



10.16.19

# Legislative Task Force to Study the Education Funding Formula

## Opening Remarks

# Principles of the Formula

- The 2010, the Education Equity and Property Tax Relief Act ("Act") was enacted in order to address (1) the need for an equitable distribution of resources among the state's school districts, (2) property tax relief, and (3) a predictable method of distributing education aid;
- The legislative intent of the Act was to create a funding formula designed to ensure educational opportunity to every student in each city or town on substantially equal terms;
- The funding formula created by the Act was designed around four core principles:
  - 1) All children should have access to an adequate and meaningful education regardless of their residence or economic means;
  - 2) A school funding system should treat property taxpayers equitably, limit the portion of school budgets financed by property taxes, and establish sufficient cost controls on spending;
  - 3) The State should ensure that its school funding structure adequately reflects the different needs of students, and responds to educational inequities among the state's school districts;
  - 4) The state education funding system should provide a predictable amount and source of funding to ensure stability in the funding of schools

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# Task Force Preliminary Hearing Outline

## Hearing 1 - Today

- Funding Formula 101 Overview
- Analysis of Formula Today
- Public Comment on Success/Opportunities of Formula

## Hearing 2

- Overview of the Basic Education Plan and how it was mapped to costs as the foundation of the formula
- Market basket costs since implementation review
- Determining a core vs. non-core cost

## Hearing 3

- Student success factor – understanding the unique needs of student populations such as poverty, ELL and special education
- What are student success factor funds used for today?
- New models or programs to be considered for inclusion in formula such as dual language immersion or Pre-Kindergarten

## Hearing 4

- State Share Ratio Calculation Deep Dive
- Sharing of core vs. non-core costs
- Charter and CTE tuitions as a non-core cost
- Ability and willingness of communities to meet local share

## Hearing 5

- Accountability standards – how do we ensure dollars reach targeted intent? What does RIDE oversight look like?
- Overview of what UCOA data tells us today about how funds are being spent
- Strategies for reducing non-core costs

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## Funding Formula 101 Overview

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## The History

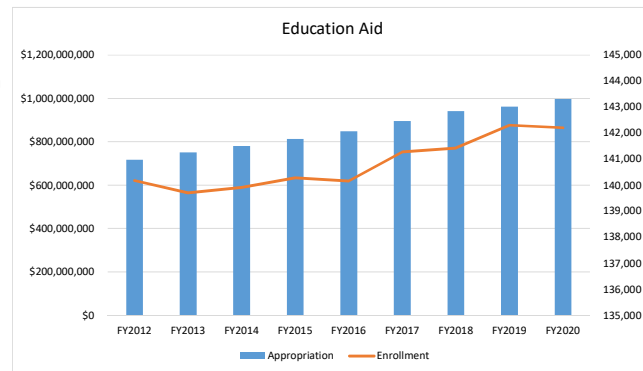
- Joint Legislative Committee to Establish a Permanent Education Foundation Aid Formula for Rhode Island, established in P.L. in 2004
- RIDE partnered with Dr. Kenneth Wong, Education Department Chair at Brown University, to provide technical assistance for the development of research-based, data-driven methodology for distributing aid.
- The work was predicated on the assumption that the existing system was not underfunded
- The formula creates a single methodology for distributing education aid to all Local Education Agencies (LEAs) and is based on the principle that the money follows the student, established through P.L. in 2010
- Implemented in FY2012, phased in over 7 to 10 years

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## State Education Support

- From FY2012 to FY2020, state support to education aid has increased by \$280.0 million
- An average annual growth of 4.2 percent

➤ This does not include aid for non-distributed categories such as early childhood, and career and technical



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## The Key Components

- **Core Instruction Amount:** A regional average of the amount needed to adequately fund the Basic Education Plan (BEP) (\$9,871 in FY2020)
- **Student Success Factor:** Additional funding of 40.0 percent of core amount (\$3,948 in FY2020) for each student whose family income is at or below 185.0 percent of federal poverty guidelines (\$47,639 in 2019 for family of 4)
- **State Share Ratio:** Designed to determine a district's relative ability to generate revenue to support education as well as student need
- **Categorical Funding:** Additional funding to address needs beyond the core services and for certain high-cost items

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## Core Instruction Amount

### Average expenditure of core costs in RI, MA, CT, and NH

- **Includes** costs related to student instructional needs
  - Face-to-face teaching
  - Classroom materials
  - Pupil, teacher, and program support
  - Business, central, & other support services
  - Purchased services for business, central, or other support services
  - General administration
- **Excludes** costs deemed within local control, funded federally or by other state programs, or that can be consolidated into statewide or regional efficiencies
  - Teacher retirement
  - Food Service
  - Transportation
  - Utilities & maintenance
  - Debt service
  - Out-of-district tuition
  - Non-public textbooks
  - Expenditures funded by federal funds

Costs mapped to meeting the  
Basic Education Plan

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## Student Success Factor

- Single weight (40%) of core instruction amount to address the effects of poverty and other factors influencing educational need.
- The Joint Committee decided to use a single weight to account for additional costs for students in poverty, English language learners, special education etc.

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## Total Foundation Amount

Total Foundation Amount represent the amount of funding necessary to meet the needs of the students in the district as described by the Basic Education Plan

To calculate the total foundation amount, we take the sum of two products

- PK-12 enrollment of the district multiplied by the core amount PLUS
- number of students meeting the poverty criteria multiplied by the student success factor which is 40% of core amount

$$\begin{aligned} & (\text{PK-12 ADM} * \text{core amount}) \\ & + (\text{Poverty ADM} * (0.4 * \text{core amount})) \\ & \text{Total Foundation Amount} \end{aligned}$$

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## State Share Ratio

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{SSRC}^2 + \%PK-6\text{poverty}^2}{2}}$$

$$\text{SSRC (State Share Ratio for the Community)} = 1 - \left(0.475 * \frac{\left(\frac{\text{DistrictEWAV}}{\text{DistrictRADM}}\right)}{\left(\frac{\text{StateEWAV}}{\text{StateRADM}}\right)}\right)$$

EWAV = Equalized Weighted Assessed Valuation as defined pursuant to RIGL 16-7-21

RADM = Resident Average Daily Membership pursuant to RIGL 16-7-22

**%PK-6 poverty** = the percentage of students in grades PK-6 whose family income is at or below 185.0 percent of federal poverty guidelines

➤ Squaring the factors increases the weight of the largest indicator

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## State Education Aid

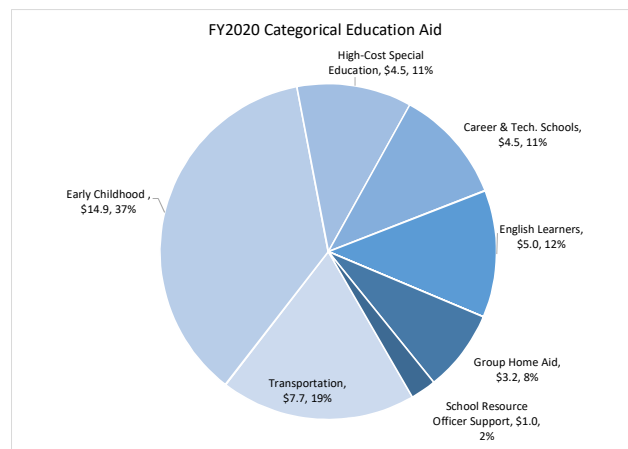
State Share = State Share Ratio \* Total Foundation Amount

- Directs state funding to greatest student need, whether due to district capacity to pay or poverty concentration

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## Categorical Aid

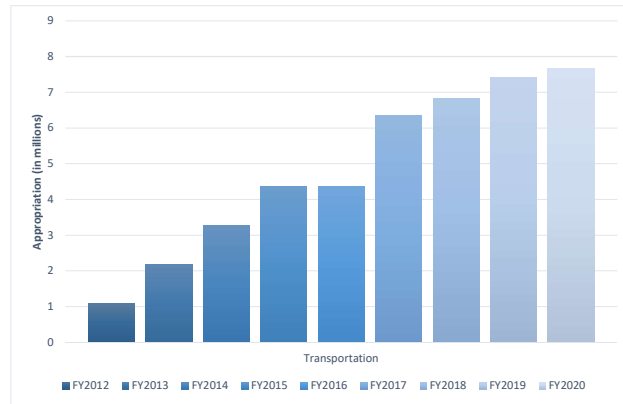
- Additional funding to address needs beyond the core services and for certain high-cost items. In FY2020 totals \$40.8 million
- Categorical aid is subject to a pro-rata reduction based on the amount appropriated, except Group Home, Early Childhood, School Resource Officer Support
- Group Home Aid was in place before the formula and remained untouched



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## Categorical Aid: Transportation

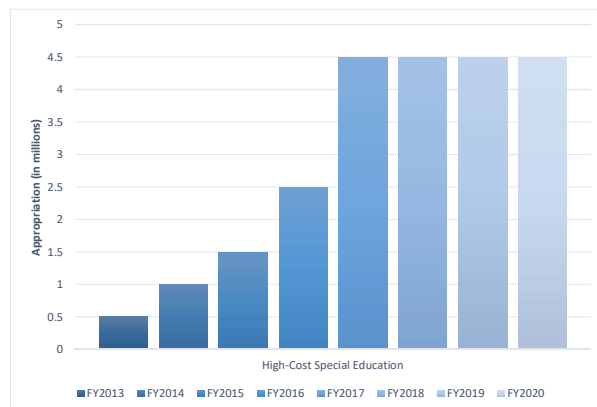
- Funding for cost associated with transporting students to out-of-district non-public schools, and
- For 50.0 percent of costs associated with transporting within regional school districts
- To fully fund in FY2020: \$9.9 million



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## Categorical Aid: High-Cost Special Education

- Reimburses districts for instructional and related service costs in excess of five times the combined core and student success factor funding (\$69,100 in FY2020)
- Provided pursuant to an Individual Education Plan (IEP)
- To fully fund in FY2020: \$15.9 million



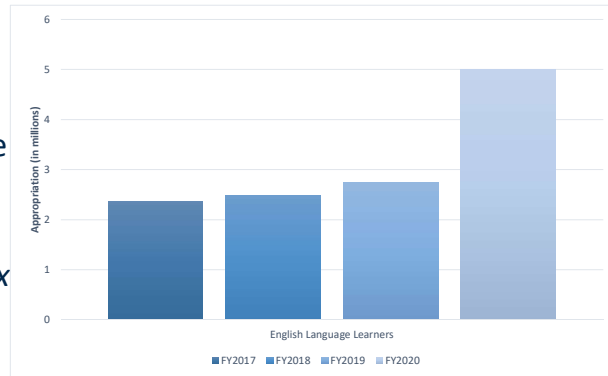
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## Categorical Aid: English Learners

- Provides additional aid of 10.0 percent of the per-pupil core amount instruction amount (\$987 in FY2020) for each qualified EL student. This amount is then multiplied by the state share ratio. (added in FY2017)

*((Per-pupil core instruction amount x number of EL students) x 10.0 percent) x state share ratio*

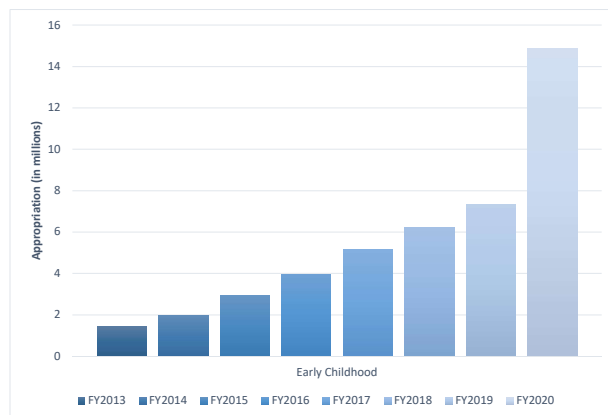
- To fully fund in FY2020: \$7.8 million



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## Categorical Aid: Early Childhood

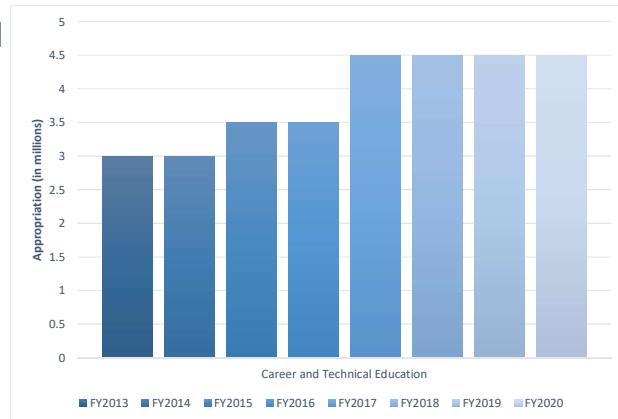
- Designed to increase access to voluntary, free, high-quality pre-kindergarten programs.
- Funds are distributed through a competitive RFP process.
- In FY2015-FY2019 used a match for federal funds



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## Categorical Aid: Career and Technical

- Contributes toward the initial investment needed to transform existing programs or create new programs, and the costs associated with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs.



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## Categorical Aid

- **Group Home:** \$17,000 annually per bed, except for Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program beds which receive \$26,000.
- **Regionalization Bonus:** Contributes toward cost associated with regionalizing districts. In the first year, provides 2.0 percent of state's share to total foundation budget. In the second year provides 1.0 percent. Phased out in the third year.
- **School Resource Officer Support:** (added in FY2019) For FY2019 through FY2021, the State will reimburse one-half the the cost of salaries and benefits for qualifying positions created after July 1, 2018.

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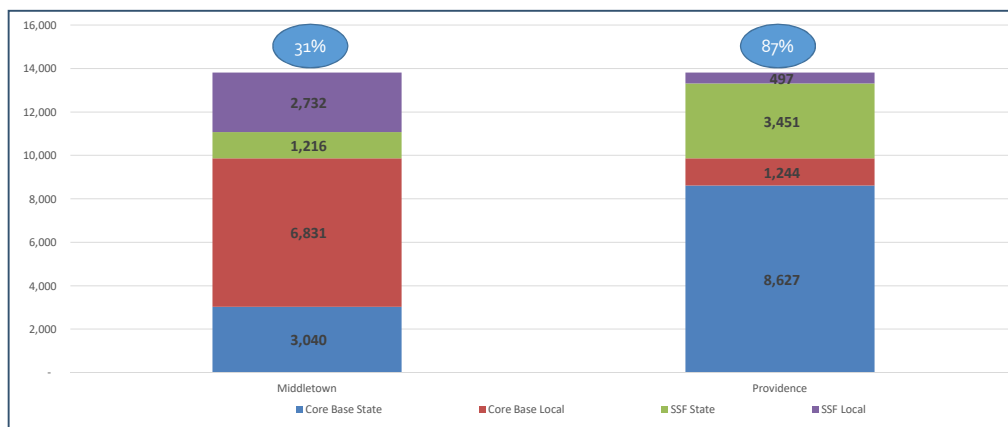
## Evaluation of Formula Results

### FY2018 Data – General Fund

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## Total Foundation Amount Model Example

All children should have access to an adequate and meaningful education regardless of their residence or economic means



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## Equity still not fully achieved statewide

*"All children should have access to an adequate and meaningful education regardless of their residence or economic means;"*

- The adequacy in this principle was measured by ensuring all students formulaically received the same core funding.
- Core funding has two components a state share phased in over 7/10 years and a local share.
- A review of actual data shows that 3 districts are not receiving the core amount per student as envisioned.
- For each of these districts the core variance is driven by the local share.

| LEA        | Core Over/(Under) | Per Pupil Core Over/(Under) |
|------------|-------------------|-----------------------------|
| Woonsocket | (\$13,487,935)    | (\$2,336)                   |
| Pawtucket  | (\$13,283,590)    | (\$1,507)                   |
| Providence | (\$6,403,263)     | (\$281)                     |

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## Student success factor not fully funded in three communities

*"The State should ensure that its school funding structure adequately reflects the different needs of students, and responds to educational inequities among the state's school districts;"*

- Due to strong correlation between poverty levels and student needs such as ELL and special ed; poverty as measured by the free and reduced lunch measurement is the driver of this factor.
- 3 Districts are funded at levels less than 100% of this factor
- These 3 districts represent 70% of the state's overall ELL population and 45% of the state's students in poverty.
- ELL categorical funding of \$5MM statewide is incongruent to formula and shows its insignificance to the scope of underfunding to these students within the base formula

| LEA        | Student Success Factor | SSF Funded   | % Funded |
|------------|------------------------|--------------|----------|
| Woonsocket | 16,097,558             | \$2,609,623  | 16%      |
| Pawtucket  | 24,626,479             | \$11,342,889 | 46%      |
| Providence | 71,621,673             | \$65,218,410 | 91%      |

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## Woonsocket local contribution doesn't meet non-core expense

| LEA        | FY 18 Formula Core Share Breakdown |              | Core Instruction Amount Expenditures |                | Non-Core Instruction Amount Expenditures |               | Total FY2018   | Measures/Metrics  |                             |
|------------|------------------------------------|--------------|--------------------------------------|----------------|--|---------------|--|-------------------|-----------------------------|
|            | State                              | Local        | FY 18 State Appropriation            | Local Share    | State                                    | Local Share   | Total FY2018 Expenditures from State & Local Sources | Core Over/(Under) | Per Pupil Core Over/(Under) |
|            |                                    |              |                                      |                |  |               |  |                   |                             |
| Woonsocket | \$59,336,179                       | \$ 9,659,378 | \$ 59,367,500                        | \$ (3,859,878) | \$0                                      | 19,587,834.14 | \$75,095,456   | (\$13,487,935)    | (\$2,336)                   |

- The local contribution to education is so small in Woonsocket it does not even cover non-core expenses.
- \$3.9MM of state aid meant for core instruction is being diverted to fund non-core costs in Woonsocket.

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## % of budgets spent on non-core varies widely showing potential efficiency opportunities

| LEA                   | Non-Core Instruction Amount Expenditures |                   | Total FY2018   | Measures/Metrics  |                     |
|-----------------------|--|-------------------|--|-------------------|---------------------|
|                       | State                                    | Local Share       | Total FY2018 Expenditures from State & Local Sources | Core Over/(Under) | % Non-Core Adjusted |
|                       |  |                   |  |                   |                     |
| Jamestown             | \$0                                      | \$ 4,977,443.97   | \$12,074,410   | \$1,117,192       | 41%                 |
| Little Compton        | \$0                                      | \$ 2,657,055.76   | \$7,017,800  | \$763,350         | 38%                 |
| Middletown            | \$0                                      | \$ 9,407,470.81   | \$35,895,508   | \$3,626,352       | 26%                 |
| Newport               | \$0                                      | \$ 10,647,772.01  | \$40,778,536   | \$5,713,202       | 26%                 |
| Bristol Warren        | \$0                                      | \$ 13,219,192.28  | \$51,591,738   | \$5,068,706       | 26%                 |
| Woonsocket            | \$0                                      | \$ 19,587,834.14  | \$75,095,456   | (\$13,487,935)    | 25%                 |
| Scituate              | \$0                                      | \$ 5,574,234.15   | \$21,979,397   | \$3,237,932       | 25%                 |
| East Providence       | \$0                                      | \$ 21,081,109.50  | \$83,001,682   | \$4,336,615       | 25%                 |
| Johnston              | \$0                                      | \$ 14,516,286.22  | \$57,658,841   | \$8,422,116       | 24%                 |
| Westerly              | \$0                                      | \$ 14,272,881.18  | \$56,224,495   | \$12,265,327      | 24%                 |
| North Providence      | \$0                                      | \$ 13,866,910.60  | \$55,481,601   | \$4,258,972       | 24%                 |
| Tiverton              | \$0                                      | \$ 7,069,149.36   | \$30,003,021   | \$4,083,748       | 24%                 |
| Foster                | \$0                                      | \$ 928,418.51     | \$3,952,006  | \$377,313         | 23%                 |
| Providence            | \$0                                      | \$ 106,047,669.94 | \$380,090,850  | (\$6,403,263)     | 23%                 |
|                       |  | \$243,853,428     | \$910,845,341  |                   | 24%                 |
| Exeter-West Greenwich | \$0                                      | \$ 7,538,599.25   | \$31,205,380   | \$7,765,311       | 23%                 |
| North Smithfield      | \$0                                      | \$ 6,056,545.49   | \$25,354,177   | \$2,628,302       | 22%                 |
| Portsmouth            | \$0                                      | \$ 8,389,161.60   | \$37,764,198   | \$6,588,488       | 22%                 |
| Warwick               | \$0                                      | \$ 37,870,606.13  | \$165,851,694  | \$33,336,461      | 22%                 |

| LEA              | Non-Core Instruction Amount Expenditures |                  | Total FY2018   | Measures/Metrics  |                     |
|------------------|--|------------------|--|-------------------|---------------------|
|                  | State                                    | Local Share      | Total FY2018 Expenditures from State & Local Sources | Core Over/(Under) | % Non-Core Adjusted |
|                  |  |                  |  |                   |                     |
| Narragansett     | \$0                                      | \$ 6,055,246.98  | \$27,107,566   | \$8,181,969       | 22%                 |
| West Warwick     | \$0                                      | \$ 12,095,357.09 | \$55,465,945   | \$5,153,547       | 21%                 |
| Pawtucket        | \$0                                      | \$ 29,265,016.96 | \$121,361,425  | (\$13,283,590)    | 21%                 |
| Lincoln          | \$0                                      | \$ 14,364,144.64 | \$54,187,110   | \$9,979,075       | 21%                 |
| Burrillville     | \$0                                      | \$ 7,268,533.18  | \$32,371,934   | \$1,105,504       | 21%                 |
| South Kingstown  | \$0                                      | \$ 13,845,755.18 | \$59,956,532   | \$15,279,115      | 21%                 |
| North Kingstown  | \$0                                      | \$ 14,178,823.63 | \$63,760,856   | \$11,080,939      | 20%                 |
| Foster-Glocester | \$0                                      | \$ 4,097,103.33  | \$20,368,607   | \$5,490,318       | 20%                 |
| East Greenwich   | \$0                                      | \$ 7,501,352.58  | \$37,790,607   | \$6,969,419       | 20%                 |
| Cranston         | \$0                                      | \$ 31,954,936.59 | \$153,296,305  | \$12,670,021      | 19%                 |
| Charlton         | \$0                                      | \$ 11,233,266.65 | \$54,124,349   | \$11,634,257      | 19%                 |
| Smithfield       | \$0                                      | \$ 6,925,437.52  | \$37,756,102   | \$7,684,927       | 18%                 |
| Glocester        | \$0                                      | \$ 1,537,751.83  | \$8,605,206  | \$1,780,403       | 18%                 |
| Coventry         | \$0                                      | \$ 12,649,469.11 | \$68,746,738   | \$8,781,370       | 18%                 |
| Cumberland       | \$0                                      | \$ 14,602,568.16 | \$63,054,789   | \$3,690,965       | 18%                 |
| Barrington       | \$0                                      | \$ 8,307,986.59  | \$48,581,914   | \$8,912,644       | 17%                 |
| New Shoreham     | \$0                                      | \$ 779,162.26    | \$4,871,104  | \$2,948,399       | 16%                 |
| Central Falls    | \$0                                      | \$ 10,182,514.10 | \$41,720,733   | \$131,120         | 15%                 |

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## High % choice communities continue to be impacted by mechanics of formula

|                      | Providence<br>Today | Providence<br>+1,000 Charter<br>Seats | Change         |
|----------------------|---------------------|---------------------------------------|----------------|
| RADM                 | 22,790              | 21,790                                | (1,000)        |
| Charter Enrollment   | 4,076               | 5,076                                 | 1,000          |
| Charter Tuitions     | \$17,432,612        | \$21,709,504                          | \$4,276,892    |
| Non Core Expenses    | \$106,047,670       | \$110,324,562                         | \$4,276,892    |
| State Aid            | \$245,114,202       | \$234,355,027                         | (\$10,759,175) |
| Local Aid            | \$134,976,648       | \$134,976,648                         | (\$0)          |
| Total Expenditures   | \$380,090,850       | \$369,331,675                         | (\$10,759,175) |
| Foundation Amount    | \$280,446,443       | \$268,140,763                         | (\$12,305,680) |
| Core Gap             | (\$6,403,263)       | (\$9,129,639)                         | (\$2,726,376)  |
| Core Gap per student | (\$281)             | (\$419)                               | (\$138)        |

- Charter tuition element of formula has base assumption that core amount is fully funded leading to pronounced expansion of inequity when charter seats expand
- PVD total savings must be \$15MM from loss of 1,000 students to break even

Revenue decreases by \$10.7MM while expenses increase \$4.3MM for net impact of \$15MM

Decrease in foundation amount only down \$12.3MM increasing core funding gap on whole and per student w/o offsetting additional non-core expense reduction or increased local contribution

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## Statewide Summary

| LEA              | Core<br>Over/(Under) | Per Pupil Core<br>Over/(Under) |
|------------------|----------------------|--------------------------------|
| Woonsocket       | (\$13,487,935)       | (\$2,336)                      |
| Pawtucket        | (\$13,283,590)       | (\$1,507)                      |
| Providence       | (\$6,403,263)        | (\$281)                        |
| Central Falls    | \$131,120            | \$52                           |
| Burrillville     | \$1,105,504          | \$476                          |
| Cumberland       | \$3,690,965          | \$820                          |
| East Providence  | \$4,336,615          | \$832                          |
| North Providence | \$4,258,972          | \$1,231                        |
| Cranston         | \$12,670,021         | \$1,244                        |
| Foster           | \$377,313            | \$1,418                        |
| West Warwick     | \$5,153,547          | \$1,498                        |
| North Smithfield | \$2,628,302          | \$1,548                        |
| Bristol Warren   | \$5,068,706          | \$1,584                        |
| Middletown       | \$3,626,352          | \$1,643                        |
| Jamestown        | \$1,117,192          | \$1,776                        |
| Coventry         | \$8,781,370          | \$1,901                        |
| Little Compton   | \$763,350            | \$2,047                        |
| Tiverton         | \$4,083,748          | \$2,210                        |

| LEA              | Core<br>Over/(Under) | Per Pupil Core<br>Over/(Under) |
|------------------|----------------------|--------------------------------|
| Scituate         | \$3,237,932          | \$2,415                        |
| Johnston         | \$8,422,116          | \$2,617                        |
| Barrington       | \$8,912,644          | \$2,657                        |
| Newport          | \$5,713,202          | \$2,692                        |
| East Greenwich   | \$6,969,419          | \$2,814                        |
| Portsmouth       | \$6,588,488          | \$2,818                        |
| North Kingstown  | \$11,080,939         | \$2,868                        |
| Smithfield       | \$7,684,927          | \$3,226                        |
| Glocester        | \$1,780,403          | \$3,267                        |
| Lincoln          | \$9,979,075          | \$3,384                        |
| Warwick          | \$33,336,461         | \$3,678                        |
| Chariho          | \$11,634,257         | \$3,686                        |
| Westerly         | \$12,265,327         | \$4,323                        |
| Exeter-West      |                      |                                |
| Greenwich        | \$7,765,311          | \$4,738                        |
| South Kingstown  | \$15,279,115         | \$4,872                        |
| Foster-Glocester | \$5,490,318          | \$5,023                        |
| Narragansett     | \$8,181,969          | \$6,357                        |
| New Shoreham     | \$2,948,399          | \$25,417                       |

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