



New London Magnet School Plan Discussion

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Background

- Special State legislation (Reference A) has been passed which provides magnet school-qualified school districts the ability to receive a 95% reimbursement rate for the construction / refurbishment / expansion of magnet schools.
 - Schools not qualifying as magnet schools are only eligible to receive a 78% reimbursement rate.
 - Both rates require schools to be “refurbished as new.”
 - Schools not “refurbished as new” would receive a much lower reimbursement rate, conservatively estimated at 50%.
- According to the proposed 2008-2009 Board of Education Budget (Reference B), 1,498 students are expected to attend New London’s four elementary schools in the coming year.

Background (cont'd)

- The Board of Education's 21st Century Facilities Plan (Reference C) calls for the closure of Harbor School and the relocation of its students to Nathan Hale and Winthrop schools.
 - The current estimated cost of this action is roughly \$61,000,000 (refurbished as new).
 - During re-construction of the schools, students will be placed at the modular classrooms near the old Edgerton School.
- At a 95% reimbursement rate, New London would be responsible to pay roughly \$3,000,000 to support the effort. At 78% reimbursement, New London would be required to pay roughly \$13,000,000 to support the effort.

Background (cont'd)

- In preparation of the Council vote on the Magnet Plan, three alternatives were considered (each includes the closure of Harbor School).
 - Option 1: Refurbishment (as new) and expansion of Nathan Hale and Winthrop schools into magnet schools
 - Option 2: Refurbishment (as new) and expansion of Nathan Hale and Winthrop schools (*not magnet schools*)
 - Option 3: Refurbishment (*not as new*) and expansion of Nathan Hale and Winthrop schools only (*not magnet schools*)
- The State of Connecticut has established Magnet Schools in an effort to satisfy the racial diversity requirement imposed on it by the courts. Magnet Schools are intended to “attract” suburban students to urban districts so that schools are more racially balanced.

Financial Evaluation – Construction Costs

Projected 2008-2009 Budget and Enrollment Figures

	<u>Option 1</u> <u>Magnet</u> (Refurb.-As-New)	<u>Option 2</u> <u>Non-Magnet</u> (Refurb.-As-New)	<u>Option 3</u> <u>Non-Magnet</u> (Not Refurb.-As-New) ¹
Combined NH & Winthrop School Enrollment:	635	635	635
Harbor Kids to be Added to NH & Winthrop:	328	328	328
# Out-Of-District Students to NH & Winthrop:	75	0	0
New Combined NH & Winthrop School Enrollment:	1038	963	963
Ren. Cost (incl. Modularity and 10% OSF):	\$ (35,705,940)	\$ (35,705,940)	\$ (17,852,970)
Exp. Cost (incl. 10% OSF):	\$ (24,632,824)	\$ (20,048,551)	\$ (10,024,276)
21st Century TOTAL:	\$ (60,338,763)	\$ (55,754,491)	\$ (27,877,245)
Reimbursement Rate (Refurb-As-New) ² :	78%	78%	50%
State Contribution (Refurb-As-New):	\$ 47,064,235	\$ 43,488,503	\$ 13,938,623
Reimbursement Rate (Refurb-As-New) ³ :	95%		
State Contribution (Refurb-As-New):	\$ 57,321,825		
Difference Btwn. Reimbursement Rates:	\$ 10,257,590		
Difference over \$10M ⁴ :	\$ 257,590		
State Contribution:	\$ 57,265,155	\$ 43,488,503	\$ 13,938,623
City Contribution:	\$ (3,073,608)	\$ (12,265,988)	\$ (13,938,623)
Bonding Differences:	\$ -	\$ (9,192,380)	\$ (10,865,015)
Interest Rate:	5%	5%	5%
Period (yr.):	20	20	20
Annual Debt Service Payment⁵:	\$ (246,634)	\$ (984,255)	\$ (1,118,471)
Annual Bond Payment Difference Relative to Magnet Plan:	\$ -	\$ (737,620)	\$ (871,837)

Calculation based on 75 out-of-town students.

Assumes non-
"refurbished as new" school costs about 1/2 as much as otherwise.

Assumes non-magnet school project cost lower by ratio of children attending.

Estimated cost from 21st Century Facilities Plan

Estimated annual debt service on \$3M bond.

Estimated annual debt service for other options is roughly \$750K more.

Note: A working spreadsheet is available at www.sprecace.com

Financial Evaluation – Revenues & Expenses

Projected 2008-2009 Budget and Enrollment Figures

	<u>Option 1</u> Magnet (Refurb.-As-New)	<u>Option 2</u> Non-Magnet (Refurb.-As-New)	<u>Option 3</u> Non-Magnet (Not Refurb.-As-New) ¹
# NL Students in Public and Magnet Schools:	3,535	3,535	3,535
# NL Students in Magnet Schools eligible for reimbursement:	1,516	553	553
# NL Students in Non-Magnet Schools:	2,019	2,982	2,982
Non NL-Supported Revenue:	\$ 23,051,732	\$ 23,051,732	\$ 23,051,732
ECS Funding per Student (non-Magnet) ⁶ :	\$ 5,777	\$ 5,777	\$ 5,777
ECS Funding per Student (Magnet)	\$ 2,889	\$ 2,889	\$ 2,889
Revenue per Child, NL Magnet School student:	\$ 3,000	\$ 3,000	\$ 3,000
Revenue change for added NL Magnet School students ⁷ :	\$ 107,375	\$ -	\$ -
Revenue per Child, Out-Of-District Student (in 2011...?):	\$ 8,158	\$ 8,158	\$ 8,158
Added Revenue, New Out-Of-District Students ⁸ :	\$ 611,850	\$ -	\$ -
State Revenue TOTAL:	\$ 23,770,957	\$ 23,951,732	\$ 23,051,732
Current Education Costs:	\$ (40,715,736)	\$ (40,715,736)	\$ (40,715,736)
Class Size:	20	20	20
Extra Teachers Required:	4	0	0
Teacher Cost (Sal.+Benefits)	\$ (80,000)	\$ (80,000)	\$ (80,000)
Extra Employees Required (<i>assumed</i>):	3	0	0
Additional Employee Cost (Sal.+Benefits):	\$ (60,000)	\$ (60,000)	\$ (60,000)
Added Annual Teacher + Employee Cost:	\$ (500,000)	\$ -	\$ -
Cost/Elementary Level Student ⁹ :	\$ (1,222)	\$ (1,222)	\$ (1,222)
Added Consumable (non-overhead) Cost:	\$ (91,668)	\$ -	\$ -
Operational Cost TOTAL:	\$ (41,307,404)	\$ (40,715,736)	\$ (40,715,736)
NL Share of Education Budget:	\$ (17,536,447)	\$ (17,664,004)	\$ (17,664,004)
Annual NL Share Difference Relative to Magnet Plan:	\$ -	\$ (127,557)	\$ (127,557)

ECS and other annual revenue.

Additional State revenue for NL magnet school students

Additional State revenue for out-of-town students

Additional cost is roughly \$125K for each of the other options

Per Student ECS amount (cut by 50% for NL magnet school students)

Additional teachers and staff assumed

Estimated cost per *added* student; includes only Elementary Level Contracted Services, Insurance, Supplies, Utilities, etc.

Note: A working spreadsheet is available at www.sprece.com

Financial Evaluation – Total Cost

Projected 2008-2009 Budget and Enrollment Figures

	<u>Option 1</u> Magnet (Refurb.-As-New)	<u>Option 2</u> Non-Magnet (Refurb.-As-New)	<u>Option 3</u> Non-Magnet (Not Refurb.-As-New) ¹
TOTAL Construction and Education Payments:	\$ (17,783,081)	\$ (18,648,259)	\$ (18,782,475)
Total Annual Plan Cost Difference:	\$ -	\$ (865,177)	\$ (999,394)
Dollars per Mil of Taxes	\$ 1,233,703	\$ 1,233,703	\$ 1,233,703
Mil Applied to Education Costs:	14.41	15.12	15.22
Assessment:	\$ 200,000	\$ 200,000	\$ 200,000
Tax for Education:	\$ (2,883)	\$ (3,023)	\$ (3,045)
Tax Difference Relative to Magnet Plan:	\$ -	\$ (140)	\$ (162)

FOOTNOTES:

1. Construction costs assumed roughly 1/2 of the non-magnet Refurb.-As-New case and no need for Modulars.
2. Normal reimbursement rate (assumed 50% if not Refurb.-As-New).
3. Magnet school reimbursement rate.
4. Extra magnet grant caps at \$10M
5. Assumes annual compounding.
6. Figure from C. Clouet; accounts for money added for underprivileged students.
7. Includes 50% ECS cut for NL kids in magnet schools.
8. Assumes out-of-district revenue for currently existing Magnet Schools included in "Current Revenue" above.
9. Calculated from FY08 Adopted Grade School budget after subtracting Salaries/Benefits, Cleaning/Repair/Maintenance, Pupil Transportation and Tuition.

GLOBAL ASSUMPTIONS:

- A. Total number of out-of-district students to participate will be a function of school capacity and sending district participation. Minimum 65 required to satisfy State requirements.
- B. State will continue funding magnet districts with money for out-of-district students beyond 2011.
- C. New London is allowed to use existing out-of-district students (e.g., at RMMS, S&T, etc.) in calculation for determining 15% level.
- D. Additional Building Operational Costs are assumed negligible since savings resulting from closing a school would offset costs added by expanding. In addition, newer schools will be more energy efficient and require less maintenance than older schools.

Sum of Education and Debt Service Costs for each option

Annual tax paid per average home-owner for each option

Additional annual tax paid per average home-owner is roughly \$150 for either alternative

Note: A working spreadsheet is available at www.sprece.com

Financial Evaluation – Snap-Shot

- Given the parameters used in the evaluation, choosing the Magnet School Plan will
 - **save** approximately:
 - ↳ \$10,000,000 in initial costs, or
 - ↳ \$750,000 annually in the budget, or
 - ↳ \$150 per taxpayer (with a \$200,000 assessed home)
 - **collect** approximately \$125,000 annually after balancing operating revenues against additional operating costs
 - **retain** approximately \$4,000,000 in interest payments over 20 years at 5%

Frequently Asked Questions

- 1) Why does the construction grant legislation require only 15% of out-of-town students if the operating grant legislation requires 25%. CGS Sec. 10-264*l* states:

“...each interdistrict magnet school program...shall restrict the number of students that may enroll in the program from a participating district to seventy-five per cent of the total enrollment of the program,...”
- A. The term “participating district” is used to describe another town sending students into New London. Students from out-of-town can make up no more than 75% of the population of the magnet schools.



Frequently Asked Questions

- 2) How can one expect to have success with Magnet Schools in New London if the State Commissioner of Education himself has doubts regarding their success in Hartford (Reference D)?
- A. New London is not Hartford. Conversely, New Haven's Magnet School program is thriving. New London has already had, and continues to have, success with Magnet Schools.



Frequently Asked Questions

- 3) How can New London attract 15% of its district-wide enrollment (Reference E) from out of town? Does this not equate to roughly 525 students?
- A. According to a letter provided by the State Commissioner of Education, New London is to count among the 15%, those out-of-town students currently enrolled in Magnet Schools. Given that the current out-of town enrollment is roughly 460 (including the Regional Multicultural Magnet School), New London need only attract another 65 students from out-of-town to satisfy State requirements.



Frequently Asked Questions (cont'd)

- 4) What happens if New London fails to attract the required number of out-of-town students?
 - A. New London would be required to return those funds received beyond the regular reimbursement rate of 78% (currently estimated at \$10,000,000). (Reference E)

Frequently Asked Questions (cont'd)

5) Why is New London authorizing the sale of \$61,000,000 in bonds if all that is required for this project is \$3,000,000?

A. Per State requirements, cities accepting supplemental State reimbursement must *authorize* the full cost of the project even though only \$3,000,000 will be bonded.

“[Towns] don’t need to borrow the full amount (only the local share with the State grants covering the balance), but they need local authorization to expend the full amount of the project.”

– Dave Wedge, Chief of the State Bureau of School Facilities



Frequently Asked Questions (cont'd)

- 6) If overruns drive the project cost above \$61,000,000, how much more will New London have to pay?
- A. Overruns would be reimbursed by the State at the 78% reimbursement rate since the 95% reimbursement rate carries with it a \$10,000,000 cap on grants above the 78% reimbursement rate.

Frequently Asked Questions (cont'd)

- 7) Operating reimbursements from the State sunset after the 2011 school year (Reference F). How can we count on the State to continue financial support for New London after that time?
- A. According to conversations with Senator Stillman, Representative Hewett, and Representative Moukawsher, the Legislature's intent is to continue operating grants for magnet schools beyond 2011. The applicable statute language is specific to the dollar and projecting actual grants amount beyond four years is not something that the State was able to do when the law was passed. If the State reneges on providing these grants, New London could, if it reached a point where magnet schools became too expensive, revert back to a non-magnet scenario and have to pay back an amount we would otherwise have to had paid.

Frequently Asked Questions (cont'd)

- 8) How can we afford the new magnet schools if the State has cut the City's ECS funding for New London students attending magnet schools by 50%?
- A. The amount of the cut (\$2,900 per student) is slightly less than the amount of funding the State is providing (\$3,000 per student) for New London students to attend magnet schools. Also, New London's legislative delegation is actively trying to reverse this recent addition to State law.

Frequently Asked Questions (cont'd)

- 9) What authority will out-of-town Superintendents and Boards of Education have over New London's magnet school curriculum and/or finances.
- A. Per conversations with the Superintendent and President of the Board of Education, out-of-town school districts' oversight will be limited only to an advisory capacity.

Frequently Asked Questions (cont'd)

- 10) Is the New London school system planning to institute magnet schools for grades K-8? If not, what is the plan for transitioning students through 6th, 7th, and 8th grade?
- A. Per conversations with the Superintendent and President of the Board of Education, there is currently no plan for K-8 magnet schools. If the Magnet School Plan is approved, the Superintendent and Board of Education will consider the addition of “academies” at the Middle School for those students wishing to continue in a magnet-type environment.



Potential Themes

- Math, Science, and Environmental Studies
- Humanities / Language Arts
- Visual and Performing Arts and Communications
- Health and Nutrition

Conclusion

- Given current figures and expectations, the Magnet School Plan is less expensive (by almost \$1,000,000 annually) than either of the other alternatives considered.
- If New London chooses the path of Magnet Schools and fails, taxpayers would only be responsible for that which they would otherwise had to pay if the plan was voted down at the beginning.
- Making the Magnet School Plan work will require selection of universally attractive themes such as Math & Science and Visual & Performing Arts.
- New London residents are asked to support the Magnet School Plan and participate in its success by overseeing the efforts of the Board of Education and City Council throughout the process.



References

- A. Connecticut Public Act No. 07-249, Sec. 21.
- B. New London Board of Education Requested 2008-2009 Budget.
- C. New London Public Schools 21st Century Facilities Plan, October, 2006.
- D. “Magnet Schools Run by Hartford Was a Mistake, The Hartford Courant, March 3, 2008.
- E. Connecticut Public Act No. 07-003, Sec. 23.
- F. Connecticut Public Act No. 07-003, Sec. 40.



Applicable Legislation

CGS Sec. 10-264h: Holds municipalities liable for reimbursing the State if higher construction reimbursement rates are used for magnet schools and such schools cease to be magnet schools.

CGS Sec. 10-264l: Limits out-of-district students to 75% of total enrollment and requires that the school population be between 25% and 75% racial minorities. This section also requires that sending districts pay for the special education costs of any of its students attending a magnet school.

PA 07-249 Sec. 21: Identifies the 95% reimbursement rate for construction costs of magnet schools and replaces CGS Sec. 10-264h(a).

Applicable Legislation (cont'd)

PA 07-249 Sec. 30 (a): Qualifies cities like New London as interdistrict magnet districts and requires school districts to secure funding authorization for the local share of construction costs prior to the Magnet Plan application deadline of June 30, 2008.

PA 07-003 (HB 8003) Sec. 23: States that the grant amount for the 95% reimbursement rate shall cap at \$10,000,000 and that, before June 30, 2012, the enrollment rate of out-of-town students must be at least 15% of the total district-wide enrollment. This section replaces PA 07-249 Sec. 30 (b).

Applicable Legislation (cont'd)

PA 07-003 (HB 8003) Sec. 40: Requires that magnet schools have at least 55% of their own students (in-district) enrolled. Also identifies the State revenue provided for out-of-town students through 2011 and the \$3,000 per in-district student State revenue provided for every year after 2008. This section replaces CGS Sec. 10-264l (c).