from one year to the next, especially for municipalities that lean more on a cost approach during revaluations or where market values are rising quickly.

What is the ECS Formula's Base Aid Ratio[18]

The Base Aid Ratio is intended to determine a municipality's ability to fund its local public schools and is used to calculate how much education funding the State provides to each municipality. The Base Aid Ratio consists of two elements: a property wealth factor, which accounts for 70%, and an income wealth factor, which accounts for 30%. Property revaluation impacts a town's Base Aid Ratio and, in any given year, fluctuations in assessed property values can affect a town's ability to fund its local public schools.

The property wealth factor consists of the following:

1. Three-year average ENGL calculated for each town
2. ENGLPC (average ENGL divided by municipal population)
3. Median ENGLPC multiplied by 1.35 to find the property wealth threshold
    a. Municipalities that have an ENGLPC below the threshold are perceived to have less wealth and therefore gain state support.
4. The municipality's ENGLPC is divided by the property wealth threshold to determine the property wealth adjustment factor

Why Does Property Revaluation Matter for the ECS Grant?

The ECS formula uses municipal property value, as measured by ENGL, as a component in calculating the Base Aid Ratio.[19] The ENGL represents the "fair market value" of taxable property in a municipality.[20] ENGL is a value calculated by the State using assessed property values and a ratio of assessment to create a comparative measure of property wealth across municipalities despite differing revaluation schedules and methods.

Why Do These Fluctuations Occur and Why Does it Matter?

The fluctuations occur due to how the State calculates ENGL, which varies depending on whether a municipality has undergone a revaluation. Table 1 on the following page outlines an example of how this issue bears out through the two methods the State uses to calculate ENGL.

Revaluation Year: The State uses a 70% assessment ratio, representing the percentage of fair market value municipalities are legally allowed to levy taxes on.

Non-Revaluation Years: The State calculates the assessment ratio using sales data from the previous year. This calculation is done by dividing a property's assessed value by the price at which it sold.

> ***Example:*** If a property has an assessed value of $200,000 but is sold for $400,000, the assessment ratio is 50%. This is done for all properties that sold in a given year in the municipality and the average assessment ratio is then used to calculate ENGL.

How a municipality's ENGL is calculated can result in significant year-to-year variations in ENGL amounts. This is particularly true in municipalities experiencing rapid changes in home values and/or who carry out revaluations based less on a market approach.

> ***Example:*** In 2021, the town of Trumbull conducted its revaluation. This led to a significant decrease in the town's ENGL compared to the previous year when the town's ENGL was based on sales data from that year. This occurred despite an increase in the town's assessed value. The following year, when the State resumed calculating ENGL using sales data, the town's ENGL rose above its pre-revaluation level while the town's assessed value only increased modestly. Table 1 on the following page shows the town's ENGL and assessed values for 2020-2022, with the revaluation year highlighted in blue.

Table 1: Trumbull Equalized Net Grand List (ENGL) 2020-2022

Year	ENGL[G]	Ratio of Assessment Methodology	Net Assessed Value[H]	First Fiscal Year in ECS Formula
2017	$6.82 billion	Sales Data	$4.65 billion	FY 2021
2018	$7.07 billion	Sales Data	$4.69 billion	FY 2022
2019	$7.23 billion	Sales Data	$4.69 billion	FY 2023
2020	$8.29 billion	Sales Data	$4.69 billion	FY 2024
2021*	**$7.53 billion**	**70% Ratio**	**$5.27 billion**	**FY 2025**
2022	$9.72 billion	Sales Data	$5.31 billion	FY 2026
2023	$10.12 billion	Sales Data	$5.31 billion	FY 2027

***Revaluation Year**

These fluctuations in ENGL can result in significant year-to-year variations in the ENGL used in the ECS formula, even with a 3-year average. For districts, this can mean significant differences in their ECS grant amounts in the years before, during, and after a revaluation that do not reflect the municipality's actual capacity to pay for education.

> ***Example:*** In FY 2024, Trumbull's ECS grant was calculated using three years of ENGL data from the three years prior to the town's revaluation (grand list years 2018, 2019, and 2020). In the following fiscal year (FY 2025), ENGL data from the town's revaluation was used for the first time to calculate the town's Base Aid Ratio — resulting in the town appearing less wealthy than the previous year. Consequently, the town's "fully funded" ECS grant amount increased by $2.8 million (196.6%) despite minimal changes in student needs and higher assessed property values. This increase in assessed value allowed the town to decide between increasing property tax revenue for the municipality or reducing residents' property tax burden by lowering the town's mill rate without impacting available revenue. However, the ECS formula still considered it less wealthy, highlighting a mismatch between municipal ability to fund education and state aid.
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> In FY 2026, when the State added the new, higher ENGL calculation based on sales data, Trumbull's "fully funded" ECS grant decreased by $919,759, despite slightly higher student need and minimal changes in assessed property values. This is a problem because the town's fiscal capacity didn't change, but in the ECS formula, it appeared wealthier. This shows a mismatch between municipal wealth

[G] These figures are the amounts used in the calculation of the ECS formula's Base Aid Ratio.
[H] This is the value a municipality is able to tax.

and the ECS formula's Base Aid Ratio. Table 2 below shows the town's ECS grant changes from FY 2024 to FY 2026.

Table 2: Trumbull ECS Grant Changes, FY 2024-2026

Fiscal Year	Grand List Years	Base Aid Ratio	Fully Funded ECS Grant	Actual ECS Grant
FY 2024	2018/2019/2020	1.75%	$1.5 million	$2.3 million
FY 2025	2019/2020/**2021***	5.13%	$4.3 million	$3.4 million
FY 2026	2020/**2021***/2022	3.99%	$3.3 million	$3.4 million

***Revaluation Year**

How Can Issues Caused by the Revaluation Process be Resolved?

The current property revaluation process, and the incorporation of that data into the ECS formula calculation, creates significant grant fluctuations (as shown above) hindering the ability for municipalities to effectively budget for the provision of education services. To moderate the impact of this issue and create future stability in ECS grant allocations, the State should consider the below policy changes to the ECS formula.

- **Calculate the ENGL for municipalities using the same formula, regardless of revaluations.** One way to do this would be to use the previous year's sales data to determine the "full market value" instead of assuming a 70% assessment ratio. This method will create more comparable values across municipalities given different revaluation schedules, and reduce fluctuations caused by different valuation methods used during revaluation.

- **Calculate municipal wealth based on its capacity to fund education rather than comparative metrics**. Currently, a municipality's Base Aid Ratio reflects relative wealth, rather than the town's ability to fund its local public schools, as municipal property and income wealth are compared to the state's median town wealth. Therefore, broad decreases in municipal wealth may not result in additional state funding for education, and likewise broad increases in municipal wealth may not reduce the State's funding responsibility. For example, states like Massachusetts estimate revenue from taxes and support based on the gap between that and education costs.

Endnotes

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[18] Ibid.
[19] Ibid.
[20] Ibid.