

HERE WE GO AGAIN . . . MORE SIMPLISTIC COMPARISONS OF OUR EDUCATION SPENDING TO SELECTED “SOUTHERN FAIRFIELD COUNTY” TOWNS (AND THE PERSISTENT MYTH THAT OUR PER PUPIL EXPENDITURES ARE SOMEHOW LAGGING)

It is not possible to draw any valid conclusions about the **adequacy** or **efficiency** of educational spending in Fairfield by simplistically comparing its per pupil expenditures (PPE) to those in other towns **without** adjusting for at least four important determinants of PPE, which are:

- the **number of pupils** in each town – because there are significant **economies of scale** in education;
- the **educational needs** of the pupils in each town – because it costs more to provide educational services to some students;
- the **financial resources** available to each town – because some towns are so wealthy they can, if they choose, spend far more than others on any and all public services, and because some towns receive far more of their education funding from the state and federal governments; and
- the **cost of land, buildings and equipment, and debt service.**

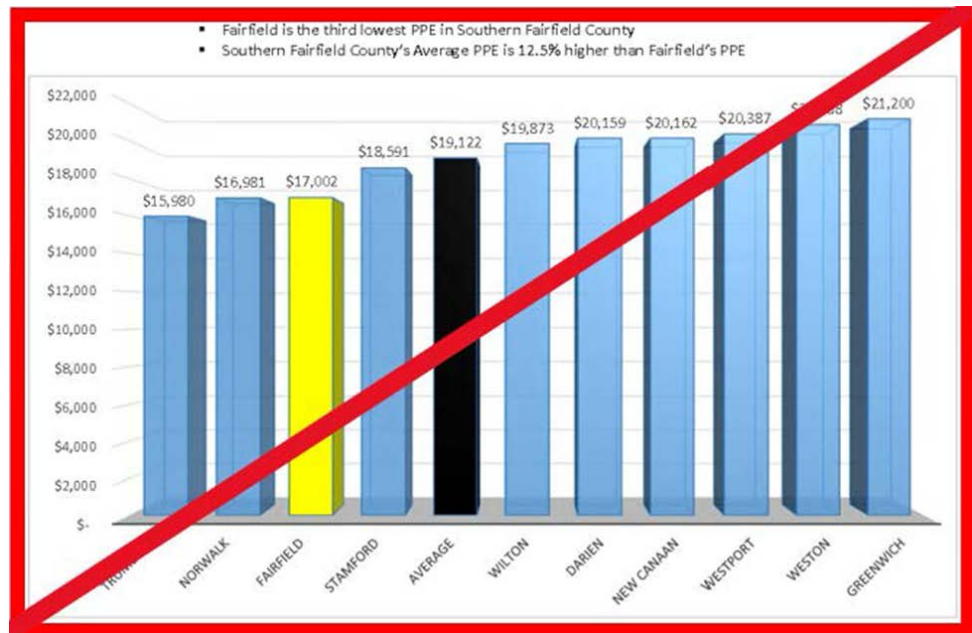
*Fairfield Taxpayer believes that **we should spend as much on education as we can afford** to provide the best education we can to our children. Spending more than we can afford is not sustainable because either our tax rates will be too high or we will be forced to cut the quality of our municipal services too low. Either way, people will choose not to live here, property values will suffer, our tax base will decline, and we will eventually have to cut spending on education along with everything else.”*

Simplistic Comparisons

The chart below (*through which we have drawn a red line*), is part of School Supt. Jones’ recent budget presentation,¹ and is the latest in a long series of similar comparisons in support of higher education spending in Fairfield.

The chart notes that “Fairfield is the third lowest PPE in Southern Fairfield County,” and that the “average PPE is 12.5% higher than Fairfield’s PPE.”

Based on this chart, it is claimed that Fairfield does a great job with less resources, and that if Fairfield’s spending were just average for this group, its annual spending would be \$20 million higher.



¹ http://cdn.fairfieldschools.org/boe/budget/2018-19/Superintendents_Budget_2018-2019_01-16-2018.pdf

The implication is that taxpayers should be happy to spend “only” an additional \$5.2 million (a 3.1% increase), as has been requested for next year.²

Apples and Oranges

As is apparent in the table below, there are critical differences between Fairfield and the other nine towns that explain why its PPE should be either higher or lower. For example, our enrollment is **twice as large** as the six rich towns, and thus Fairfield enjoys significant economies of scale relative to them.

This means, ***as former Superintendent Title said in April 2015***, that “we are able to use our leverage in economies of scale to deliver as good an education as other southern Fairfield County towns that spend more per pupil.” Moreover, these six towns (Wilton, Darien, New Canaan, Westport, Weston and Greenwich) are so wealthy and thus able to spend so much more on education, it should be surprising that with twice as many pupils, Fairfield’s PPE, at \$17,002, is only 17% below their \$20,445 average. Meanwhile, Stamford, the other town with a higher PPE, has even greater economies of scale, **but** 76.5% of its students (versus 22.1% for Fairfield) are “higher-need” students (English Learners, Eligible for Free or Reduced-Price Meals and/or Disabled).³

The purpose of this analysis is not to presume we can calculate exactly how much Fairfield *should be spending* per pupil (more on this later), but simply to demonstrate that ***no serious conversation about education spending can be based on simplistic, one-dimensional statistical comparisons of gross PPE.***

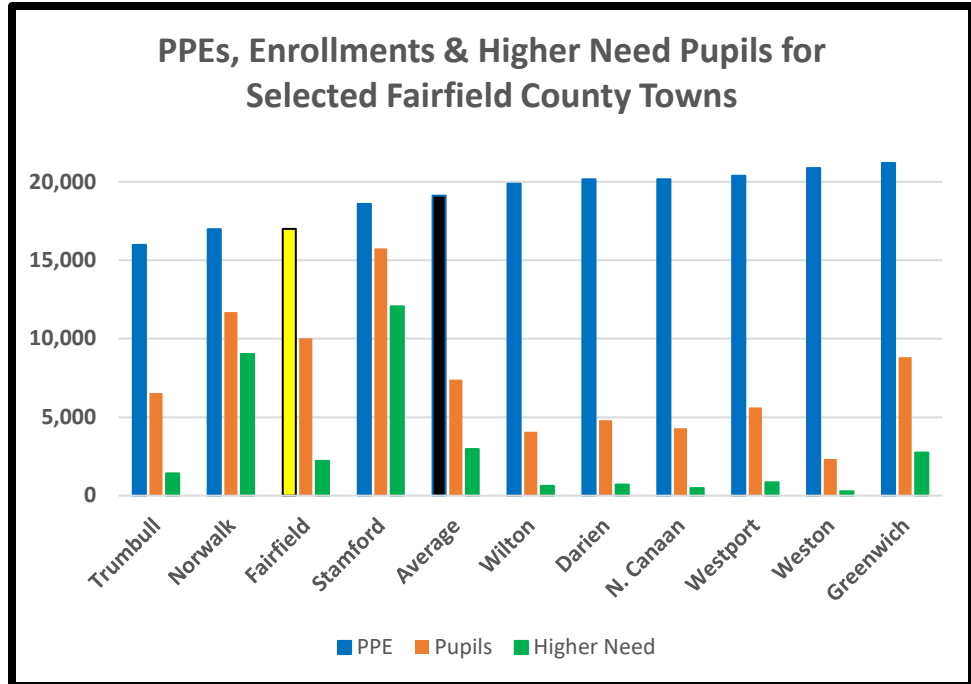
	SCHOOL DISTRICT AND TOWN DATA										Top Six Average
	Trumbull	Norwalk	Fairfield	Stamford	Wilton	Darien	N. Canaan	Westport	Weston	Greenwich	
PPE	\$15,980	\$16,981	\$17,002	\$18,591	\$19,873	\$20,159	\$20,162	\$20,387	\$20,888	\$21,200	\$20,445
Enrollment	6,549	11,699	10,034	15,768	4,077	4,797	4,303	5,629	2,343	8,824	4,996
Home Price	\$396,500	\$410,000	\$578,900	\$501,200	\$810,700	\$1,279,900	\$1,332,000	\$1,041,800	\$865,500	\$1,169,900	\$1,083,300
% Higher Need	21.8%	77.1%	22.1%	76.5%	15.2%	14.7%	11.0%	15.2%	11.9%	31.1%	16.5%
% Local Funds	91.3%	84.8%	94.1%	86.3%	95.0%	94.1%	96.0%	96.0%	95.0%	93.3%	94.9%
L. B. & D.S.*	\$1,126	\$1,361	\$2,598	\$1,716	\$1,334	\$1,514	\$1,877	\$49	\$2,517	\$388	\$1,280
	ALL DATA RELATIVE TO FAIRFIELD										
PPE	0.94	1.00	1.00	1.09	1.17	1.19	1.19	1.20	1.23	1.25	1.20
Enrollment	0.65	1.17	1.00	1.57	0.41	0.48	0.43	0.56	0.23	0.88	0.50
Home Price	0.68	0.71	1.00	0.87	1.40	2.21	2.30	1.80	1.50	2.02	1.87
% Higher Need	0.99	3.49	1.00	3.46	0.69	0.67	0.50	0.69	0.54	1.41	0.75
% Local Funds	0.97	0.90	1.00	0.92	1.01	1.00	1.02	1.02	1.01	0.99	1.01
L. B. & D.S.*	0.43	0.52	1.00	0.66	0.51	0.58	0.72	0.02	0.97	0.15	0.49

* Land, Buildings and Debt Service Per Pupil in 2014-15, the latest data available. The PPE numbers are for 2016-17, the latest data available.
 Note that the “% Higher Need” includes double counting because some students are in all three categories.
 All data from CSDE District Profiles for 2015-16 (the latest available), except median home prices which are from CERC Town Profiles for 2017.

² The BOE likes to compare Fairfield’s spending to selected Fairfield County towns, but notable again by its absence from this year’s presentation are any comparisons of our educational performance to the same towns. PPE data from: www.sde.ct.gov/sde/lib/sde/PDF/dgm/report1/basiccon.pdf

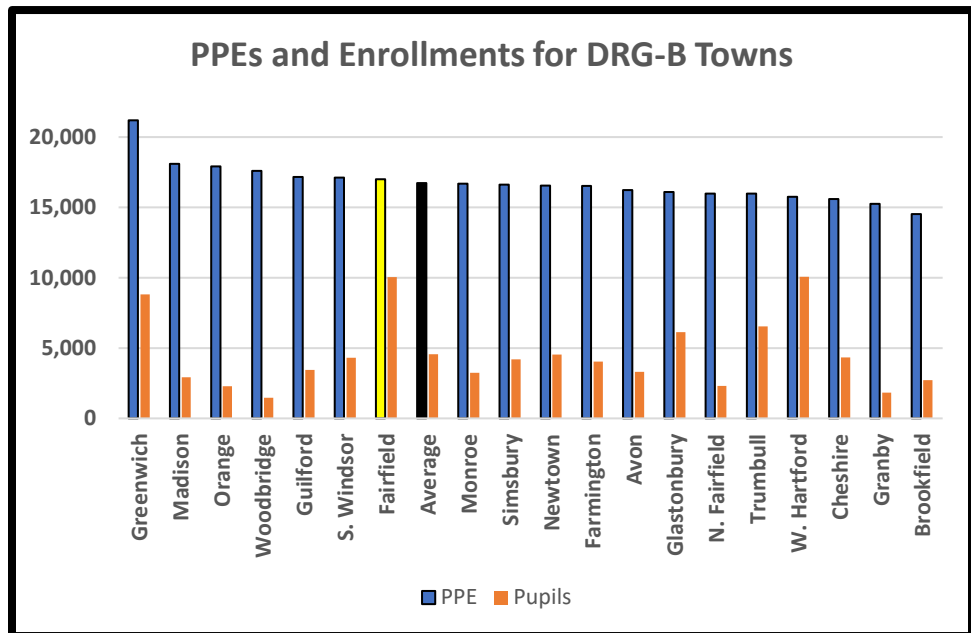
³ According to the State BOE, “High Needs” students are those who are “economically-disadvantaged, English learners, or students with disabilities.” We recognize that adding together the percentages of students who are English Learners, Eligible for Free or Reduced-Price Meals, and Disabled results in double counting because some students are in two or more of these categories, but since each category creates incremental educational challenges, it is a useful exercise.

The chart on the right shows the large differences in enrollments and in the number of higher-need students in each of the BOE’s selected Fairfield County towns.



The second chart looks at PPEs and enrollments in the 19 towns that are in District Reference Group B, which is the group in which Fairfield is placed by the State Board of

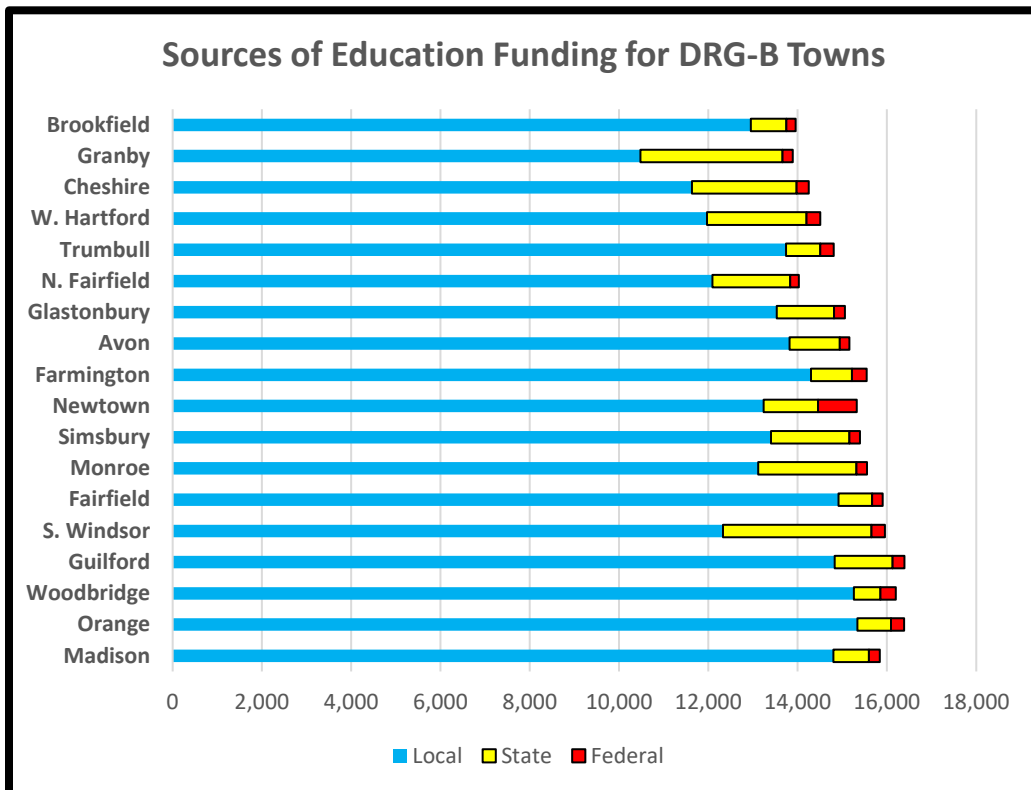
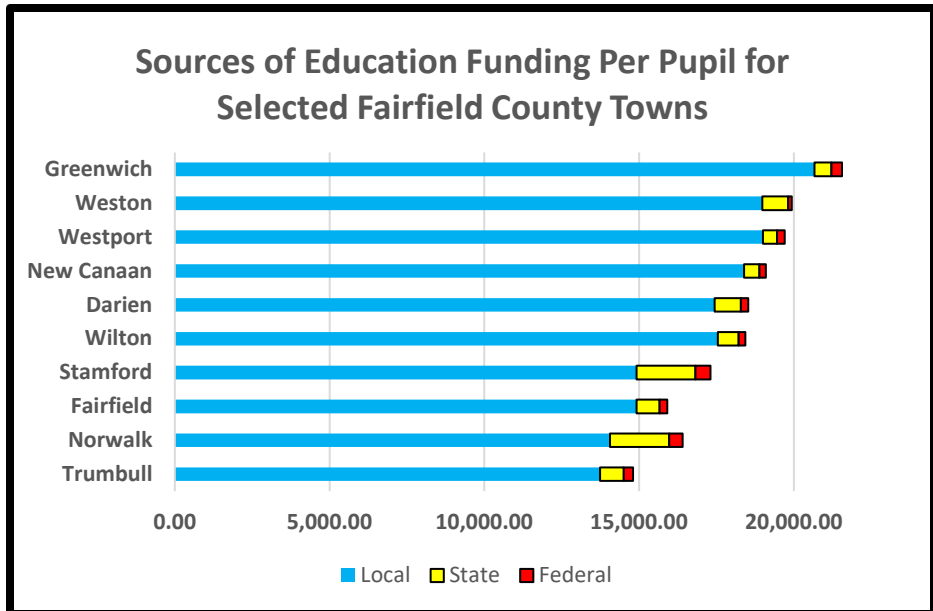
Education based on their similar socio-economic characteristics. The point of this chart is simply to demonstrate that it would be equally simplistic to assert that Fairfield is spending too much on education because, despite its scale economies, its PPE is above the average for all 19 towns in DRG-B.



The “right amount” of PPE for each town must reflect its enrollment, the needs of its students, what it can afford to spend, and what it chooses to spend, as well as still other factors, like its area (which affects school transportation costs) and the mix of students between elementary, middle and high schools (high-school students are the most costly).

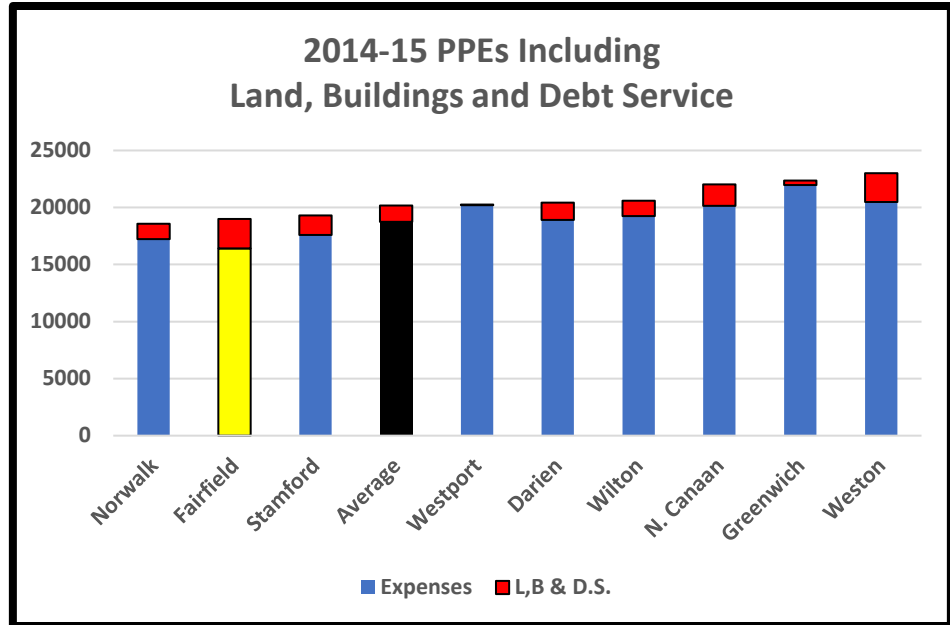
The following two graphs show the differences in sources of education funding as of 2015, for the same two groups of towns.⁴

In the first group, Norwalk (85%) and Stamford (86%) have the lowest reliance on local funds, and New Canaan (96%) and Westport (96%) have the highest. Fairfield is at 94%. In the second group, DRG-B, Granby (75%) and South Windsor (77%) are at the low end, and Fairfield (94%) and Woodbridge (94%) are at the high end.



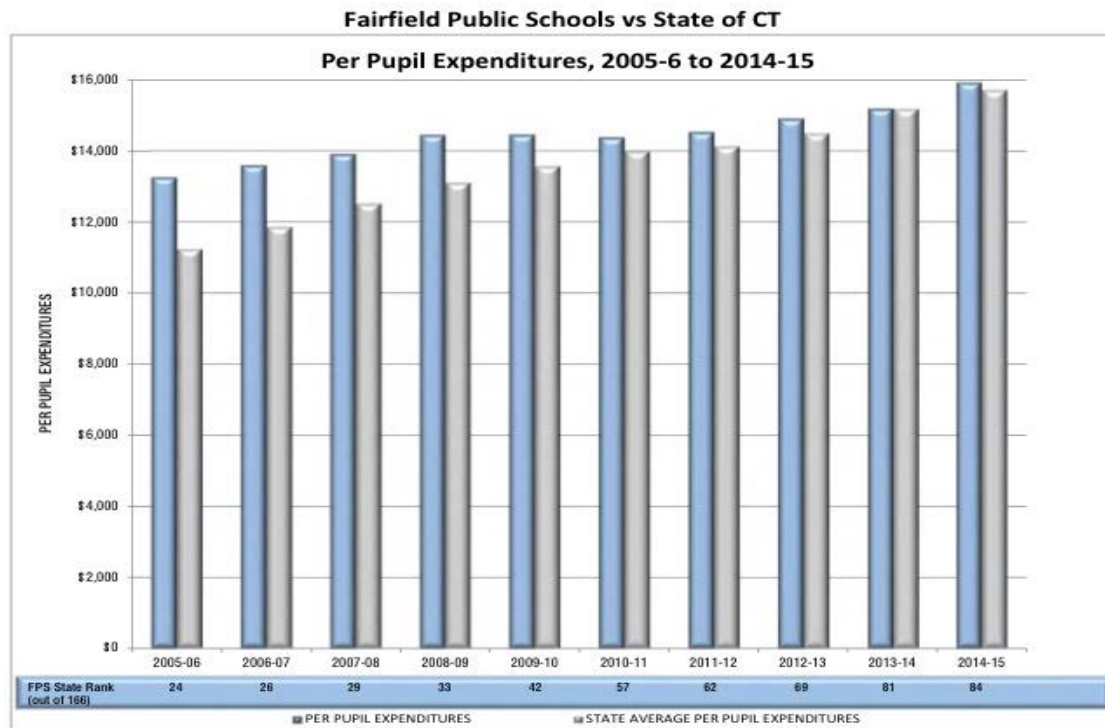
⁴ <http://ctschoolfinance.org/spending/per-student>

Finally, the chart on the right shows PPEs for the selected Southern Fairfield County Towns including the cost of land, buildings and debt service. Based on these data, Fairfield's PPE is within 6% of the group's average, despite our much larger enrollment and economies of scale. Only Weston comes even close to Fairfield's capital costs.



While We Are on the Subject of PPEs

Another chart that thankfully did not reappear in the latest BOE budget presentation is the one showing a decline in Fairfield's PPE rank relative to other CT towns from #20 in 2004-05 to a much lower number (e.g., #84 in 2014-15 according to the chart below from last year's budget presentation), on which basis it has been repeatedly asserted that Fairfield was falling steadily behind other towns in its commitment to education, and/or that Fairfield was becoming more and more efficient relative to other towns.



The absence of this faulty analysis from the budget presentation has not discouraged others from continuing to assert that the decline in Fairfield's PPE rank over the last 13 years indicates that we are not sustaining our commitment to education and that we should be spending more. We will therefore briefly review the history.

In their 2014-15 budget presentation, former Supt. of Schools David Title and BOE Chairman Philip Dwyer stated that: ***"In the past ten years, Fairfield Public Schools has become more efficient. We have moved from 23rd to 62nd in the state in Per Pupil Expenditures."*** A year later, in April 2015, both Dr. Title and Chairman Dwyer referred to the continuing decline in Fairfield's PPE rank as a ***"Race to the Bottom,"*** implying that Fairfield residents should be very concerned. Dr. Title's exact words were: ***"If we keep this up we will win the race to the bottom."*** Chairman Dwyer's comments were: ***"Where are we heading in Dr. Title's so-called Race to the Bottom, if in five years we are below the average of the state?"***

Beyond asserting that the efficiency and/or adequacy of Fairfield's education spending can and should be measured **by changes in in its PPE rank**, Dr. Title and Chairman Dwyer made an even more provocative claim in support of their 2014-15 budget request when they stated that ***"Over the past ten years Fairfield's state ranking in wealth has remained between 16th and 22nd [while] per pupil expenditures have declined from 23rd to 62nd."*** In his remarks, Dr. Title clearly implied that **"rank in wealth"** (not wealth itself) is a measure of "ability to pay," and with reference to the early years in the above graph, he said that ***"our ability to pay was [then] equal to our PPE."*** He then said that ***"ability to pay is not the same as willingness to pay,"*** implying that Fairfield could and should now be spending substantially more on education, and that Fairfield taxpayers were being too tightfisted.

That this chart did not reappear in Supt. Jones' presentation may be attributable to the fact that Fairfield's 2016-17 PPE rank "improved" to 83/166,ⁱ which would have required some explaining. Hopefully, the reason it did not reappear is that the BOE finally realizes that the decline in Fairfield's rank **was primarily a function of the massive diseconomies of scale that most CT towns have been experiencing due to their enrollment declines**, the effect of which has been compounded by the Minimum Budget Requirement that prevented them from reducing their spending in line with their enrollment declines, and a steady stream of new unfunded mandates and standards from our very busy State BOE. A full rebuttal of all of the faulty arguments based on Fairfield's declining PPE rank can be found in an earlier Fairfield Taxpayer piece entitled, ***A Race to the Bottom? We Don't Think So,*** published in April 2015.⁵

Even if we did not know that Fairfield's rank has declined because PPEs in other CT towns were rising **against their wills** due to diseconomies of scale, it is important to note that changes in "rankings" as a measure of performance can always be very misleading because a small change in "scores" can produce a significant change in rank. In most statistical distributions, outcomes cluster around the median, and thus the closer one moves toward the median the more likely it is that a small difference in outcome will produce an exaggerated change in rank. In this case, we note that a 3% increase in Fairfield's PPE in 2016-17 would have improved its rank from 69 to 61, and a 3% decrease would have lowered its rank from 69 to 84 (a combined swing of 23 ranking positions).

⁵ http://www.fairfieldtaxpayer.com/uploads/1/1/1/8/11185705/race_to_the_bottom_final4.pdf

So, How Much Should We Spend on Education?

As we stated in January 2014:⁶

*“Fairfield Taxpayer believes that **we should spend as much on education as we can afford** in order to provide the best education we can to our children. Spending more than we can afford is not sustainable because either our tax rates will be too high or we will be forced to cut the quality of our municipal services too low. Either way, people will choose not to live here, property values will suffer, our tax base will decline, and we will eventually have to cut spending on education along with everything else.”*

The critical question Fairfield and every other town must answer is, *How much can our town afford to spend on education without undermining our ability to continue to prosper, and thus continue to support our schools and all our other public services?* The corollary to the oft-repeated observation that “people move into Fairfield because of our schools” is that “people move out of Fairfield because our taxes are too high.” When the number of people who want to move out exceeds the number of people who want to move in, home prices decline, as they have since 2007. When home prices decline, unless there is offsetting new construction, the tax base declines. When the tax base declines, services must be cut and/or the tax rate must rise. When services are cut and/or the tax rate increases, more people want to leave.

We agree emphatically with education advocates that good schools support property values in a town. However, we also know that, as with most things in life (e.g., sun, chocolate, apple pie and ice cream), we can also have too much of a good thing. This means that, **at some point, high spending on education, or any other government service, also hurts property values by raising taxes to levels that are not affordable or competitive.**

One Last Comment Before We Go

As we begin the elaborate process of approving a budget for the 2018-19 fiscal year, we should all remember the following.

After the much-heralded, bipartisan budget deal for fiscal years ‘18 and ‘19, the State still faces a serious and deepening financial crisis. State and/or local taxes will have to increase substantially, driving more businesses and residents out of the State and further eroding our tax base, unless we can address **four major interrelated issues:**

1. **Size of Government** – CT still provides more public services than it can afford to pay for with predictable, recurring revenues, in part because it pays its public employees a substantial 25%-45% premium over what they could make in the private sector (primarily in the form of overly generous healthcare and retirement benefits);
2. **Unfunded Retirement Liabilities** – CT has huge and growing unfunded retirement liabilities (probably the highest in the nation on a per capita basis using rational rate-of-return assumptions), which along with various entitlements (e.g., Medicaid) and debt service now

⁶ http://www.fairfieldtaxpayer.com/uploads/1/1/1/8/11185705/a_teachable_moment.pdf

represent 53% of total spending, up from 37% in 2006. Unless we do something, these rapidly rising fixed costs will result in continuing budget crises in coming years;

3. **Infrastructure Needs** – CT still faces huge deferred costs to maintain and improve its neglected infrastructure, without which it cannot compete with other states at retaining and attracting both businesses and residents; and
4. **Weak Economic Growth** – CT has not generated any job growth **in 28 years** (that is not a typo – total non-farm jobs are the same as they were in 1989). Without stronger economic growth, CT's tax base, measured in both incomes and property values, will continue to decline.

Making matters even worse, ***the after-tax cost*** to many CT taxpayers of state and local government and of the inevitable substantial tax increases that will be required if these structural issues are not addressed ***is about to increase even more*** because of the new restrictions on their deductibility for federal income tax purposes. Taxpayers whose combined spending on mortgage interest, state income taxes and local property taxes exceeds the new standard deductions will be affected, which includes many Fairfield residents because local taxes alone paid by the owner of a median (~\$600,000) Fairfield home exceed \$11,000.

Some of the likely effects of the State's problems on Fairfield include:

- Continued weak growth in the economy, jobs and incomes;
- The loss of all state aid for both operations and school construction;
- The transfer of responsibility for the cost of retirement benefits for active teachers;
- Further downward pressure on home values.

January 21, 2018

ⁱ An earlier version of this paper incorrectly stated that Fairfield's PPE rank had improved in 2016-17 to 69/169 rather than to 83/166.