

## **Section I: Introduction**

The State of Connecticut Office of Policy and Management and Department of Education are requesting a waiver for the following:

- FY 2020 Maintenance of Effort (MOE) requirement for higher education under section 18008 of the CARES Act;
- FY 2022 and FY 2023 MOE requirements for elementary and secondary education; and
- FY 2022 and FY 2023 MOE Requirements for higher education under section 317(a) of the CRRSA ACT and section 2004(a) of the ARP Act.

As demonstrated in the following narrative, despite substantial growth in Connecticut's long-term liabilities and entitlement programs the state has continued to make investments in K-12 and Higher Education. The state's inability to meet the MOE requirement is not the result of a lack of consistent, increasing support for education, but rather due to one-time constraints, or to the unique parameters of the required MOE formula under the CRRSA Act and the ARP Act. The state therefore respectfully submits this request for a waiver by demonstrating below the state's consistent record of support for K-12 and Higher Education in line with the spirit and intent of the various USDOE MOE requirements.

## **Section II: MOE Waiver Request Background- CARES Act - Support for Higher Education:**

Under the CARES Act (Section 18008) a state that receives ESSER or GEER funds must maintain support for higher education in each of the FYs 2020 and 2021 at least at the level of such support that is the average of the support for FYs 2017, 2018, and 2019. Connecticut has demonstrated an increasing commitment to public institutions of higher education in recent years, with state appropriations for state colleges and universities increasing by over \$45 million from FY 2018 to the current fiscal year despite declining enrollment. The enacted budget for FY 2018 included steep spending reductions across all spending categories in the state budget, including state support for higher education. These reductions were necessary to mitigate a budget deficit at that time. Since this one-time austerity measure enacted five years ago is included in the base years for the MOE Calculation, the MOE calculation does not capture the trend of significantly growing per-pupil state support for higher education in the last four years. When one judges Connecticut's recent commitment to higher education without the specific framing of the CARES Act maintenance of effort formula, it becomes clear that the state has highly prioritized institutions of higher education and the students attending them. This support is explained in more detail in Sections IV and V of this waiver request.

## **Section III: MOE Waiver Request Background- CRRSA Act and ARP Act – Support for K-12 and Higher Education:**

Under the CRRSA Act (Section 317) a state that receives ESSER II, GEER II, and EANS must maintain support for K-12 and higher education in FY 2022 at least at the proportional level of the State's support for K-12 and higher education relative to the State's overall spending, averaged over FYs 2017, 2018, and 2019. Under the ARP Act (Section 2004(a)) a state that receives ARP ESSER funds must maintain support for K-12 and higher education in FY 2022 and FY 2023 at least at the proportional level of the State's support for K-12 and higher education relative to the State's overall spending, averaged over FYs 2017, 2018, and 2019. Despite support for K-12 and higher education growing consistently during the period included in the MOE calculations, required state investments to cover entitlements, long term liabilities, and constraint from the state's constitutional spending cap, resulted in growth in these areas

that is not proportional relative to other state spending. Detailed information for these expenditure categories is provided in section IV and V of this waiver request, while Sections VI and VII demonstrate the structural constraints to growing investments in K-12 and Higher Education that the state faces.

#### **Section IV: Support for Education.**

Although the spending on K-12 education has declined as a proportion of General Fund spending from the baseline fiscal years, Connecticut has consistently increased state General Fund support for education during the relevant time period. **Tables 1** and **2** below show the steadily increasing investment on both a per-pupil and overall basis. Since FY 2018, both per-pupil and overall state support for K-12 education and higher education has increased every year, even as K-12 enrollment and higher education enrollment has steadily decreased. By FY 2021, state support for K-12 Education increased by roughly \$64.4 million over FY 2017 (approximately 3.2%), even though K-12 enrollment had decreased by over 25,000 students (approximately 4.8%) in the same period. Although there was a decrease in state support for higher education between FY 2017 and FY 2018, state support for higher education increased every year from FY 2018 through FY 2021. Despite enrollment at the state's constituent units of higher education<sup>1</sup> decreasing by over 7,000 (approximately 4.8%) between FY 2018 and FY 2020, state support for these institutions increased by close to \$16.8 million (approximately 3.3%). Per pupil support to the state's constituent units of higher education increased by approximately \$290.62 (approximately 8.8% percent) from FY 2018 through FY 2020.

Downward trends in K-12 enrollment have continued through the current biennium as the state has continued its commitment to supporting education with budgeted increases in spending in FY 2022 and FY 2023 of approximately \$47.2 million in FY 2022 and \$45.6 million in FY 2023. Higher education spending is increased by approximately \$5.9 million in FY 22 over FY 21 and is then maintained at FY 22 levels in FY 23. In addition to these General Fund appropriations, significant unspent state funding from FY 2021 (i.e., carryforward funding), was allocated pursuant to PA 21-2 JSS<sup>2</sup>, to provide additional support to higher education in FY 2022 and FY 2023, largely in part to offset the impact of the pandemic on operating revenue. This carryforward funding totals approximately \$61.7 million in FY 2022 and \$72.3 million in FY 2023. This funding is in addition to the General Fund appropriations reflected in the FY 2022 and FY 2023 support for Higher-Education figures reflected in **Table 2**.

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<sup>1</sup> In this document, "Constituent Units" refer to the University of Connecticut and all institutions in the Connecticut State Colleges and Universities System.

<sup>2</sup> The funding to be carried forward for Higher Education can be found in Section 308 of [PA 21-2 JSS](#).

**Table 1.** <sup>3</sup>

State Support for K-12 Education, Total K-12 Enrollment, and Estimated Per-Pupil State Spending,

	State support for K-12 Education	K-12 Enrollment	Per Pupil State Support for K-12 Education
<b>FY 2017</b>	2,027,587,120.00	538,899.00	3,762.46
<b>FY 2018</b>	1,986,183,701.00	535,025.00	3,712.32
<b>FY 2019</b>	2,016,728,682.00	530,612.00	3,800.76
<b>FY 2020</b>	2,054,281,297.00	527,829.00	3,891.94
<b>FY 2021</b>	2,092,033,975.00	513,079.00	4,077.41
<b>FY 2022</b>	2,139,188,097.00		
<b>FY 2023</b>	2,184,789,061.00		

**Table 2**State Support for Higher Education, Enrollment and Per-Pupil Spending<sup>4</sup>

	State Support for Higher Education	State support for Constituent Units	Constituent Unit Enrollment Levels	Per Pupil State Support at Constituent Units of Higher Education
<b>FY 2017</b>	574,089,408.00	539,106,356.00	147,955	3643.72
<b>FY 2018</b>	514,378,926.00	479,992,546.00	144,994	3310.43
<b>FY 2019</b>	523,339,481.00	489,983,469.00	142,725	3433.06
<b>FY 2020</b>	531,129,449.00	496,887,634.33	137,984	3601.05
<b>FY 2021</b>	553,584,632.00	519,642,090.00		
<b>FY 2022</b>	559,437,641.00	527,255,924.00		
<b>FY 2023</b>	559,437,641.00	526,049,004.00		

<sup>3</sup> Statistics pertaining to K-12 public school enrollment in the State of Connecticut can be found at the following link [EdSight - Connecticut State Department of Education](#). The state support for K-12 Education are drawn from the same sources as cited in the state's previous MOE Submissions. For FY 22 and FY 23, the state support for K-12 education can be found in the Department of Education's General Fund appropriation for Education Equalization Grants in [SA 21-15](#), the State of Connecticut's FY 22-23 Enacted Budget.

<sup>4</sup> Higher education enrollment figures cited herein are available through IPEDS [The Integrated Postsecondary Education Data System](#). State Support for higher education is drawn from the same sources as in the ESSER MOE submissions to date. Per pupil-support figures are calculated after removing the Roberta Willis Scholarship Figures from the support to higher education Figures. This total figure is reflected in the State Support for Constituent Units column of Table 2. For FY 22-23 State Support for Higher Education Figures were drawn from SA 21-15, referenced in Footnote 2.

## **Section V: Commitment of Federal Pandemic Related Funds to Provide Net New Revenue for K-12 and Higher Education:**

In addition to state General Fund support, all ESSER and HEER Funds received to date have been used to provide net new resources to support K-12 and higher education. In addition, significant GEER funding has been used to support new K-12 and higher education initiatives as summarized below:

(1) Approximately \$9.3 million to the State Department of Education (SDE) to provide devices and internet connectivity to teachers and students where either LEAs or families are unable to provide a device; ensuring equitable access to remote learning.

(2) \$6.9 million to the Office of Higher Education (OHE) to provide need-based scholarships to students to attend Connecticut institutions of higher education. The scholarships will be awarded based on the same eligibility criteria and formula as the needs-based grants awarded through the state's Roberta Willis Scholarship program.

(3) \$2 million to public institutions of higher education, including the University of Connecticut and all state universities and community colleges within the Connecticut State Colleges and Universities (CSCU) system, for improved classroom technology to better accommodate remote learning.

(4) Approximately \$5.7 million to SDE for the Learner Engagement and Attendance Program (LEAP) to support student re-engagement and attendance in 15 of Connecticut's neediest school districts. This program is supplemented by \$5 million in GEER II Funds.

In addition to the aforementioned LEAP Program (#4 above), GEER II funding has been allocated to support the following initiatives:

(1) \$1.66 million in GEER II has been allocated to SDE to support a Remote Learning Study, which will help to prepare Connecticut schools to implement remote learning more effectively in the future.

(2) Approximately \$2.7 million to the Office of Higher Education to support a Mental Health Initiative at institutions of higher education in the state aimed at providing grants to help address a mental health crisis among college students that was worsened by COVID-19.

(3) Approximately \$3.1 million to SDE to support a pilot mental health initiative at 6 districts statewide, in order to help districts create a scalable and sustainable coordinated system of care that includes wrap-around services for both students and families that can be provided inside and outside of school.

Among other initiatives, state-level, set-aside ESSER I and ESSER II funds have been used to support the following in the K-12 domain:

- provide broadband and hotspots to students participating in remote learning opportunities,
- develop a statewide model curriculum,
- provide social emotional learning tools to districts statewide, and

- support special education recovery grants and reading/dyslexia tutoring for 3,000 students statewide. All funds have been used to provide additional, new resources to Connecticut Students in response to the pandemic and its effects on education.

Public institutions of higher education in Connecticut allocated their direct Higher Education Emergency Relief Fund (HEERF) awards for various purposes to mitigate the impacts of the pandemic. Initiatives include but were not limited to, providing financial aid to students, refunding student fees for campus closures due to COVID-19 outbreaks, and erasing student debt incurred during the pandemic.

In addition, the State of Connecticut has made significant investment utilizing Coronavirus Relief Funds to finance various K-12 and Higher Education initiatives, including, but not limited to:

**K-12 Education:**

(1) Approximately \$115 Million Distributed to LEAs statewide to support safe, in person learning during the 2020-21 School Year.

(2) \$22 Million to provide devices to students statewide to enable participation in remote learning opportunities.

**Higher Education:**

Over \$104 million to Institutions of Higher Education, for various expenses, including:

(1)-Accommodations for remote instruction during the Fall 2020, Spring 2021, and Fall 2021 semesters.

(2) COVID-19 testing for on-campus students.

(3) PPE, sanitization, and other public health support.

(4) Operating support for public safety and public health personnel.

**Section VI: Growth in State Expenses related to Long Term Liabilities and Entitlements Outpace Growth in Other Areas**

As summarized above the state has made significant investments over the baseline period in the K-12 and higher education space. In addition, the state has leveraged COVID related federal funds to wrap around existing state resources to provide education institutions additional resources needed to respond to the immediate impact of the pandemic. However, the MOE formula is predicated on proportionality, aimed at ensuring states maintain core commitments to education despite historic levels of federal funding. As demonstrated in Table 3 and discussed herein, the state of Connecticut has significant long-term liabilities including the State Employees Retirement System and the Teachers' Retirement System, other post-employment benefits (OPEB), outstanding debt service costs, and a GAAP deficit. As of June 30, 2021, total long-term liabilities of the State of Connecticut are approximately \$95 Billion as detailed in **Table 3**.

**Table 3: LONG-TERM OBLIGATIONS** <sup>5</sup>

(All Figures In Billions)

**LONG-TERM OBLIGATIONS**

(in billions)

Bonded Indebtedness – As of 6/30/21	\$27.2
State Employee Pensions – Unfunded as of 6/30/20	22.7
Teachers’ Pensions – Unfunded as of 6/30/20	18.1
State Employee Post-Retirement Health and Life – Unfunded as of 6/30/20	23.5
Teachers’ Post-Retirement Health and Life – Unfunded as of 6/30/20	2.8
Cumulative GAAP Deficit – As of 6/30/20	<u>1.1</u>
Total	\$95.4

Annual state spending required to pay down long term obligations and cover the annual cost of entitlement programs has been steadily increasing in recent years and accounts for the majority of growth in the state’s General Fund. <sup>6</sup> **Table 4** reflects total General Fund appropriations and total long term liability/entitlement appropriations over the previous biennium (FY 20 and FY 21), and the current biennium (FY 22 and FY 23), as well as the growth rates for these categories for the same time period. **Table 5** compares the percentage and total growth over the period FY 20 to FY 23. As demonstrated therein, the percentage rate of growth in entitlement appropriations was greater than the total rate of growth for the General Fund in both FY 21 and FY 23. In summary, spending on long term liabilities and entitlements accounted for 64.87% of the growth in General Fund appropriations; growth across this category of state spending is 22.91% higher than total General Fund appropriations over the same period.

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<sup>5</sup> Source: page 29 of the [Fiscal Accountability Report](#) Published by the Office of Policy and Management in November of 2021.

<sup>6</sup>A full list of the accounts can be found in the Fiscal Accountability Report Published in November of 2021 by the Office of Policy and Management cited in footnote 5.

**Table 4: General Fund and Entitlement Appropriations FY 20-23. <sup>7</sup>**

Total General Fund Appropriations v. Entitlement/Long Term Obligation Appropriations FY 20-23				
	Total General Fund Appropriations	General Fund Rate of Growth over Previous Year	Entitlement Appropriations	Entitlement Rate of Growth over Previous Year
FY 2020	19,319,061,825		10,195,702,279	
FY 2021	19,981,977,623	3.43%	10,643,000,451	4.39%
FY 2022	20,746,395,112	3.83%	10,887,880,819	2.30%
FY 2023	21,534,334,736	3.80%	11,632,707,161	6.84%

**Table 5: General Fund and Entitlement Appropriations Growth Comparison FY 20-23**

Total General Fund and Entitlement/Long Term Obligations Growth Comparison FY 20-23				
	Total General Fund Appropriations	Entitlement Appropriations	Entitlement Growth as a Percentage of General Fund Growth	Entitlement Growth Compared to General Fund Growth
Gross Growth FY 20-23	2,215,272,911	1,437,004,882	64.87%	
Percentage Growth FY 20-23	11.47%	14.09%		22.91%

**Section VII: Constitutional Spending Cap:**

Lastly, the State of Connecticut operates within a statutory and constitutional Spending Cap. The cap limits the rate at which the General Assembly can authorize increased expenditures based on a variety of factors including the previous fiscal year appropriations and the percentage growth rate in personal income. Given the documented growth in annual required spending on long-term obligations and entitlement programs discussed above, Connecticut is limited in its ability to make unrestricted additional investments across all areas of the General Fund budget, despite this the state has demonstrated sustained commitment to investing in the K-12 system and public institutions of higher education in line with the expressed intent and spirit of the MOE requirement.

<sup>7</sup> General Fund appropriations by account for FY 20 and FY 21 can be found in [PA 19-117](#), the State of Connecticut’s FY 20-21 Biennial Budget. General Fund appropriations by account for FY 22 and FY 23 can be found in SA 21-15, cited in footnote 2.

## **Section VIII: Conclusion**

In closing, the State of Connecticut respectfully request a waiver of the MOE requirements as outlined above. Please note, pursuant to updated MOE waiver guidance as of 2/18/22, the state evaluated compliance with the MOE requirements inclusive of ARPA SLFRF and CRF funding. Inclusive of this funding, the state nevertheless failed to meet the MOE requirements. Therefore, a decision was made not to update the state's MOE baseline submission as it does not alter the state's determination that a request of a waiver was still needed.