

Governor's FY 2017 Budget: Articles

Staff Presentation to the House Finance
Committee
March 31, 2016

Introduction

- **Article 1, Section 17 – Rhode Island Health & Educational Building Corporation Transfer**
- Article 5, Question 5 – School Construction
- Article 11 - Education Aid

Article 1 Transfers

- Require payments to the state's General Fund by June 30, 2017
- Various amounts from quasi-state agencies
 - Similar to last year's proposal
- Totals \$16.2 million in FY 2017

Article 1, Section 17 - RIHEBC

- \$5.0 million from RI Health & Educational Building Corporation by June 30, 2017
- Same as last year's proposal
- RIHEBC
 - Issues tax-exempt bonds for non-profit health and education institutions
 - Provides financing for state's school housing aid program
 - Disburses payments from School Building Authority Capital Fund

Introduction

- Article 1, Section 17 – Rhode Island Health & Educational Building Corporation Transfer
- **Article 5, Question 5 – School Construction**
- Article 11 - Education Aid

General Obligation Bonds

- Gov. proposes \$257.5 million of new GO bonds for Nov. 2016 ballot
 - URI Engineering/ Innovative Campus
 - Quonset Piers
 - Green Economy
 - Affordable Housing
 - School Construction
 - Veterans' Home

Bond Referenda – November 2016

Project	Amount
URI Engineering Phase II (March 17)	\$25,500,000
Innovation Campus (March 17)	20,000,000
Quonset Piers (April 5)	70,000,000
Green Economy (March 9)	35,000,000
Affordable Housing (March 9)	40,000,000
School Construction	40,000,000
Veterans' Home (March 9)	27,000,000
Total	\$257,500,000

Bond Referenda – November 2016

Project	Annual Debt Service	Total Cost
URI Engineering Phase II	\$2.1	\$40.8
Innovation Campus	1.7	32.0
Quonset Piers	5.8	112.1
Green Economy	2.9	56.0
Affordable Housing	3.3	64.1
School Construction	3.3	64.1
Veterans' Home	2.2	43.2
Total	\$21.3	\$412.3

Data in millions; assumes 5% rate and 20 year bonds

Article 5, Question 5

- \$40.0 million deposited into School Building Authority Capital Fund
 - Repair, upgrade & modernize public schools
 - Health and safety projects
 - STEAM investments
 - Career & technical education learning space
 - Annual debt service of \$3.3 million assuming 5% and 20-year term
 - Total cost of \$64.1 million

Article 5, Question 5

- 2015 Assembly created new School Building Authority Capital Fund
- Administered by School Building Authority at RIDE
- FY 2016 enacted budget includes \$20.0 million from debt service restructuring savings to start the Fund
- Fund in addition to traditional school housing aid program

Article 5, Question 5

- Governor's FY 2016 budget indicated intention for \$80.0 million per year for school housing aid, beginning in FY 2017
 - Funding for existing housing aid program with remaining funding, up to the \$80 million limit, for SBA
- Council decides which program best suits district's and state's needs

Article 5, Question 5

- Current law allows RIDE to use funding from School Building Authority Fund for “one-time or limited expenses”
- Department has contracted for a statewide assessment
 - RIHEBC has pledged \$1.0 million
 - \$3.4 million from SBA Fund
 - Funds from FY 2015 bond refinancing savings
 - Study to be completed by end of June 2017
 - Will identify what statewide need actually is

Article 5, Question 5

- Prior estimates of statewide need
 - \$1.8 billion to bring all schools to good condition based on RIDE's 2013 Public Schoolhouse Assessment
- Statewide need does not necessarily align with ability or willingness to pay
 - Districts and municipalities may not have the bonding capacity to address all needs

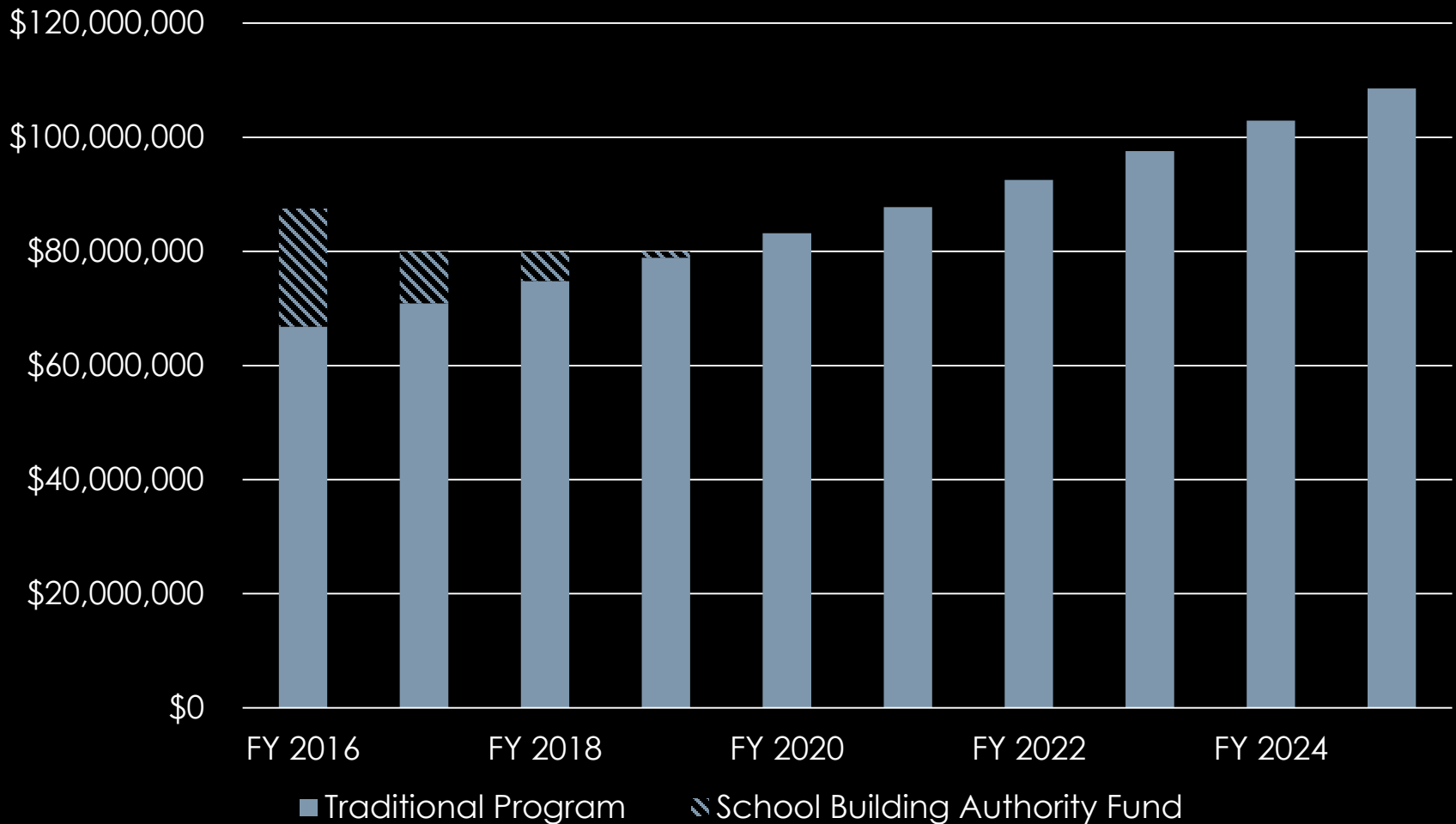
Article 5, Question 5

No New Project Approvals



Article 5, Question 5

5.5% Annual Growth



Introduction

- Article 1, Section 17 – Rhode Island Health & Educational Building Corporation Transfer
- Article 5, Question 5 – School Construction
- **Article 11 - Education Aid**

Article 11 - Background

- Education Funding in Rhode Island
 - 1960s – 1990s
 - Reimbursement of local expenditures based on a share ratio w/ minimum share
 - Ranged from 25% to 30%
 - Share ratio bonus for regional school districts
 - No cap on expenditures encouraged local spending
 - 1980s – early 1990s
 - Special funds created to address specific programs
 - Special education, vocational education, limited English proficiency, distressed districts

Article 11 - Background

- Education Funding in Rhode Island
 - Recession in the early 1990s
 - Eliminating minimum aid guarantees
 - Funding capped
 - Many communities faced a declining property tax base
 - Weakened ability to raise funds for education
 - Reduced local spending = reduced state spending
 - 1994 state Supreme Court decision:
Assembly's role is to support & promote, not establish a system of education

Article 11 - Background

- Education Funding in Rhode Island
 - 1996 Assembly called for development of new funding plan and established accountability measures
 - Expenditure tracking – InSite
 - Performance reporting – SALT/Infoworks
 - 1997 Assembly adopted funding plan commonly referred to as Article 31
 - Eliminated calculation under old categories except for teacher retirement and construction aid
 - Old aid categories funding remained in base and new appropriations were added to that

Article 11 - Background

- Most new money added to programs aimed at goals
 - Core Instruction/Student Equity
 - Technology
 - Early Childhood Education
 - Professional Dev.
- Additional categories added over time
 - Full Day K, Voc Ed
- Often included guarantees that communities would not receive less than prior year but all funding subject to appropriation

Article 11 - Background

- Available new funding began to diminish
 - Resources were primarily used to maintain funding levels
- District with growing populations or increasing poverty did not receive aid commensurate with those changes partially because of hold harmless provisions
- Those with declining populations did not lose funding

Article 11 - Background

Fiscal Year	Education Aid
2006	Last year data was updated
2007	All districts received 4.8% increase
2008	Funded at FY 2007 level
2009	Funding reduced in final budget
2010	Budgets included reductions that were partially offset by other sources or savings at local level
2011	

Article 11 - Background

- Davies & the Metropolitan Career and Tech Center (The Met) were 100% state funded until FY 2012
- Did not suffer funding reductions like other districts
 - School for the Deaf continues to be funded entirely from the state
 - Davies and Met became part of the funding formula

Article 11 - Background

- Charter Schools had been funded through a formula since 1999
- Prior to FY 2012, state funding for each student based on the sending district's per pupil cost, reduced by that community's share ratio
 - Minimum share ratio of 30% established 2005
- 5% indirect aid returned to sending districts partially to account for overhead costs

Article 11 - Background

- Joint Committee to Establish Permanent Foundation Aid Formula Created by 2004 Assembly
 - *“recognizes the need for an equitable distribution of resources among the states’ school districts, property relief and a predictable method of distributing education aid.”*

Article 11 - Background

- May 2007 Recommendations
 - Establish a statewide per pupil expenditure
 - Weights for special ed, ELL, free/reduced price lunch and vocational education
 - Districts held harmless to current levels
 - 25% minimum share of funding from state
 - Shift certain costs to state
 - Proposal required over \$550 million in new funding
 - Almost double

Article 11 - Background

- Joint Committee recommendations introduced as legislation in 2007 Session
- House and Senate took no actions
- Similar legislation introduced during 2008 & 2009 sessions
- 3 competing proposals during 2010 session
 - Version drafted by RIDE with assistance from Brown University became basis for new education funding formula

Article 11 - Background

- 2010 Assembly adopted a funding formula beginning with the FY 2012 budget
- Distributes aid to all districts, charter schools and the state schools
- Based on the principle that the money follows the student

Article 11 - Background

- Includes
 - Core instruction amount per pupil
 - Single poverty weight as a proxy for student need
 - number of students eligible for free & reduced price lunch
 - State share ratio that considers the district's ability to generate revenues and its poverty concentration
 - Ranges from 7.4% to 94.3%

Core Instruction Amount

FY 2017	Not Eligible for FRPL	Eligible for FRPL
Core instruction amount	\$8,979	\$8,979
40% weight	-	3,592
Per student amount	\$8,979	\$12,571

- This is the basis for the rest of the calculation
- Core Instruction amount based on New England averages – updated annually

Article 11 - Background

- State funding outside the base formula & subject to appropriation:
 - High-cost special education students
 - High-cost career & technical programs
 - Early childhood education programs
 - Transportation
- Designed to fill gaps not resolved by formula

Article 11 - Background

- Categorical funding was anticipated to grow over 10 years
- Teacher retirement and school construction aid do not go through formula
 - State pays equal share (40%) for every district's teacher retirement costs regardless of salary base
 - Participation by charter schools vary – mayoral academies are exempt

Article 11, Local Tuition for Charter & State Schools

- Charter & state schools subject to formula
 - State share ratio = that of sending district
 - Local share = per pupil cost of sending district
 - Currently 22 charter schools/ 2 state schools
 - 7.5% of total enrollment
 - Impacts to districts are different

Article 11 - Background

- Formula produced winners and losers
- To avoid shocks to state budget & “losing” districts, phased in over 10 years
 - Estimate at the time was that it would have cost over \$70 million in base formula aid
 - “winners” (currently underfunded) fully funded by year 7
 - “losers” (currently overfunded) full loss by year 10
 - FY 2012 1st year of formula; FY 2017 is year 6

Article 11 - Background

- Major issues discussed in formula development
 - Student weights
 - Special education
 - Vocational education
 - Regional school districts
 - Central Falls

Article 11 - Background

- Why one weight as proxy for student needs?
 - Research showed poverty density is good predictor of concentration of student need
 - Poverty data is defined federally
 - Difficult to manipulate data for a favorable outcome
 - Other weights can provide incentive to classify in a particular manner to drive funding

Article 11 - Background

- October 2015, Governor created Working Group to Review the Permanent Education Foundation Aid Formula
- Group tasked with:
 - Reviewing degree to which the formula meets the needs of all students & schools
 - Ensuring fairness between school types
 - Reviewing degree to which formula incorporates best practices in funding, efficiency and innovation

Article 11 - Background

- Group made several recommendations
- Based on those, Governor recommends 2 new categories of aid
 - English language learners
 - \$2.5 million for FY 2017; \$5.0 million for FY 2018
 - Districts with high percentages of students enrolled in charter and state schools
 - \$2.6 million for FY 2017

Article 11

- Local Budgets and UCOA (Section 1)
- Full-Day Kindergarten (Sections 2 & 5)*
- Local Maintenance of Effort (Section 3)
- Education Funding Formula (Section 4)
 - English Language Learners
 - School of Choice Density Aid
 - Stabilization Fund
 - High Cost Special Education
- Local Tuition to Charter & State Schools
 - Sections 4, 6 - 8

Article 11, Local Budgets

- Districts must post adopted budgets on website in downloadable format for free
 - Must include program & school level data
 - Must include link to RIDE's website
- Must submit “budget only” file that conforms to UCOA requirements within 30 days of budget adoption
- Effective for FY 2018

Article 11, Uniform Chart of Accounts

- Must allow for school-to-school and district-to-district comparisons
- Includes additional standards for data collection and presentation
 - Per pupil expenditures by revenue source and expenditure category
 - Student performance indicators

Article 11, Full-Day K

- Repeals requirement that beginning in FY 2017, state provide full funding for any district converting from half-day to full-day K for FY 2015 or after
- Budget excludes \$2.5 million to 13 districts that converted to full-day kindergarten in FY 2015 or after
- Governor requested amendment to remove the repeal
 - Does not specify how shortfall would be addressed

Article 11, Local MOE

- Current law requires each community contribute local funds to schools in an amount not less than its previous fiscal year contribution
- Exemptions for high local contributions, high per pupil expenditures & non-recurring expenditures
- Article 11 changes requirement beginning in FY 2018

Article 11, Local MOE

- Requires annual contribution to increase by greater of:
 - Inflation or
 - Consistent per pupil growth
 - Defined as at least one percent for two consecutive years
- Proposal does not change exemptions

Article 11, Local MOE

- Current law allows communities to determine local contribution on per pupil rather than aggregate basis
 - when it has experienced a decrease in enrollment
- Article requires that computation on a per pupil basis still be adjusted for inflation

Article 11, High Cost Special Education Categorical Funds

- Funding formula includes additional state resources for high cost special education students
 - Costs exceed 5x district's combined per pupil core instruction & student success factor amounts
 - For FY 2017 that amount is \$62,853
 - Current total need is \$13.0 million
 - Governor's budget includes \$4.5 million, \$2.0 million more than enacted and about 1/3 of full funding

Article 11, High Cost Special Education Categorical Funds

- Funds prorated among eligible districts
- Article 11 reduces threshold for eligibility from 5x to 4x
 - Effective FY 2018
 - Absent additional resources, could reduce share of funding for some districts as total is split among more students
- No data available on the impacts
 - Not used in decision making

Article 11, English Language Learners

- Funding for evidence-based programs proven to increase outcomes
- Monitored by RIDE
- Based on criteria determined by Commissioner
 - Wide discretion
- FY 2017 is intended to be first of 2-year phase up to \$5.0 million total for FY 2018

Article 11, English Language Learners

- Calculation is 10% of core instruction amount, adjusted for state share ratio

Example:

Calculation

10% of Core Instruction amount 10% x \$8,979

\$898

x Number of Eligible Students 29

\$26,039

x State Share Ratio 64.8%

\$16,866

[Year one funding is 50% = \$8,433]

Article 11, School of Choice Density Aid

- \$300 for every student attending charter or state school
 - If district has at least 5% of their students enrolled
 - For FY 2017, 6 districts eligible for funding
 - \$2.6 million
- Amount to be recalculated every 3 years as determined by Commissioner
 - Not clear what element would be recalculated or by what standard

Article 11, Local Tuition for Charter & State Schools

- Reduces local payments to charter & state schools by \$355 per student
 - Effort to capture cost differential between school types
 - Preschool services and screening
 - Services to students 18 – 21
 - Out-of-district special education placements
 - Retiree health benefits
 - Debt service
 - Rental costs

Article 11, Local Tuition for Charter & State Schools

- Estimated to reduce local tuition payments by \$3.6 million
 - Impact to charter schools is \$3.0 million
 - Impact to state schools is \$0.6 million
- Requires Commissioner to review & recalculate reduction to local funding every 3 years
 - Not clear what element would be recalculated and by what standard

Article 11, Local Tuition for Charter & State Schools

- Current law specifies how local tuition is calculated
 - Local per-pupil cost excluding debt service & capital projects
- Article 11 codifies RIDE's current practice of calculating local per pupil cost
 - Local share of funding paid to charter/state schools is also excluded
 - Current language may suggest conflicting authority

Article 11, Local Tuition for Charter & State Schools

- Current law says:

“local share of education funding, as defined by the department of elementary and secondary education and approved by the General Assembly, shall be paid to the charter public school, Davies, and the Met Center by the district of residence of the student and shall be the local per-pupil cost calculated by dividing the local appropriation to education from property taxes, net of debt service and capital projects.....by the average daily membership for each city and town”

Article 11, Local Tuition for Charter & State Schools

- FY 2012 & FY 2013, local tuition calculated as local education appropriation minus debt service & capital projects divided by all students
- Beginning in FY 2014, RIDE began excluding local share of funding paid to charter/state schools
 - Still divided by all students
- Change in process was not widely known until fall 2015

Article 11, Local Tuition for Charter & State Schools

- Article 11 codifies this new practice but freezes amount excluded at FY 2014 level
- All students would still be in calculation
 - Results in lower per pupil cost
 - Bigger impact on per pupil cost in districts with higher % of charter/state school students
- Impacts for FY 2017 has not been quantified
- For FY 2016, the difference ranges based on charter/state school participation
 - Low: \$38 per pupil (\$38)
 - High: \$1,195 per pupil (\$1.4 million)

Article 11, Local Tuition for Charter & State Schools

Example	District A	District B
Local per pupil (all students)	\$12,742	\$7,506
Local per pupil (net charter/state school students)	\$12,769	\$8,086
Difference in local cost	\$28	\$579
Charter/state school enrollment	7	348
Impact of removing charter/state students from calculation*	\$193	\$201,608

*added cost to districts

Article 11, Local Tuition for Charter & State Schools

- Repeals provision that charter schools with approved career/tech program that enrolls special education students can charge sending district
 - Currently none qualify
- Proposed to prevent a future issue for local districts

Article 11, Stabilization Funds

- New stabilization fund for state schools
 - Mitigate some of the losses in funding from the implementation of the funding formula
 - Recognizes additional costs associated with running a stand-alone school that offers both academic and career/tech education
 - \$2.3 million for FY 2017
 - \$2.0 million for Davies
 - \$0.3 million for Met School
- No new funding in career & Tech categorical funds

Article 11, Stabilization Funds

- Amends Central Falls Stabilization Fund
 - Currently annual review determines amount of state and city appropriation
 - City has been receiving funds since FY 2015 with no local contribution
 - Article removes annual determination
 - Proposed change removes blanket requirement for city contribution, which is not currently being followed
 - Replaces it with requirement that RIDE develop criteria for determining amount in any given year

Article 11, Formula Review & Calculation

- Article 11 requires RIDE to conduct a review of education funding formula no less than every 5 years
 - To ensure predictability, equity and accuracy of the distribution of state education aid
- Changes the definition of poverty status used to calculate the 40% student success factor
 - Still equivalent to current definition

Article 11, Formula Review & Calculation

- Current: eligible for free & reduced lunch
- Proposed: 185% of federal poverty guidelines
- U.S. Dept. of Agriculture indicated free & reduced lunch data is not designed to be an indicator of poverty
 - States that use it as such should identify other indicators

Article 11, Formula Review & Calculation

- No impact on the numbers of children
 - Free & reduced price lunch eligibility is based on federal poverty guidelines with 185% of poverty being the threshold for reduced price lunch
 - For 2016, 185% of federal poverty is \$44,955 for a family of four
- Data will still be collected the same way

Article 11

Element	FY 2017	FY 2018
English Language Learners	\$2.5	\$5.0
School of Choice Density Aid	2.6	2.8
State School Stabilization Funds	2.3	3.2
Full-Day Kindergarten*	(2.5)	-
Total	\$4.9	\$11.0

In millions

*Governor requests proposal to be removed via requested amendment

Empowerment Schools

- Governor requested an amendment
- Establishes empowerment schools
 - Voluntary program
 - Managed collaboratively by principal and faculty on site
 - Still under district leadership of superintendent and school committee
 - Regulatory and statutory flexibility
 - School-based autonomy

Empowerment Schools

- Entities eligible to become empowerment schools:
 - School in a public school district
 - Or a school within a school
 - Career & technical education program within a public school district
 - State schools
- Gives students & families right to enroll in empowerment school that is different from assigned school based on residence

Empowerment Schools

- Principal and professional staff authorized to make decisions:
 - Curriculum
 - Instruction
 - Policies and procedures
 - Calendar and schedule
 - Allocation of resources
 - Staffing and professional development
- Principal has final authority

Empowerment Schools

- Teachers/professional staff would maintain full status as members of their respective bargaining units
 - Service in empowerment school would not be deemed an interruption of service for purposes of seniority and retirement
- Authorizes amendment of collective bargaining agreements
 - Subject to approval of superintendent, district union & school committee
 - Shall be non-precedent setting

Empowerment Schools

- Commissioner would develop process for a school to be designated as empowerment school
 - With approval of superintendent & school committee
 - Requires approval of 2/3rds of full-time professional staff to convert into empowerment school or back to traditional school
- Authorization given for period of 3 years
 - Charter schools have 5 year approvals

Empowerment Schools

FY 2017

- Design-team planning
- Approval

FY 2018

- One-year pilot implementation for students enrolled in charter schools, non-public schools, or through voluntary open enrollment agreements between districts

FY 2019

- Statewide open enrollment program begins

Empowerment Schools

- Open enrollment only limited by:
 - Insufficient classroom space or instructional capacity
 - Calculated as 85% of physical or programmatic capacity
 - Geographic location
 - Students outside established transportation regions would be responsible for own transportation
 - “Fair, equitable and reasonable admission standards”
 - Established by receiving district

Empowerment Schools

- State & district revenue in same proportion as funding for other schools
- Funded either like charter schools or through an alternative agreement with the school district
- Centrally provided services subject to negotiation between school and district
- “...General Assembly shall annually appropriate funds to support empowerment schools”

Empowerment Schools

- Governor's FY 2017 budget includes:
 - \$1.0 million for principal empowerment & training
 - Investing principals with more authority at the school level
 - Build pipeline of leaders & principals
 - \$750,000 for teacher fellowships at RIDE
 - \$1.0 million for innovation grants to schools to promote innovation, flexibility, & best practice

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