



FY2010
State Aid to Cities and Towns

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Table of Contents

Introduction	1
I. Municipal Aid	3
a) Direct Municipal Aid	3
b) Indirect Municipal Aid.....	14
II. School Aid.....	20
III. Developing a New Formula.....	40

Introduction:

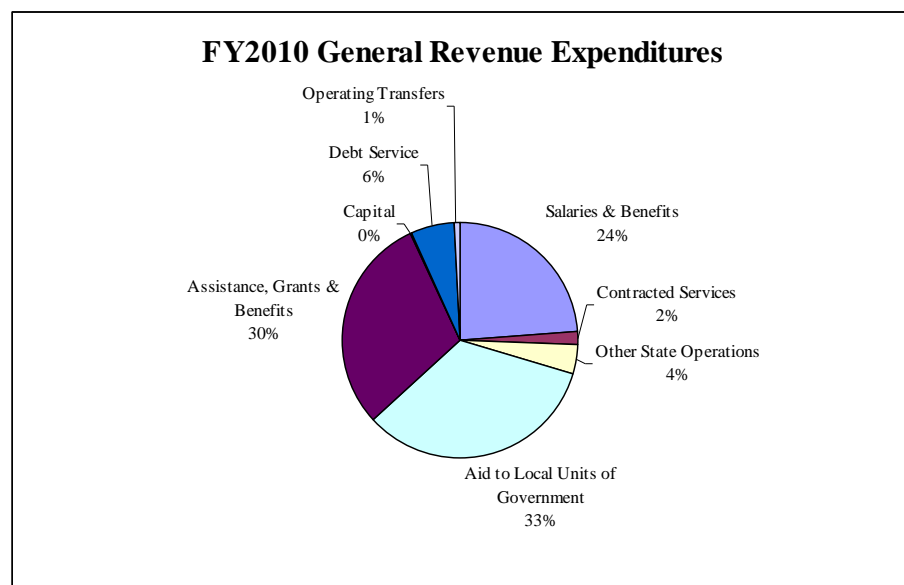
Rhode Island municipalities derive the majority of their revenues from property taxes. In FY2009, municipalities collected approximately \$1,967.5 million in property taxes, which is 9.7% more than the State collects in personal income and sales taxes combined. Data presented by the Rhode Island Public Expenditure Council (RIPEC) indicates that the average property tax bill on a median home in the State was \$3,597 in FY2006. Recent data (2006) also shows Rhode Island ranking 5th highest in the United States in term of property tax burdens as measured by property tax collections per \$1,000 of personal income.

State aid to local government is designed in part to provide an alternative revenue source for communities as well as to help support selected programs operated at the local level. In fact, as reported in RIPEC's Summary of the Governor's FY2010 Budget Request Report, since FY2000, nearly \$0.12 of every new dollar of spending went to increases in local aid.

State aid to local governmental entities is provided for a range of purposes, such as supporting the cost of conducting statistical updates of property values and providing funding for school districts to construct school facilities. The following report will provide a summary of each major local aid program, the methodology and distribution of aid, as well as other information regarding local property taxes.

There have been a number of efforts to provide direct and indirect property tax relief to taxpayers in Rhode Island. The State has completed the phase-out of local inventory taxes and has erased the excise tax on the first \$6,000 of motor vehicle value. The State has increased its total local aid program from \$699.3 million in FY2000 to \$993.0 million in FY2010, an increase of \$293.7 million, or 42.0 percent. In addition, in 2006 the General Assembly passed S-3050 entitled "Relating to Taxation – Property Taxes", which limits local property tax levy growth to no more than 4.75% in FY2010, decreasing the cap to 4.0% growth by FY2013.

Rhode Island's FY 2010 total budget of \$7,814.7 includes \$1,204.5 million in local aid to cities and towns, of which nearly \$1003.1 million is General Revenue. This represents 15.4% of all fund spending, but 1/3 of General Revenue spending.



There have been a number of recent changes in State aid to local government. Major changes include:

- Elimination of funding for the General Revenue Sharing program;
- Receipt of Stimulus Funds: Rhode Island is expected to receive Federal Stabilization Funds through the American Recovery and Reinvestment Act of 2009 of approximately \$134.9 million over a three-year period (FY2009 – FY2011) to be used for higher and lower education. Funds are provided to help States avoid reductions in public higher and elementary and secondary education. The General Assembly allocated \$38.3 million in FY2009 and \$34.1 million in FY2010 from Federal Stabilization Funds (Stimulus Aid) to local school districts;
- Pension Reform: The FY2009 Budget includes pension revisions that will save an estimated \$52.5 million in General Revenue in FY2010 and \$44.5 million net savings in FY2009. These figures are based on actuarial estimates, and are the result of :
 - changing the retirement age from 65 to 62 for all employees regardless of Plan, with a methodology that proportionally changes age requirement based on years of service so the closer one is to retirement, the less the impact;
 - Basing average final compensation for pension calculation on 5 years rather than 3 years.
 - Freezing service credits earned as of September 30, 2009 - but requires that all future accruals are earned at the Plan B schedule.
 - Changing the way Purchased credits count towards total service;
 - Computing COLA - Plan B at 3.0% or the change in CPI, which ever is lower (remains compounded); and;
 - Amending disability documentation to require annual reporting of disability status to the Retirement Board;
 - Permanently disabled - continue current benefit of 66 2/3 of salary;
 - Disabled from service - benefit reduced from 66 2/3 to 50% of salary.

The following report is intended to provide a reference guide to major state aid programs. Please contact our office at 401-222-2480 if you have any questions or comments.

Municipal Aid:

The State provides funding to municipalities in two forms: Direct Aid and Indirect Aid. Direct Aid is money which has been appropriated by the General Assembly for specific programs in the State's annual Budget as Enacted. This money is then distributed by the Department of Administration to the Cities and Towns based on formulas prescribed in State statutes. Indirect Aid, also referred to as "Pass-Through" Aid is money received by the Department of Administration from outside sources, such as hotel, restaurants, and communications companies, and distributed to cities and towns. It is not appropriated during the budget process, and therefore is not in the Budget as Enacted. In the case of Public Service Corporation Tax, the funds are distributed based on community population relative to the State's population. Meal and Beverage taxes and Hotel taxes are distributed to the communities from which the tax revenue originated.

Direct Municipal Aid

The State gives aid directly to cities and towns for purposes other than public education in the form of municipal aid. Municipal aid has evolved over time, from programs where the State has provided resources to support communities with a significant presence of non-taxable property to programs designed to share the State's revenue base. Since FY2000, total State municipal aid has increased from \$112.1 million to \$218.8 million in FY2010 – an increase of \$106.7 million during this period of time.

The majority of municipal aid has been through the tax relief program under the motor vehicle excise tax program and the State's General Revenue Sharing Program. However, in FY2009 and FY2010, there were significant changes in support for the General Revenue Sharing Program. In FY2008, the State provided \$55.1 million in General Revenue Sharing. However, this was reduced to \$25.0 million in FY2009, and subsequently not funded in FY2010.

Municipal Aid							
Aid Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Change - FY 2006 - 2010	
						Actual	Percent
General Revenue Sharing	\$65.0	\$65.1	\$55.1	\$25.0	\$0.0	(\$65.0)	-100.0%
Payment in Lieu of Taxes	27.0	27.8	27.8	27.6	27.6	0.6	2.2%
Distressed Communities	10.6	10.2	10.4	10.4	10.4	(0.3)	-2.4%
Motor Vehicle Excise Tax	117.6	136.2	135.3	135.4	135.3	17.7	15.0%
State Aid to Libraries							
Grant-in-Aid	8.4	8.7	8.7	8.7	8.7	0.3	3.6%
Library Construction	2.6	2.8	2.7	2.6	2.8	0.2	7.7%
<i>Total Direct Aid</i>	<i>\$231.2</i>	<i>\$250.8</i>	<i>\$240.0</i>	<i>\$209.6</i>	<i>\$184.8</i>	<i>(\$46.5)</i>	<i>-20.1%</i>
Public Service Corporations Tax	\$12.2	\$10.3	\$10.3	\$9.2	\$9.2	(\$3.0)	-24.6%
Meals & Beverage Tax	17.6	18.8	18.7	18.7	19.1	1.5	8.5%
Hotel Tax	5.4	5.7	5.8	5.6	5.7	0.3	5.6%
<i>Total - Indirect Aid</i>	<i>\$35.2</i>	<i>\$34.9</i>	<i>\$34.9</i>	<i>\$33.5</i>	<i>\$34.0</i>	<i>(\$1.2)</i>	<i>-3.4%</i>
Total Aid	\$266.5	\$285.6	\$274.9	\$243.1	\$218.8	(\$47.7)	-17.9%

General Revenue Sharing (RIGL § 45-13-1) Beginning in FY1994, 1.0% of total State tax revenues from the second prior fiscal year were earmarked for general State Aid to cities and towns. This amount was required to increase annually, beginning in FY1999, until reaching 4.7% in FY2010. The incremental increase was implemented to offset revenues lost by the municipalities due to the State's requirement to phase-out local inventory taxes, and the increase was calculated to provide approximately \$5.0 million in additional revenue annually.

The 2002 General Assembly delayed the incremental increase for FY2003 by one year and provided subsequent adjustments in the schedule. In FY2004, 2.7% of total State tax revenues from FY2002 were apportioned to cities and towns. When the delay was implemented in FY2003, there was no adjustment made to the schedule for the inventory phase-out. FY2008 was the last year for the inventory tax, which was 10% of the 1999 rate.

When the 2000 Census data became available, the distribution of the General Revenue Sharing Aid would have shifted so that some communities received less aid in FY2004 than in FY2003. In order to minimize the impact of the changes in distribution, the Legislature amended RIGL 45-13-1 to provide for the phase-in of the new census data over 10 years.

Distribution: General Revenue funds are distributed based on the tax effort of a community divided by the square of the per capita income.

- The tax effort includes total taxes imposed for public purposes and excludes amounts allocated to education expenses.
- Both the population and income values are defined as those reported by the United States Department of Commerce, Bureau of the Census, for the second fiscal year preceding the beginning of the fiscal year in which the aid is distributed.

For each county, city/town tax effort is divided by per capita income squared, designated as R in the general laws [$R = (\text{tax effort}) / (\text{income} * \text{income})$]. The amount allocated to a county is based on the ratio of the value of R for the county to the total value of R for all five counties. Then, the amount distributed to cities and towns within each county is based on the ratio of each city/town to the sum of all values of R for all cities/towns in the county.

Example: The Statewide allocation of General Revenue Sharing in FY2008 from General Revenue was \$54,699,003.

GRS FY2008 Formula Calculation	Tax Effort (TE)	Per Capita Income Squared (PCI2)	R = TE/PCI2	R (each)/ R (total)	First Allocation
Barrington	\$8,984,186	860307561	0.0104429932	0.140078029	\$203,246
Bristol	12,412,980	291658084	0.0425600410	0.570882938	828,323
Warren	7,084,397	328769424	0.0215482234	0.289039033	419,381
Total County	\$28,481,563	1,480,735,069	0.0745512576	1.0000000000	\$1,450,950
Bristol County	\$28,481,563	455352921	0.062548326	0.026526095	\$1,450,951

Source: RI Division of Municipal Finance

No city or town shall receive an entitlement in excess of one hundred forty-five percent (145%) of that city or town's population multiplied by the average per capita statewide annual appropriation. Any excess entitlement is allocated to the remainder of the cities and towns in that county.

Distribution of funds to cities and towns occurs once a year in March.

Funding: The 2005 General Assembly provided that 6.25% of video lottery net terminal income (maximum \$10.0 million) attributable solely to new machines at Lincoln and Newport be dedicated to the General Revenue Sharing program for non-distressed communities based on the proportion of the General Revenue Sharing distribution for that year. The 2006 General Assembly converted the dedication of video lottery income from the State share of new machine income to 0.10 % of the State's share of all net terminal income up to a maximum of \$10.0 million to non-distressed communities based on the proportion of the General Revenue Sharing distribution for that year. The change by the 2006 General Assembly was revenue neutral for the program, in that the same amounts were achieved.

General Revenue Sharing			
Fiscal Year	Total Funding	Percent Change	% of State Revenues
2000	\$27.6	39.8%	1.7%
2001	33.5	21.5%	2.0%
2002	43.6	30.2%	2.4%
2003	48.3	10.7%	2.4%
2004	51.4	6.5%	2.7%
2005	52.4	1.9%	A
2006	65.0	23.9%	3.0%
2007	65.1	0.2%	A
2008	55.1	-15.4%	A
2009	25.0	-54.6%	A
2010	0.0	-100.0%	0.0%

A - funding determined by appropriation, not as a percentage of State revenue.

For FY2007, the Governor recommended freezing the level of funding at the FY2006 level and also recommended freezing the phase-up at 3.0% for FY2008 and beyond. The General Assembly froze the program at the FY2006 level but left the phase-up to 4.7% in FY2011.

For FY2008, the General Assembly concurred with the Governor's proposal to freeze General Revenue Sharing payments at the FY2007 level and fix future amounts at 3.0% of tax revenues, ending the phase-up.

In the FY2009 Supplemental Budget, the Governor had recommended eliminating General Revenue Sharing. The General Assembly did not concur, and appropriated \$25.0 million in

General Revenue Sharing in FY2009, which was \$30.1 million less than originally enacted. In FY2010, the General Assembly concurred with the Governor in recommending \$0.00 for General Revenue Sharing.

Payment in Lieu of Tax Exempt Property (PILOT) – RIGL § 45-13-5.1 – The PILOT program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The policy behind the implementation was to offset the costs to the community for providing public safety or other ordinary services to the properties and facilities covered by the statute.

Distribution: The original reimbursement rate was 25% of all tax that would have been collected had the property been taxable. In 1988 the program was expanded to include any State owned and operated hospital, veterans' residential facility, or correctional facility occupied by more than one hundred (100) residents, which is exempted from taxation by State law. In 1997, the General Assembly increased the reimbursement rate to 27%, effective in FY1998. The baseline assessed property values for this program have grown from \$1,969.2 million in 2000 to \$4,784.6 million in 2010.

Twenty-one communities currently receive funding from this program. Providence receives \$19.7 million (71.3%) of the \$27.6 million appropriated. This is due to reimbursements for 6 hospitals (Butler, Miriam, Rhode Island, Roger Williams, St. Joseph's and Women & Infants) and 4 private colleges (Brown, Johnson & Wales, Providence College, and Rhode Island School of Design) located within the City. Cranston receives \$3.6 million due mainly to the location of the Howard Complex within that City.

Funding: Since FY2008, State appropriations for the PILOT program have equaled less than 27.0% of all tax that would have been collected had the property been taxable. In FY2010, the budget includes \$27.6 million, which in effect represents 23.8% of all tax that would have been collected had the property been taxable.

Payment in Lieu of Tax Exempt Property

Fiscal Year	Total Funding	Percent Change	Percent Reimbursed
2000	\$16.1	1.3%	27.0%
2001	17.6	9.6%	27.0%
2002	18.1	3.0%	27.0%
2003	18.2	0.1%	24.8%
2004	21.7	19.6%	27.0%
2005	22.7	4.6%	26.3%
2006	27.0	18.7%	27.0%
2007	27.8	2.9%	27.0%
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%

Distressed Communities Relief Program – RIGL § 45-13-12 – Established in 1990, this program provides State assistance to Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. Four indices are used to determine eligibility:

- percent of tax levy to full value of property;
- per capita income;
- percent of personal income to full value of property; and
- per capita full value of property.

Each community is ranked by each distress index and any community that falls into the lowest 20% of at least three (3) of the preceding four (4) indices is eligible to receive assistance (15% prior to FY2005). Since the inception of the program, only seven communities have received funding through this program:

- Burrillville,
- Central Falls,
- North Providence,
- Pawtucket,
- Providence,
- West Warwick, and
- Woonsocket.

Distribution: The funds are distributed to eligible communities based on the community's tax levy relative to the tax levy of all eligible communities. Any newly qualifying community or community returning to the program will receive (50%) fifty percent of the funding they would be entitled to in the first year, and then the full amount thereafter. The remaining 50% would be

distributed to the other distressed communities to soften the fiscal impact of the new eligible community

Funding: The Distressed Communities Relief Program originally was funded through a \$5.0 million annual contribution from the Video Lottery Terminal revenue and a portion of State revenues collected from the real estate conveyance tax. Beginning in FY2008 funding for this program came from State appropriations and a 0.19% share of all video lottery net terminal income.

Distressed Communities Relief		
Fiscal Year	Total Funding	Percent Change
2000	\$6.6	7.1%
2001	7.3	10.5%
2002	7.6	4.7%
2003	8.1	6.6%
2004	7.5	-7.5%
2005	9.5	26.5%
2006	10.6	11.6%
2007	10.2	-4.6%
2008	10.4	2.3%
2009	10.4	0.0%
2010	10.4	0.0%

For FY2009, \$10.4 million was appropriated to seven (7) qualifying municipalities. The FY2010 budget includes \$10.4 million for the Distressed Community Relief Program. It should be noted that the allocation to municipalities for FY2010 is based on current distressed community index rankings.

Motor Vehicle Excise Tax - RIGL § 44-34.1-1 – The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted based on three fundamental principles. The first was to restructure the tax system by reducing local reliance on property taxes in an effort to improve Rhode Island’s tax competitiveness. The auto excise tax collections comprise about 11% of the property tax burden in the State.

The second principle was to provide broad-based property tax relief to the residents of Rhode Island. This is a tax that reaches corporations and private individuals as well as homeowners and renters alike. There are material differences in values and tax rates among communities, with tax rates varied from a low of \$9.75 in New Shoreham to a high of \$76.78 in Providence. Tax avoidance issues are also of concern, where some taxpayers could potentially register their car in a different community or state to minimize or avoid the auto excise tax. Phase-out of the motor vehicle excise tax would eliminate these inequities.

The third principle was to make a commitment to tax relief that would require the State to exhibit discipline in providing spending increases. When the legislation was enacted, it was also believed that the freeing of the monies from the DEPCO payments would provide more revenue for the phase-out.

Pursuant to RIGL § 44-34.1-1, as amended by the FY2003 Appropriations Act, Article 3, the motor vehicle excise tax is reduced in FY2003 and thereafter and may be phased-out subject to annual review and appropriation by the General Assembly. The reduction applies to all motor vehicles and trailers, including leased vehicles. The tax assessor in each city and town is required to reduce the retail value of each vehicle based on the exemption schedule provided below. In other words, the first \$1,500 of the value could not be taxed in FY2000. This has increased to \$6,000 in FY2010.

Motor Vehicle Exemptions	
Fiscal Year	Total Exemption
2000	\$1,500
2001	2,500
2002	3,500
2003	4,500
2004	4,500
2005	4,500
2006	5,000
2007	6,000
2008	6,000
2009	6,000
2010	6,000

RIGL § 44-34.1-1 further provides that for FY2008 and each year thereafter the exemption and the State fiscal year reimbursement will be increased, at a minimum, to the maximum amount to the nearest two hundred and fifty dollar (\$250) increment within the allocation of one and twenty-two hundredths percent (1.22%) of net terminal income derived from video lottery games pursuant to the provisions of section 42-61-15, and in no event shall the exemption in any fiscal year be less than the prior fiscal year.

Distribution: The Motor Vehicle Excise Tax Elimination Act requires that the cities and towns receive reimbursements from State General Revenues equal to the amount of tax revenue lost through the application of the exemptions.

- Between FY2000 and FY2008 the reimbursements were calculated assuming a 100% collection rate.
- Under the program as originally designed, the base tax rate was indexed for inflation by applying the annual change in the December consumer price index – all urban consumers (CPI-U). This practice reimbursed the cities and towns for any tax rate increases that may have occurred had the rate not been frozen.

- In 2003 the General Assembly accepted the Governor’s recommendation to end the CPI-U adjustment. Beginning in FY2004.
- Since FY2009, the reimbursements have been calculated assuming a 98% collection rate.
- Lost revenues are determined using a base tax rate fixed at the FY1998 level for each city and town, except the Town of Johnston, which is fixed at the FY1999 level.
- Under current law, the tax rolls upon which the reimbursements are calculated are updated to provide the actual data that would have been used by the municipalities had the phase-out not been enacted.

While it is true that some communities may get more revenues through the reimbursement than they would have collected in excise taxes (75%-80% collection rate realized by most municipalities), the difference was seen by the authors of the legislation as additional property tax relief that would allow communities to avoid raising property tax rates.

Municipalities received reimbursements from the State on a quarterly basis on August 1, November 1, February 1, and May 1. Each payment represents 25% of the amount calculated for reimbursement; however, the February and May payments may differ due to the final certified and reconciled motor vehicle levy information.

Funding: The FY2010 Budget funds the Motor Vehicle Excise Tax reimbursements at \$135.3 million. This figure assumes the excise tax exemption will remain at \$6,000 per vehicle and a 3.2% growth in the value of exempted vehicles that will be reimbursed by the State. The General Assembly also changes the reimbursement rate from 100% to 98% of the adjusted values, which is meant to reflect actual municipal collections.

Motor Vehicle Excise Tax		
Fiscal Year	Total Funding	Percent Change
2000	\$47.3	112.2%
2001	76.6	62.0%
2002	99.6	30.0%
2003	100.2	0.6%
2004	105.0	4.8%
2005	105.0	0.0%
2006	117.6	12.1%
2007	136.2	15.8%
2008	135.3	-0.7%
2009	135.4	0.0%
2010	135.3	0.0%

Property Tax Revaluation – RIGL § 44-5-11.6 - Rhode Island law requires municipalities to conduct full property revaluations every nine years and statistical updates at year three (3) and year six (6). Communities are responsible for appropriating funds to cover the costs of full

property revaluations; however, State law requires that the State reimburse municipalities for 100% of the first statistical update, not to exceed \$20 per parcel. Reimbursements for subsequent updates are set at 80% (up to \$16 per parcel) for the second statistical update and 60% (up to \$12 per parcel) for the third and subsequent statistical revaluations.

Property Tax Revaluation		
Fiscal Year	Total Funding	Percent Change
2001	\$1.5	
2002	1.0	-32.7%
2003	1.6	55.4%
2004	2.3	47.5%
2005	0.7	-70.6%
2006	1.2	70.9%
2007	2.1	78.0%
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.8	62.9%

Only 2 communities, Bristol and Hopkinton, will be completing their second update during FY2010. All other communities are scheduled for their third statistical revaluation or a full-revaluation by FY2012.

State of Rhode Island's Schedule of Property Revaluations & Statistical Updates

Municipality	2000*	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Barrington			update			revaluation			update			update	
Bristol		revaluation			update			revaluation			update		
Burrillville	update			revaluation			update			update			revaluation
Central Falls	update			revaluation			update			update			revaluation
Charlestown		update			revaluation			update			update		
Coventry		update			update			revaluation			update		
Cranston			update			revaluation			update			update	
Cumberland		update			revaluation			update			update		
East Greenwich			update			revaluation			update			update	
East Providence				update			revaluation			update			update
Exeter			revaluation			update			update			revaluation	
Foster			update			update			revaluation			update	
Glocester		revaluation			update			update			revaluation		
Hopkinton			revaluation			update					update		
Jamestown	update			revaluation			update			update			revaluation
Johnston	update			revaluation			update			update			revaluation
Lincoln	update			revaluation			update			update			revaluation
Little Compton	revaluation			update			update			revaluation			update
Middletown			update			update			revaluation			update	
Narragansett			revaluation			update			update			revaluation	
New Shoreham				revaluation			update			update			revaluation
Newport		revaluation				update			update			revaluation	
North Kingstown	update			revaluation			update			update			revaluation
North Providence		update			revaluation			update			update		
North Smithfield	update			revaluation			update			update			revaluation
Pawtucket			update			update			revaluation			update	
Portsmouth		update			update			revaluation			update		
Providence	revaluation			update			update			revaluation			update
Richmond		revaluation			update			update			revaluation		
Scituate	revaluation			update			update			revaluation			update
Smithfield	update			revaluation			update			update			revaluation
South Kingstown	update			revaluation			update			update			revaluation
Tiverton			revaluation			update			update			revaluation	
Warren				update			revaluation			update			update
Warwick				update			revaluation			update			update
West Greenwich		revaluation			update			update			revaluation		
West Warwick	update			revaluation			update			update			revaluation
Westerly	revaluation			update			update			revaluation			update
Woonsocket			update			update			revaluation			update	

First Update
Second Update
Third Update

* Represents annual assessment date of Dec. 31 for the respective year.

Source: RI Division of Municipal Finance

Funding: For FY2009, the General Assembly appropriated \$1,132,000 to reimburse communities for costs associated with statistical updates. For FY2010, the General Assembly included \$1,843,500 for Property Tax Revaluation.

Library Aid – Two programs provide financial assistance to libraries – grant-in-aid support for local public library services and assistance for construction and capital improvements of any free public library. A portion of library aid is disbursed directly to local libraries, which include private libraries, while other aid is disbursed to the individual cities and towns.

- **Grant-in-Aid – RIGL § 29-6** – This statute requires that the State support public libraries. RIGL § 29-6-2 provides that this funding be at least 25% of the amount appropriated and expended in the second preceding fiscal year by the city or town from local tax revenues.

Distribution: Library Aid is distributed based on the city or town’s expenditure level as a percentage of the total expenditures by all communities statewide. State grant-in-aid funds cannot be used to supplant local funds. Furthermore, RIGL § 29-6-2 requires grant-in-aid funding to reach 25% of local expenditures by FY2000. The 2002 General Assembly implemented a ratable reduction clause in the event that the total amount of the grants as calculated under the formula exceeds the amount appropriated. Previously, in order to be

eligible for these funds, cities and towns had to maintain their level of support for public library services at 100% of the previous year's funding from the local tax base. However, in FY2009, the General Assembly enacted legislation which would allow communities to fund their public libraries at 80% of the prior year's level in order to be eligible for these funds. For FY2010, municipalities would again be allowed to fund their public libraries at 80% of the previous year's allocation and still be eligible for State Library Aid. For FY2009 and FY2010, the General Assembly has included \$8.8 million per year in Library Aid.

Library Aid				
Fiscal Year	Grant in Aid	Construction	Total Aid	Percent Change
2000	\$5.7	\$1.6	\$7.3	55.6%
2001	6.0	2.0	8.0	5.2%
2002	6.3	2.0	8.3	5.0%
2003	6.6	2.2	8.8	5.1%
2004	7.6	2.1	9.7	14.4%
2005	8.1	2.5	10.6	6.7%
2006	8.4	2.6	11.0	4.0%
2007	8.7	2.8	11.5	3.8%
2008	8.7	2.7	11.4	0.4%
2009	8.8	2.6	11.4	0.3%
2010	8.8	2.8	11.6	0.3%

- Public Library Construction Reimbursement** – Under RIGL § 29-6-6, the State is authorized to make grants to a municipality or a free public library for construction or capital improvements. The State reimburses up to 50% of the cost of approved local library construction projects. The State share is reimbursable over a period not to exceed twenty (20) years, and payments are calculated to include the interest incurred through borrowing the State share. The Library Board of Rhode Island has established a policy outlining priorities and maximum allowable square foot costs for proposed projects. The General Assembly appropriated \$2.6 million in Library Construction Aid for FY2009, which was the amount estimated by the Office of Library and Information Services. For FY2010, the General Assembly appropriated \$2.8 million.

Indirect Municipal Aid

Indirect Aid, also referred to as “Pass-Through Aid” is money collected by the Department of Administration from outside sources, such as hotel, restaurants, and communications companies, and distributed, or passed through, to cities and towns. It is not appropriated during the budget process, and therefore is not in the Budget as Enacted. In the case of Public Service Corporation Tax, the funds are distributed based on community population relative to the State’s population. Meal and Beverage taxes and Hotel taxes are distributed to the communities from which the tax revenue originated.

Public Service Corporation Tax (PSCT) – RIGL § 44-13-13 - The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. Companies are required to report the value of their tangible personal property to the Division of Taxation annually, by March 1st.

The State Tax Administrator applies the State’s average assessment ratio and the State’s average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total statewide assessed valuation divided by the statewide full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

Funding: Collections from this tax have decreased from a peak of \$18.0 million in FY2003 to \$9.2 million in the current year. The average property tax rate has declined as the total assessed valuation increased dramatically due to large increases in real estate values over this same period of time. This has resulted in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In order to stop this downward trend in revenue to support local communities, the 2009 General Assembly amended the law to require that the tax rate applied in a given tax year shall not be less than the rate applied in the previous tax year, preserving \$646,000 of tax revenue to the municipalities in FY2010.

Distribution: The revenue from this tax flows through the State: it is not appropriated. The Department of Administration may receive payment of reasonable administrative expenses, not to exceed 0.75% of the proceeds. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Public Service Corporation Tax

Fiscal Year	Total Funding	Percent Change
2000	\$12.8	13.6%
2001	13.7	7.2%
2002	16.7	21.8%
2003	18.0	7.9%
2004	16.3	-9.4%
2005	14.6	-10.5%
2006	12.2	-16.5%
2007	10.3	-15.2%
2008	10.3	0.0%
2009	9.2	-11.1%
2010	9.2	0.0%

Meals and Beverage Local Sales and Use Tax – RIGL § 44-18-18.1 - During the 2003 session, the General Assembly enacted a 1.0% gross receipt tax on retail sales of meals and beverages in or from, eating and/or drinking establishments. Beverages include all nonalcoholic beverages, as well as alcoholic beverages. A meal is any prepared food or beverage offered for sale which is ready for immediate consumption.

Funding: This 1.0% gross receipts tax is in addition to all other taxes and fees currently imposed on meals and beverages. The revenue from this tax flows through the State: it is not appropriated. Taxes are collected by the retailer and submitted to the Division of Taxation.

Distribution: The Division of Taxation distributes these funds monthly, (although State law requires distribution at least quarterly), to the city or town where the meals and beverages were delivered. For FY2009, this amount is estimated at \$18.7 million, and for FY2010, this amount is estimated at \$19.1 million.

Meals and Beverage Taxes

Fiscal Year	Total Funding	Percent Change
2004	\$13.5	
2005	17.2	27.3%
2006	17.6	2.5%
2007	18.8	6.9%
2008	18.7	-0.4%
2009	18.7	-0.2%
2010	19.1	2.2%

FY2009 and FY2010 are estimates

Hotel Tax – RIGL § 44-18-36.1 - The State levies a 5% gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis. This tax is in addition to all other taxes and fees currently imposed.

Distribution: The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the city. Twenty-five percent of the original 5% hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

An additional one percent tax, which was enacted in FY2005, is distributed in total to the city or town where the occupancy occurred.

Hotel Tax		
Fiscal Year	Total Funding	Percent Change
2000	\$2.7	
2001	3.3	22.2%
2002	2.9	-12.1%
2003	2.7	-6.9%
2004	2.8	3.7%
2005	3.6	28.6%
2006	5.4	50.0%
2007	5.7	5.6%
2008	5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%

FY2010 is an estimate

FY2009 Direct Municipal Aid to Cities and Towns

Municipality	General Revenue Payment In Lieu of				Distressed Communities		Library * Grant-in-		FY2009 Total
	Sharing	Taxes	Relief Fund	Motor Vehicle Excise Tax	Aid	Construction	Library Construction		
Barrington	\$93,540	\$49,199	-	\$2,983,208	\$317,722	\$80,310		\$3,523,979	
Bristol	381,217	584,813	-	1,533,679	57,817	-		2,557,526	
Burnsville	270,875	73,011	504,713	2,806,626	80,245	334,289		4,069,759	
Central Falls	649,611	20,927	288,852	1,478,058	77,237	-		2,514,685	
Charlestown	156,748	-	-	522,331	45,205	-		724,284	
Coventry	389,992	-	-	2,954,920	186,831	-		3,531,743	
Cranston	2,086,520	3,633,524	-	12,229,010	572,241	176,399		18,697,694	
Cumberland	599,652	140	-	2,786,499	248,544	202,041		3,836,876	
East Greenwich	67,958	8,008	-	1,365,583	105,141	143,802		1,690,492	
East Providence	1,030,649	60,645	-	6,195,221	467,926	134,707		7,889,148	
Exeter	34,801	-	-	1,020,562	32,415	69,882		1,157,660	
Foster	119,270	437	-	857,971	33,195	-		1,010,873	
Glocester	218,095	-	-	1,218,863	65,133	-		1,502,091	
Hopkinton	86,821	-	-	850,943	28,963	-		966,727	
Jamestown	56,349	-	-	432,967	71,068	57,979		618,363	
Johnston	981,746	-	-	5,064,868	122,433	-		6,169,047	
Lincoln	368,715	-	-	2,922,165	174,946	-		3,465,826	
Little Compton	40,676	-	-	292,210	25,296	-		358,182	
Middletown	376,424	-	-	1,097,078	143,075	65,751		1,682,328	
Naragansett	339,089	-	-	1,224,495	117,559	-		1,681,143	
Newport	709,800	753,317	-	1,811,310	348,867	262,034		3,885,328	
New Shoreham	35,168	-	-	93,112	92,970	61,697		282,947	
North Kingstown	342,099	6,591	-	2,824,194	234,918	40,219		3,448,021	
North Providence	922,098	513,661	1,024,798	4,901,389	178,999	-		7,540,945	
North Smithfield	252,250	48,733	-	2,121,675	58,075	-		2,480,733	
Pawtucket	2,100,394	353,035	1,499,940	10,090,288	409,610	-		14,453,267	
Portsmouth	251,641	-	-	1,559,418	103,586	94,866		2,009,511	
Providence	5,958,590	19,570,192	5,299,786	23,572,708	2,252,127	253,500		56,906,903	
Richmond	57,009	-	-	898,884	25,637	-		981,530	
Scituate	173,999	-	-	1,579,960	91,895	60,890		1,906,744	
Smithfield	717,741	466,237	-	3,542,318	236,390	81,944		5,044,630	
South Kingstown	390,437	118,511	-	2,178,075	189,662	41,176		2,917,861	
Tiverton	248,392	-	-	1,413,809	86,606	-		1,748,807	
Warren	193,011	-	-	1,125,745	44,050	-		1,362,806	
Warwick	1,872,966	1,028,280	-	13,715,293	675,910	176,780		17,469,229	
Westerly	291,230	127,296	-	2,999,237	281,881	-		3,699,644	
West Greenwich	85,826	-	-	594,921	22,136	-		702,883	
West Warwick	565,146	-	935,710	3,183,440	190,207	82,901		4,937,404	
Woonsocket	1,483,453	163,852	830,661	5,451,446	214,271	166,280		8,309,963	
<i>Subtotal</i>	25,000,000	27,580,409	10,384,460	133,494,479	8,710,789	2,587,447		207,737,584	
Fire Districts	-	-	-	1,875,837	-	-		1,875,837	
Total	\$25,000,000	\$27,580,409	\$10,384,460	\$135,370,316	\$8,710,789	\$2,587,447		\$209,633,421	

*Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant

FY2010 Direct Municipal Aid to Cities and Towns

Municipality	FY2009 Revised	General Revenue				Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Library * Grant-in-Aid	Library Construction	Total Municipal Aid	Change from FY2009
		Payment In Lieu of Taxes	Sharing	Payment In Lieu of Taxes	Relief Fund						
Barrington	\$3,523,979	-	\$48,674	-	-	\$2,983,208	\$321,077	\$78,384	\$3,431,343	(\$92,636)	
Bristol	2,557,526	-	634,467	-	-	1,533,679	58,525	536,719	2,763,390	205,864	
Burnhillville	4,069,759	-	70,725	-	508,392	2,806,626	91,281	325,505	3,802,529	(267,230)	
Central Falls	2,514,685	-	21,195	-	289,687	1,478,058	76,209	-	1,865,149	(649,536)	
Charlestown	724,284	-	-	-	-	522,331	45,556	-	567,887	(156,397)	
Coventry	3,531,743	-	-	-	-	2,954,920	189,995	-	3,144,915	(386,828)	
Cranston	18,697,694	-	3,564,549	-	-	12,229,010	567,846	67,104	16,428,509	(2,269,185)	
Cumberland	3,836,876	-	119	-	-	2,787,441	242,267	202,116	3,231,943	(604,933)	
East Greenwich	1,690,492	-	7,852	-	-	1,365,583	106,867	54,419	1,534,721	(155,771)	
East Providence	7,889,148	-	59,510	-	-	6,195,221	472,150	154,837	6,881,718	(1,007,430)	
Exeter	1,157,660	-	-	-	-	1,020,562	32,881	69,882	1,123,325	(34,335)	
Foster	1,010,873	-	476	-	-	857,971	33,174	-	891,621	(119,252)	
Glocester	1,502,091	-	-	-	-	1,218,863	67,171	-	1,286,034	(216,057)	
Hopkinton	966,727	-	-	-	-	850,943	28,196	-	879,139	(87,588)	
Jamestown	618,363	-	-	-	-	432,967	74,753	57,979	565,699	(52,664)	
Johnston	6,169,047	-	-	-	-	5,064,868	105,464	-	5,170,332	(988,715)	
Lincoln	3,465,826	-	-	-	-	2,922,165	176,403	-	3,098,568	(367,258)	
Little Compton	358,182	-	-	-	-	292,210	25,583	-	317,793	(40,389)	
Middletown	1,682,328	-	-	-	-	1,097,078	130,962	64,409	1,292,449	(389,879)	
Narragansett	1,681,143	-	-	-	-	1,224,495	120,292	-	1,344,787	(336,356)	
Newport	3,885,328	-	754,667	-	-	1,811,310	355,526	256,109	3,177,612	(707,716)	
New Shoreham	282,947	-	-	-	-	93,112	93,402	63,443	249,957	(32,990)	
North Kingstown	3,448,021	-	6,499	-	-	2,824,194	236,452	39,125	3,106,270	(341,751)	
North Providence	7,540,945	-	457,836	-	1,021,040	4,901,389	174,633	-	6,554,898	(986,047)	
North Smithfield	2,480,733	-	50,270	-	-	2,121,675	57,152	-	2,229,097	(251,636)	
Pawtucket	14,453,267	-	349,008	-	1,497,807	10,090,288	415,117	-	12,352,220	(2,101,047)	
Portsmouth	2,009,511	-	-	-	-	1,559,418	100,332	38,042	1,697,792	(311,719)	
Providence	56,906,903	-	19,651,148	-	5,294,786	23,572,708	2,237,328	380,668	51,156,638	(5,770,265)	
Richmond	981,530	-	-	-	-	834,514	26,120	-	860,634	(120,896)	
Scituate	1,906,744	-	-	-	-	1,579,960	92,783	-	1,672,743	(234,001)	
Smithfield	5,044,630	-	457,147	-	-	3,542,318	244,438	-	4,243,903	(800,727)	
South Kingstown	2,917,861	-	139,158	-	-	2,178,075	199,346	38,752	2,555,331	(362,530)	
Tiverton	1,748,807	-	-	-	-	1,413,809	91,028	-	1,504,837	(243,970)	
Warren	1,362,806	-	-	-	-	1,125,745	49,036	-	1,174,781	(188,025)	
Warwick	17,469,229	-	1,025,527	-	-	13,715,293	669,452	173,652	15,583,924	(1,885,305)	
Westerly	3,699,644	-	124,499	-	-	2,999,237	281,816	-	3,405,552	(294,092)	
West Greenwich	702,883	-	-	-	-	594,921	23,819	-	618,740	(84,143)	
West Warwick	4,957,404	-	-	-	946,360	3,183,440	188,581	78,107	4,396,488	(560,916)	
Woonsocket	8,309,963	-	157,083	-	826,382	5,451,446	207,774	165,296	6,807,981	(1,501,982)	
<i>Subtotal</i>	207,757,584	-	27,580,409	-	10,384,454	133,431,051	8,710,787	2,844,548	182,951,249	(24,806,335)	
Fire Districts	1,875,837	-	-	-	-	1,875,837	-	-	1,875,837	-	
Total	\$209,633,421	\$0	\$27,580,409	\$10,384,454	\$135,306,888	\$8,710,787	\$2,844,548	\$184,827,086	(\$24,806,335)		

*Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant

FY2009 Revised Indirect Local Aid to Cities and Towns							FY2010 Revised Indirect Local Aid to Cities and Towns								
Municipality	Public Service Corporation Tax			Meals and Beverage Tax			FY2009 Total Indirect Aid	Municipality	Public Service Corporation Tax			Meals and Beverage Tax			FY2010 Total Indirect Aid
	Public Service Corporation Tax	Meals and Beverage Tax	Hotel Tax	Public Service Corporation Tax	Meals and Beverage Tax	Hotel Tax			Public Service Corporation Tax	Meals and Beverage Tax	Hotel Tax				
Barrington	\$147,676	\$117,173	-	\$264,849	\$117,173	-	\$264,849	Barrington	\$147,676	\$119,792	-	\$267,468			
Bristol	197,285	319,065	31,842	\$548,192	319,065	31,842	\$548,192	Bristol	197,285	326,199	32,171	555,655			
Burnsville	138,694	164,495	-	\$303,189	164,495	-	\$303,189	Burnsville	138,694	168,173	-	306,867			
Central Falls	166,194	86,421	-	\$252,615	86,421	-	\$252,615	Central Falls	166,194	88,353	-	254,547			
Charlestown	69,005	103,212	21,624	\$193,841	103,212	21,624	\$193,841	Charlestown	69,005	105,520	20,110	194,635			
Coventry	295,616	325,620	66,941	\$688,177	325,620	66,941	\$688,177	Coventry	295,616	332,900	68,972	697,488			
Cranston	696,008	1,303,939	20,143	\$2,020,090	1,303,939	20,143	\$2,020,090	Cranston	696,008	1,333,092	21,302	2,050,402			
Cumberland	279,566	341,631	-	\$621,197	341,631	-	\$621,197	Cumberland	279,566	349,269	-	628,835			
East Greenwich	113,688	386,037	365	\$500,090	386,037	365	\$500,090	East Greenwich	113,688	394,668	347	508,703			
East Providence	427,497	688,336	27,656	\$1,143,489	688,336	27,656	\$1,143,489	East Providence	427,497	703,726	28,592	1,159,815			
Exeter	53,077	67,912	-	\$120,989	67,912	-	\$120,989	Exeter	53,077	69,431	-	122,508			
Foster	37,527	18,754	481	\$56,762	18,754	481	\$56,762	Foster	37,527	19,174	525	57,226			
Glocester	87,347	53,662	1,804	\$142,813	53,662	1,804	\$142,813	Glocester	87,347	54,862	1,828	144,037			
Hopkinton	68,803	45,817	-	\$114,620	45,817	-	\$114,620	Hopkinton	68,803	46,841	-	115,644			
Jamestown	49,363	95,497	8,315	\$153,175	95,497	8,315	\$153,175	Jamestown	49,363	97,632	8,663	155,658			
Johnston	247,561	407,950	5,939	\$661,450	407,950	5,939	\$661,450	Johnston	247,561	417,071	6,037	670,669			
Lincoln	183,491	649,985	77,001	\$910,477	649,985	77,001	\$910,477	Lincoln	183,491	664,518	80,793	928,802			
Little Compton	31,548	27,736	291	\$59,575	27,736	291	\$59,575	Little Compton	31,548	28,356	313	60,217			
Middletown	152,198	528,153	514,352	\$1,194,703	528,153	514,352	\$1,194,703	Middletown	152,198	539,961	523,876	1,216,035			
Narragansett	143,655	408,926	69,695	\$622,276	408,926	69,695	\$622,276	Narragansett	143,655	418,069	72,199	633,923			
Newport	232,459	1,612,920	1,764,474	\$3,609,853	1,612,920	1,764,474	\$3,609,853	Newport	232,459	1,648,981	1,842,035	3,723,475			
New Shoreham	8,868	236,070	217,440	\$462,378	236,070	217,440	\$462,378	New Shoreham	8,868	241,348	216,593	466,809			
North Kingstown	231,151	410,331	14,987	\$656,469	410,331	14,987	\$656,469	North Kingstown	231,151	419,506	15,650	666,307			
North Providence	284,579	368,577	-	\$653,156	368,577	-	\$653,156	North Providence	284,579	376,817	-	661,396			
North Smithfield	93,230	140,081	5,997	\$239,308	140,081	5,997	\$239,308	North Smithfield	93,230	143,213	6,430	242,873			
Pawtucket	640,596	613,497	50,951	\$1,305,044	613,497	50,951	\$1,305,044	Pawtucket	640,596	627,213	52,887	1,320,696			
Portsmouth	150,574	149,580	8,917	\$309,071	149,580	8,917	\$309,071	Portsmouth	150,574	152,924	8,093	311,591			
Providence	1,524,424	3,924,877	1,289,164	\$6,738,465	3,924,877	1,289,164	\$6,738,465	Providence	1,524,424	4,012,628	1,339,041	6,876,093			
Richmond	63,412	102,122	3,311	\$168,845	102,122	3,311	\$168,845	Richmond	63,412	104,405	3,477	171,294			
Scituate	90,648	54,702	3,924	\$149,274	54,702	3,924	\$149,274	Scituate	90,648	55,925	4,102	150,675			
Smithfield	180,989	484,355	84,990	\$750,334	484,355	84,990	\$750,334	Smithfield	180,989	495,184	42,574	718,747			
South Kingstown	245,156	502,924	108,667	\$856,747	502,924	108,667	\$856,747	South Kingstown	245,156	514,168	110,949	870,273			
Tiverton	133,988	160,405	-	\$294,393	160,405	-	\$294,393	Tiverton	133,988	163,992	-	297,980			
Warren	99,745	221,450	-	\$321,195	221,450	-	\$321,195	Warren	99,745	226,401	-	326,146			
Warwick	753,423	2,123,622	819,024	\$3,696,069	2,123,622	819,024	\$3,696,069	Warwick	753,423	2,171,102	857,006	3,781,531			
Westerly	201,649	557,347	154,356	\$913,352	557,347	154,356	\$913,352	Westerly	201,649	569,808	152,178	923,635			
West Greenwich	44,648	74,415	58,492	\$177,555	74,415	58,492	\$177,555	West Greenwich	44,648	76,079	60,193	180,920			
West Warwick	259,731	345,290	92,669	\$697,690	345,290	92,669	\$697,690	West Warwick	259,731	353,010	96,590	709,331			
Woonsocket	379,521	485,393	38,963	\$903,877	485,393	38,963	\$903,877	Woonsocket	379,521	496,245	40,487	916,253			
Total	\$9,204,590	\$18,708,279	\$5,562,775	\$33,475,644	\$18,708,279	\$5,562,775	\$33,475,644	Total	\$9,204,590	\$19,126,556	\$5,714,013	\$34,045,159			

School Aid:

The majority of State aid goes to support local school expenditures throughout the State. School aid has evolved a great deal over time. Rhode Island is in the unique position now of being the only State in the Nation without a working distribution formula for school aid. In fact, the State has not had an established school aid formula since 1995, when Rhode Island ceased using its power-equalizing formula and moved towards annually distributing school aid in an ad hoc fashion.

Nationally, Rhode Island is a state that spends higher than average on a per pupil basis as well as teacher salaries. In 2008, Rhode Island spent \$11,905 per pupil, ranking it 10th highest in the Nation and was approximately 19.5% higher than the national average. Among the other New England States, Rhode Island per pupil spending was behind both Massachusetts (\$13,768) and Connecticut (\$13,533). In terms of teacher salaries, Rhode Island's average teacher salary of \$57,168 ranked 8th highest, and was 9.3% above the national average. Again, among the other New England States, Rhode Island teacher salaries were behind both Massachusetts (\$60,471) and Connecticut (\$61,976). (Source: RIPEC report: How Rhode Island School Finances Compare, 2009 Edition)

Rhode Island also stands out in terms of the level supported by property taxes. Nationally, states provide approximately 47.9% of the funding to support public education, whereas Rhode Island provides 36.0% to support local schools, which ranks Rhode Island 45th among the fifty states. Among the other New England States, Rhode Island's support to public education were behind both Massachusetts (47.5%) and Connecticut (28.2%). Conversely, the level of support coming from the property tax is much higher than average. Rhode Island's public schools receive approximately 60.9% of their support from property taxes as compared to 43.3% nationally, which ranks Rhode Island 2nd highest among the 50 states.

Despite the relative position of the State in terms of support, the State has provided increases in its support for schools. Since FY2000, total State school aid has increased from \$583.4 million to \$836.5 million – an increase of \$253.1 million, or 43.4%, during this period.

Rhode Island has distributed school aid using a wide range of variables, such as the share of children eligible for free and reduced lunch, the number requiring language assistance, as well as the number of group homes located within each jurisdiction. School aid currently consists of various categories of aid, including General Aid, Group Home Aid and various investment funds. In addition, the State reimburses communities for a portion of the cost of construction of new school facilities, and provides 40% of the employer pension contributions for teacher retirement.

Despite the lack of a true school aid formula, the State did enact the Rhode Island Student Investment Initiative in 1998 through Article 31 of the FY1999 Appropriations Act, which has served as the primary direction for funding schools since its enactment. As enumerated in RIGL 16-7.1-1, the intent of the legislation was to put in place a comprehensive State education aid program to address four fundamental principles:

- 1) closing the inequitable resource gaps among school districts and schools;

- 2) closing the inequitable gaps in performance and achievement among different groups of students, especially those correlated with poverty, gender, and language background;
- 3) targeting investments to improve student and school performance; and
- 4) establishing a predictable method of distributing State education aid in a manner that addresses the over-reliance on the property tax to finance education.

This legislation was also designed to accelerate the implementation of the State Comprehensive Education Strategy. The strategy is an action plan for ensuring that all children achieve at high levels and become lifelong learners, productive workers, and responsible citizens.

FY2010 School Aid of \$836.5 million represents an increase of \$29.3 million over the FY2009 Revised Budget. Much of the growth in aid has been driven by increasing pension contribution requirements and significant growth in the School Housing Aid program.

Other recent aid developments include the Federal Stabilization Aid provided by the Stimulus Program and Pension Reform Legislation.

- The Stimulus Act provides funding to avoid reductions in public higher and elementary and secondary education. Rhode Island is expected to receive approximately \$134.9 million over a three-year period (FY2009 – FY2011) to be used for higher and lower education. The General Assembly allocated \$38.3 million in FY2009 and \$34.1 million in FY2010 from Federal Stabilization Funds (Stimulus Aid) to local school districts. In turn, General Revenue aid to school districts was reduced by \$38.3 million in FY2009 and \$33.9 million in FY2010. This supplanting of funds is revenue neutral in FY2009 and an increase of \$0.2 million in FY2010.
- The FY2009 Budget includes pension revisions that will save an estimated \$52.5 million in General Revenue in FY2010 and \$44.5 million net savings in FY2009. However, State General School Aid was reduced by the equivalent amount saved by the local school districts in their share of the pension contribution.

School Aid							
Aid Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Change - FY 2006 - 2010	
						Actual	Percent
General Aid	\$448.4	\$478.0	\$478.0	\$396.0	\$422.4	(\$26.0)	-5.8%
Central Falls	41.3	43.3	43.9	42.6	44.7	3.4	8.2%
Stimulus Funding	0.0	0.0	0.0	38.3	33.9	33.9	
Permanent School Fund	0.0	0.0	0.0	7.9	0.0	0.0	
Literacy Set Aside	13.0	13.0	13.0	13.0	13.0	0.0	0.0%
Student Equity Fund	71.6	71.6	71.6	71.6	71.6	0.0	0.0%
Student Technology Fund	3.4	3.4	3.4	3.4	3.4	0.0	0.0%
Early Childhood Fund	6.6	6.6	6.6	6.6	6.6	0.0	0.0%
Student Language Assistance	31.7	31.7	31.7	31.7	31.7	0.0	0.0%
Professional Development	5.8	5.8	5.8	0.0	0.0	(5.8)	-100.0%
Targeted School Aid	20.0	20.0	20.0	20.0	20.0	0.0	0.0%
Full Day Kindergarten	4.1	4.2	4.2	4.2	4.2	0.1	2.4%
Vocational Technical Fund	1.5	1.5	1.5	1.5	1.5	0.0	0.0%
Group Home Aid	9.0	9.0	10.3	9.9	9.5	0.5	5.6%
Charter School Aid	22.4	25.2	28.2	30.1	34.7	12.3	54.9%
<i>Total Operating Aid</i>	<i>\$678.8</i>	<i>\$713.3</i>	<i>\$718.2</i>	<i>\$676.8</i>	<i>\$697.2</i>	<i>\$18.4</i>	<i>2.7%</i>
School Construction Aid	\$47.2	\$46.8	\$49.7	\$54.1	\$61.5	\$14.3	30.3%
State Teacher Retirement Contribution	58.6	67.3	80.2	76.3	77.8	19.2	32.8%
<i>Total Other Aid</i>	<i>\$105.8</i>	<i>\$114.1</i>	<i>\$129.9</i>	<i>\$130.4</i>	<i>\$139.3</i>	<i>\$33.5</i>	<i>31.7%</i>
Total Aid	\$784.6	\$827.4	\$848.1	\$807.2	\$836.5	\$51.9	6.6%

General Aid – RIGL § 16-7.1-15 – General Aid contains hold harmless language to ease the transition into the Rhode Island Student Investment Initiative by providing that each school district, including the State operated district of Central Falls, will receive as a base at least the same amount of school aid as received in FY1998. By implementing the hold harmless language, this aid category effectively contains previous funding classifications such as Operations Aid, Special Education Aid, Conventional Public Housing, Distressed District, Limited English, Vocational Education, and the Regionalization Bonus. The Rhode Island Student Investment Initiative (also known as Article 31) eliminated financing of these categories and folded them into General Aid. Minimum increases are provided in this section as is language excluding full day kindergarten and indirect charter school aid from the minimum aid calculations.

Central Falls – § RIGL 16-1-12 - The Central Falls School District has been under the control of the State Department of Elementary and Secondary Education since FY1993, (RIGL § 45-52.1, the “Central Falls – Fiscal Emergency Act”). The State is responsible for 100% of the education expenditures for the Central Falls School District. From FY1993 to FY2010, funding for the Central Falls School District has increased by more than 297.6%. The Department of Education provides oversight, monitors the school finances, and requires the district to submit budget-to-actual expenditure monthly reports. For FY2010, the General Assembly included an increase of \$1.3 million in general school aid to Central Falls, for a total of \$44.7 million.

Central Falls Funding		
Fiscal Year	Total Funding	Percent Change
1993	\$15.0	
1994	16.1	7.5%
1995	18.4	13.6%
1996	19.1	4.0%
1997	19.6	2.9%
1998	21.5	9.3%
1999	24.6	14.8%
2000	27.3	10.7%
2001	31.5	15.5%
2002	33.3	5.6%
2003	34.4	3.5%
2004	35.6	3.5%
2005	37.8	6.1%
2006	41.3	9.3%
2007	43.9	6.2%
2008	44.4	1.1%
2009	42.6	-4.0%
2010	44.7	4.9%

Stimulus – Fiscal Stabilization – The American Recovery and Investment Act of 2009 (ARRA) provides funding to avoid reductions in public higher and elementary and secondary education. Rhode Island is expected to receive approximately \$134.9 million over a three-year period (FY2009 – FY2011) to be used for higher and lower education. The General Assembly allocated \$38.3 million in FY2009 and \$34.1 million in FY2010 from Federal Stabilization Funds (Stimulus Aid) to local school districts. In turn, General Revenue aid to school districts was reduced by \$38.3 million in FY2009 and \$33.9 million in FY2010. This supplanting of funds is revenue neutral in FY2009 and an increase of \$0.2 million in FY2010. These funds are included in State Aid as their use is not restricted.

Title I and Special Education – The American Recovery and Investment Act of 2009 (ARRA) also includes \$83.4 million in direct funding for two years (FY 2010 and FY 2011) for school districts under Title I and Special Education. Note that these funds are not included as State Aid in the earlier tables as these Federal Funds are restricted to the existing Federal Title I and Special Education Programs.

- **Education for Disadvantaged (Title I):** The Stimulus Act contains \$35.8 million for economically disadvantaged students in Rhode Island. These funds will be distributed to school districts based on a district’s percentage of poor children, as measured by participation in the free or reduced priced meals program, which will receive more funds. For FY2010, the General Assembly included a distribution of \$19.8 million of

these federal funds to local school districts, with the balance to be distributed in FY2011.

- **Special Education (IDEA):** The Stimulus Act contains \$47.6 million for Rhode Island students with disabilities to be distributed using three existing formula-driven programs to local education agencies (Part B – State Grants; Part B – Preschool Grants; and Part C – Infant and Toddler Grants). For FY2010, the General Assembly recommends a distribution of \$17.0 million of these federal funds to local school districts, with the balance to be distributed in FY2011.

FY2010 Direct Federal Stimulus to School Districts

City/Town	IDEA Allocation	Title I Additional Allocation	FY2010 Stimulus Allocation
Barrington	\$351,080	\$0	\$351,080
Burrillville	354,962	119,553	474,515
Central Falls	495,314	976,367	1,471,681
Charlestown	-	-	-
Coventry	645,288	144,484	789,772
Cranston	1,409,143	775,741	2,184,884
Cumberland	607,712	139,272	746,984
East Greenwich	259,415	0	259,415
East Providence	824,664	417,836	1,242,500
Foster	40,737	12,668	53,405
Glocester	110,626	32,066	142,692
Hopkinton	-	-	-
Jamestown	89,978	-	89,978
Johnston	491,270	184,335	675,605
Lincoln	398,545	105,383	503,928
Little Compton	53,765	13,857	67,622
Middletown	316,000	68,097	384,097
Narragansett	229,896	55,460	285,356
Newport	401,699	197,544	599,243
New Shoreham	14,547	3,958	18,505
North Kingstown	493,071	131,053	624,124
North Providence	456,621	185,440	642,061
North Smithfield	185,787	39,954	225,741
Pawtucket	1,362,720	1,528,617	2,891,337
Portsmouth	307,319	-	307,319
Providence	3,567,373	8,829,294	12,396,667
Richmond	-	-	-
Scituate	208,787	47,506	256,293
Smithfield	305,191	0	305,191
South Kingstown	478,784	92,616	571,400
Tiverton	238,286	57,795	296,081
Warwick	1,484,692	424,180	1,908,872
Westerly	423,357	112,847	536,204
West Warwick	506,478	239,509	745,987
Woonsocket	977,917	1,053,245	2,031,162
Bristol-Warren	497,033	124,703	621,736
Chariho	415,399	84,700	500,099
Exeter-W. Greenwich	234,340	-	234,340
Foster-Glocester	157,977	37,608	195,585
	\$19,395,773	\$16,235,688	\$35,631,461

- **Additional Federal Stimulus Funds:** For FY2009, the General Assembly included \$268,131 in Federal stimulus funds for School Lunch equipment. These funds were distributed through competitive grants, with priority given to schools in which at least 50.0% of the students are eligible for free or reduced lunch. These funds are not included in the State Aid table.

For FY2010, the Governor recommends an additional \$8.2 million in Federal Stimulus funding for the following purposes:

- School Improvement Grants (\$5.6 million): Title I, Section 1003(g) of the ESEA authorizes formula grants to State Educational Agencies (SEAs) to assist schools identified for improvement, corrective action, and restructuring. Funds are used for the purpose of strengthening the capacity of States to carry out their program improvement plans at schools identified as in need of improvement.
- Education Technology (\$1.6 million): These funds will be used to purchase up-to-date computers and software and provide professional development to ensure the technology is used effectively in the classroom. Further guidance will be issued with the release of this funding scheduled for fall 2009.
- Pre-School Grants (\$0.9 million): These funds are to be used to support programs for Special Education pre-school children (age 3-5) to facilitate the continuation of services from the infant and families program (age 0-3) that is administered by the Department of Health. These funds are distributed to Local Educational Agencies (LEAs) based on census counts and poverty levels.
- Homeless Grants (\$34,000): These funds are to be used to develop and enhance projects, which provide tutoring, and other educational related support activities and/or services to homeless children and their families. Grants will be awarded to school systems that have developed programs which document effective collaboration among school districts and service providers to ensure that homeless children in that district receive needed services. Any Local Educational Agencies (LEA) serving children and youth experiencing homelessness is eligible to apply for funds under this program.
- Medicaid (\$20,816): These funds will be allocated to the Rhode Island School for the Deaf to reflect an increase in Medicaid FMAP rates for hearing screening.

Literacy Set-Aside – § RIGL 16-7.1-15 – This category provides 3% of each of the following aid categories to be used to fund the purposes and activities of RIGL 16-67, the Rhode Island Literacy and Dropout Prevention Act of 1967: General Aid, Student Equity, and Early Childhood. The FY2010 Budget as Enacted funds Literacy Set-Aside at \$13.0 million. Funding for this program has been frozen since FY2006.

Student Equity Investment Fund – § RIGL 16-7.1-8 - In recognizing the need to improve fourth grade performance in mathematics, reading, and writing, the General Assembly created the Student Equity Investment Fund to target students identified as those requiring additional educational services. Funds are distributed based on each district's proportion of children eligible for USDA reimbursable school meals relative to the total number of such students statewide. These resources are used to close student performance gaps in accordance with the district's strategic plan.

The FY2010 Budget as Enacted funds the Student Equity Investment Fund Investment Fund at \$71.6 million. Funding for this program has been frozen since FY2006, and has not been updated to reflect changes in each district's proportion of children eligible for free and reduced priced meals relative to the total number of such students statewide.

Student Technology Investment Fund – § RIGL 16-7.1-12 – The General Assembly established the Student Technology Investment Fund to help students meet the demands of the 21st century by providing schools and teaching staff with up-to-date educational technology and training. These funds are distributed based on each district's proportion of their average daily membership in the reference year, as defined in RIGL 16-7-16. Funds may be used for the following purposes:

- curriculum development to improve teaching and learning;
- in-service professional development to support the effective use of technology in schools; and
- infrastructure requirements such as equipment, software, and networking of systems.

These resources must be used to close student performance gaps in accordance with the district's strategic plan and be consistent with the technology plan of the Rhode Island Comprehensive Strategy. School districts may use funds received under this category of education aid to replace up to 35% of the amount the district spent for technology related expenditures in the previous fiscal year.

The FY2010 Budget as Enacted funds the Student Technology Investment Fund Investment Fund at \$3.4 million. Funding for this program has been frozen at \$3.4 million since FY2000, and has not been updated to reflect changes in enrollment.

Early Childhood Investment Fund – § RIGL 16-7.1-11 – The Early Childhood Investment Fund was established to provide schools and teaching staff in the early grades with resources to begin improving student performance and to provide early care and pre-kindergarten programs. These resources are used to close student performance gaps in accordance with the district's strategic plan and in coordination with the literacy set-aside funds (RIGL § 16-67). In addition, these funds may be used for early childhood pilot programs, including Child Opportunity Zones (COZs), that combine and/or leverage some or all of the following State, federal, and/or local funds insofar as allowable: student equity investment funds; literacy set-aside; special education funds; Title I funds; and any other appropriate funds.

These funds are distributed based on each district's proportion of their average daily membership for grades kindergarten through and including third grade in the reference year, as defined in

RIGL 16-7-16, relative to the statewide average daily membership for the same grades in the same fiscal year.

The FY2010 Budget as Enacted funds the Early Childhood Investment Fund at \$6.8 million. Funding for this program has been frozen since FY2003, and has not been updated to reflect changes in enrollment.

Student Language Assistance Investment Fund –RIGL § 16-7.1-9 - The General Assembly established the Student Language Assistance Investment Fund to target State resources to assist students who require additional language education services. Funds are distributed based on each district's proportion of full time equivalent, limited English proficiency students statewide in the reference year as defined in RIGL 16-7-16. These resources are used to close student performance gaps in accordance with the district's strategic plan.

The FY2010 Budget as Enacted funds the Student Language Assistance Investment Fund at \$31.7 million. Funding for this program has been frozen since FY2004, and has not been updated to reflect changes in enrollment.

Professional Development Investment Fund –RIGL § 16-7.1-10 – The Professional Development Investment Fund was established to continue developing the skills of Rhode Island's teachers and staff. Funds are distributed based on a pupil-teacher ratio that is adjusted annually. School districts may use funds received under this category to replace up to, but not more than, 50% of the amount the school district spent for professional development programs in the previous fiscal year. The expenditure of these funds shall be determined by a committee at each school consisting of the school principal, two teachers selected by the teaching staff of the school, and two parents of students attending the school. Collaborative programs are encouraged. These resources must be used to close student performance gaps in accordance with the district's strategic plan.

For FY2009, the Governor recommended eliminating \$5.8 million in Professional Development Funds, representing the entire amount of funding for this program. The General Assembly concurred and eliminated \$5.8 million in Professional Development funds in both FY2009 and FY2010.

Targeted School Aid – RIGL § 16-7.1-16 – Targeted School Aid funds are distributed to each district with a tax effort below 1.0 as calculated pursuant to RIGL 16-7.1-6 and with a free and reduced lunch count in grades K-3 greater than forty percent (40%). Districts receive aid based on their proportional average daily membership relative to the average daily membership of all districts eligible for aid under this section. Targeted funds may be used in new or expanded programs for:

- early childhood education;
- helping schools to improve instruction;
- reducing class size at the elementary level;
- after school programming;
- teacher mentoring; or
- other programs the commissioner believes will result in increased student performance.

In 2002, the General Assembly adopted the Governor’s recommendation to require that 5% of the funds allocated by this section be set-aside and spent only with prior approval from the Commissioner of Elementary and Secondary Education to increase student and school performance.

The FY2010 Budget as Enacted funds Targeted School Aid at \$20.0 million. Funding for Targeted School Aid has been frozen at this level since FY2004.

Full Day Kindergarten Investment Fund – § RIGL 16-7.1-11.1 - This student investment fund was created by the 2000 General Assembly to provide funding on a per pupil basis for districts with full day kindergarten programs. Under current law, the distribution, based on the community tax effort as calculated pursuant to RIGL 16-7.1-6, is as follows:

- a tax effort of below 0.6 receives \$1,500 per pupil;
- a tax effort of below 1.0 receives \$1,000 per pupil; and,
- all others receive \$500 per pupil.

In FY2001, this statute was amended to provide that any funding under this section is in addition to any and all aid received by the district and to any minimum aid increases.

The FY2010 Budget as Enacted funds Full Day Kindergarten at \$4.2 million. Funding for the Full-Day Kindergarten Investment Fund has been frozen at this level since FY2007 at the FY2006 level of \$4.2 million, and has not been updated to reflect changes in enrollment.

Vocational Technical Equity Fund – § RIGL 16-7.1-19 – The General Assembly established the Vocational Technical Equity Fund in the FY2001 Budget as Enacted to appropriate an amount per student for those attending a locally operated career and technical center based on enrollments reported for the previous academic year. For FY2001, FY2002 and FY2003, this category provided \$500 per student. In FY2003 and thereafter, funding under this section is limited to those students enrolled in programs that are part of the State certified career and technical system.

The FY2010 Budget as Enacted funds the Vocational Technical Equity Fund at \$1.5 million. Funding for the Vocational Technical Equity fund has been frozen since 2007 at the FY2006 level of \$1.5 million, and has not been updated to reflect changes in enrollment.

Group Home Aid – RIGL § 16-64-1.1 – Prior to FY2002, communities that had group homes were required to provide educational services to children placed in those homes. The community that is “hosting” the group home would then bill the communities where the parents of each child reside for these educational services. Often the communities who received the bill challenged whether the parents of the child in the group home resided in their town. Due to the transience of many of the families in question, residency could be extremely difficult to prove; consequently, this “bill back” system drove up legal expenses for the towns and left many of the bills unpaid.

In FY2002, the General Assembly enacted legislation to create this aid category in an attempt to correct a longstanding problem relating to communities being reimbursed for educational services they provide to children placed into group homes by the Department of Children, Youth, and Families (DCYF). The change created a per bed allotment to districts in which the group home beds are located. This legislation provided that the host community would receive aid on a per pupil rate intended to reflect the average cost per pupil based on the blend of regular education and special education costs. While it was understood that a blended average rate would not necessarily reimburse a community for the precise cost of educating each student, the task force felt that the savings from eliminating the old bill back system would offset any difference.

The 2007 General Assembly enacted legislation to ensure that the payment of group home aid more closely reflects the actual number of group home beds each community has at the time of the budget. The legislation mandates that increases in beds prior to December 31st of each budget year shall be paid as part of the supplemental budget for that year and included in the budget year recommendation. Decreases in beds will not result in a decrease in aid for the current year but will be adjusted in the subsequent year. The Assembly also increased the per bed amount from \$15,000 to \$22,000 for the group home beds associated with Bradley Hospital’s Children’s Residential and Family Treatment (CRAFT) Program, which provides hospital-based residence for children who struggle with psychiatric, emotional and/or behavioral problems. The FY2010 Budget as Enacted contains \$9.5 million for Group Home Aid.

Charter School Aid – RIGL § 16-77.1-2 – Legislation allowing the creation of charter schools in Rhode Island was approved by the General Assembly in 1995, and the first charter school opened in Rhode Island in 1997. The Board of Regents of Elementary and Secondary Education is responsible for the granting of a charter and the reauthorization of charter schools. This decision is based upon a recommendation by the Commissioner of Elementary and Secondary Education and/or a local school committee. According to Rhode Island law, those allowed to apply for charters include: existing public schools, groups of public school personnel, public school districts, Rhode Island-based non-profit institutions, a group of public school districts, and Rhode Island-based colleges and universities.

Current law provides indirect cost support for charter school students' resident school districts. The indirect cost support is calculated as 5% of the resident district's per pupil cost, taken right off the top before any other calculations are done. This additional State Aid is for assisting local school districts to undertake the indirect costs borne by a district when its student attends a charter public school. It should be noted that pursuant to RIGL § 16-77.1-2(f), the local school district continues to report enrolled charter school students in the total census and receives aid for these students pursuant to the provisions of RIGL § 16-7.1. The FY2010 Budget as Enacted contains \$1.2 million in Indirect Charter School Aid.

Charter School Funds		
Fiscal Year	Total Funding	Percent Change
2000	\$2.8	
2001	3.8	36.5%
2002	6.2	63.3%
2003	9.4	52.3%
2004	12.6	34.4%
2005	16.9	33.8%
2006	21.1	25.0%
2007	24.3	15.1%
2008	26.8	10.3%
2009	28.8	7.3%
2010	31.6	9.7%

The State also provides aid directly to the charter school. The State's share of the per pupil amount for each student attending a public charter school is calculated by subtracting the 5% per pupil indirect cost from the resident district's per pupil cost. The resident district's share ratio, which reflects state and community wealth based on the full value of property and the median family income as determined by the most recent census, is then applied to the reduced per pupil cost. The local share of the per pupil cost to be paid directly to the charter school is the remaining per pupil cost after the indirect cost and State share have been subtracted from the total per pupil cost. This statute does provide for a ratable reduction if less than 100% of the expenditures are appropriated.

08-09 Charter School Enrollment														
Charter School	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Beacon	-	-	-	-	-	-	-	-	-	62	56	53	22	193
Blackstone	-	-	-	-	-	-	-	-	-	37	43	43	36	159
Compass	16	16	18	18	17	17	16	16	15	-	-	-	-	149
Cuffee	50	48	48	48	48	48	54	49	46	-	-	-	-	439
Democracy Prep*	76	-	-	-	-	-	-	-	-	-	-	-	-	76
Highlander	24	36	36	36	18	18	36	36	33	-	-	-	-	273
International	55	54	56	49	49	47	-	-	-	-	-	-	-	310
Kingston Hill	41	22	21	23	34	39	-	-	-	-	-	-	-	180
Learning Community	63	63	62	61	57	38	-	-	-	-	-	-	-	344
N.E. Laborers	-	-	-	-	-	-	-	-	-	52	57	58	51	218
Segue*	-	-	-	-	-	-	60	-	-	-	-	-	-	60
Textron	-	-	-	-	-	-	-	-	-	68	45	46	54	213
Times 2	49	48	48	48	47	48	70	64	60	58	42	37	31	650
	374	287	289	283	270	255	236	165	154	277	243	237	194	3,264

Source: RI Department of Education
 *opened September 2009

The 2008 General Assembly enacted legislation permitting the creation of a new type of charter school known as a “Mayoral Academy.” Mayoral Academies are charter schools created by a mayor of any city or town acting through a non-profit organization which enrolls students from more than one city or town including both urban and non-urban communities and which offers an equal number of enrollments to students on a lottery basis. Mayoral academies are to have a board of trustees or directors, comprised of representatives from each included city or town, which is chaired by a mayor of an include city or town.

Mayoral academies must follow the same procedures for the creation of a charter schools; however; teachers and administrators within mayoral academies are not subject to prevailing wages and benefits and are not subject to the State teacher retirement system. Mayoral academy employees are not deemed to be public employees; however, the mayoral academy, upon written notice to the Commissioner of Elementary and Secondary Education (Commissioner), may elect to have these benefits applied to its teachers, administrators and employees. The Commissioner may grant variances to mayoral academies from the following provisions set forth in RIGL 16-77-11 7: Chapter 13 (teachers' tenure) and Chapter 16 (teachers' retirement).

The 2009 General Assembly provided \$1.5 million in funding in FY2010 for “charter school initiatives”. Approximately \$700,000 of this money will be used to fund Democracy Prep Blackstone Valley, the first mayoral academy in Rhode Island, which is slated to open in September of 2009 with 76 kindergarten students.

There are currently 13 charter schools in Rhode Island, providing educational services to 3,264 students.

School Housing Aid –The School Housing Aid program was created under RIGL 16-7-35 - 41 to provide municipalities with partial reimbursements for local expenditures on educational capital improvements. The program was designed to guarantee adequate school housing for all public school children in the State and prevent the cost of school housing from interfering with the effective operation of the schools.

- School Housing Aid reimbursements are calculated based on a two-year reference for formula factors similar to the operation aid share ratio calculation. Consequently, a community would be reimbursed in FY2009 based on the district's FY2007 wealth and enrollment levels compared to the aggregate of district wealth and enrollments statewide. The poorer a community is relative to the State average, the higher their State reimbursement. The minimum share for each district is 30%.
- Reimbursement is calculated based on the total project cost, including bond interest, not on the amount of the bond issuance; and is reimbursed over the life of the bonds. However, if a community fails to specify or identify the appropriate reimbursement schedule, the commissioner of elementary and secondary education may at his or her discretion set up to a five (5) year reimbursement cycle for projects under five hundred thousand dollars (\$500,000); up to ten (10) years for projects up to three million dollars (\$3,000,000); and up to twenty (20) years for projects over three million dollars (\$3,000,000).
- In FY1997, RIGL § 16-7-40 and § 16-7-44 were amended to increase School Housing Aid through two components:
 - Increased the school housing aid ratio for regional school districts undertaking renovation projects.
 - Expanded the definition of the type of renovations and the funding mechanisms that qualify for school housing aid, to include lease revenue bonds, capital leases, and capital reserve funds. Prior to this, only projects supported by general obligation bonds were reimbursable under this program. This resulted in rapid growth of the program.
- In 1999, RIGL § 16-77.1-5 was enacted to provide that public charter schools sponsored by a district may access the school housing aid program.

In FY2004 the program was amended further (RIGL § 16-7-40):

- To provide a bonus for cities and towns to renovate career and technical centers when ownership is transferred from the State to the host municipality. For such communities the school housing aid share ratio would be increased by 4% for the renovation and/or repair of these buildings.
- To provide that the State would not reimburse communities for debt service costs on bonds not approved by the voters or issued by a municipal building authority prior to June 30, 2003, unless the bonds for these projects are issued through the Rhode Island Health, Education and Building Corporation.
- To clarify that the only funding mechanisms allowed under the school housing aid program were bonds, capital leases and capital reserve funds.

In 2007, the Board of Regents adopted new school construction regulations, which require a two-stage process for approval of all construction projects. Three (3) new FTE positions were added to supervise the Housing Aid program. In FY2008, the General Assembly also passed legislation requiring that all bonds, notes and other forms of indebtedness, other than interim finance mechanisms, issued in support of school housing projects shall require passage of an enabling act by the General Assembly.

School Construction Aid		
Fiscal Year	Total Funding	Percent Change
2000	\$25.5	13.2%
2001	30.8	20.5%
2002	33.2	7.9%
2003	38.2	15.1%
2004	40.7	6.6%
2005	43.9	7.6%
2006	47.2	7.6%
2007	46.8	-0.8%
2008	49.7	6.1%
2009	54.1	9.0%
2010	61.5	13.7%

Providence Housing Aid - The Governor’s FY2009 Revised budget recommendation included a \$9.5 million General Revenue reduction for the City of Providence to correct for an overpayment of School Housing Aid funding in previous years. The General Assembly included language in the FY2009 Revised budget that outlined the procedures to be used in calculating overpayment reimbursements as this issue has surfaced on multiple occasions. Under the formula set forth in Article 14, the repayment in the current case would occur over seven years. Thus, the General Assembly decreased Education Aid to the City of Providence in FY2009 and FY2010 by \$1.3 million each year. This decrease in General Revenue aid will occur annually until FY2015.

Housing Aid - Qualified School Construction Bond (QSCB) Program - The American Recovery and Reinvestment Act (ARRA) of 2009, Section 1521 (a) of Title I, provides new bonding authority for state and local governments through the Qualified School Construction Bond (QSCB) program. Under this program, the federal government provides bondholders with a tax credit in lieu of a cash interest payment. The most likely structure would be a zero coupon bond with annual sinking fund payments. The sinking fund would be invested, building up additional resources to pay the principal when due. The school district is then generally only responsible for repaying the amount borrowed and the associated issuance costs. QSCBs can be used to finance new construction, rehabilitation, or repair of public school facilities, acquisition of land on which a public school facility will be constructed, and/or new equipment to be used in such facilities (cannot refinance previous debt - new projects only).

According to the Rhode Island Department of Education, the State has been allocated \$44.4 million in QSBC issuance authority for CY2009. An additional \$44.4 million may be allocated to Rhode Island for calendar year 2010; however, 2010 allocations have not been officially released by the US DOE. Of the \$44.4 million in authority, \$22.3 million has been allocated by the Federal government to the City of Providence, and \$22.0 million is for State allocation to other school districts. To date, only Providence (\$22.3 million) and Central Falls (up to \$5.0 million) have been given the authority to pursue this avenue of funding capital projects. The State will still be reimbursing communities at the same housing aid ratios as is provided under traditional debt mechanisms (79.04% and 96.81% respectively).

Indirect School Aid:

Permanent School Fund (RIGL § 16-4) – Prior to 2008, the Permanent School Fund was funded from the duties paid to the State by auctioneers, to be used for the promotion and support of public education. The 2008 General Assembly enacted legislation to provide that additional revenues gained from the expanded hours at the State's gambling facilities would be deposited into the Permanent School Fund to be distributed on a pro-rata basis to school districts, up to \$14.1 million. These funds would be in addition to the base amount of education aid provided in the FY2009 budget. These revenues would be distributed based on actual receipts and would not represent guaranteed funding amounts.

The Governor's FY2009 Revised Budget proposal recommended a decrease of \$4.3 million in General Education Aid to municipalities and regional school districts, which was anticipated to be equivalent to the distributions a school district would receive from the Permanent School Fund. This provision of law ends on June 30, 2009; therefore, there is no budget recommendation for the Permanent School Fund in FY2010.

Teacher Retirement – RIGL § 16-16-22 – The State is responsible for funding a percentage of the employer's contribution to the Teacher's Retirement System, with the municipalities contributing the balance. The employer's share is determined annually. The State's share has varied over the year; however, since 1993, the State has been required to make a contribution to teacher retirement equal to 40% of the employer's contribution. The municipalities contribute 60% of the employer's contribution. In FY1991 and FY1992 the General Assembly deferred the State's contribution and most municipalities followed suit. The State deferrals, valued at \$22.4 million in FY1991 and \$22.2 million in FY1992, were financed over 20 years. The annual calculation applied to the State contribution to teacher retirement includes an adjustment for the liability of the deferral. Five communities did not defer their share of the employer contribution: Burrillville, East Greenwich, Little Compton, New Shoreham, and North Smithfield. Consequently, these districts contribute a smaller percentage of teachers' salaries.

Teacher Retirement Funds

Fiscal Year	Total Funding	Percent Change
2000	\$40.0	32.3%
2001	36.0	-9.9%
2002	30.8	-14.5%
2003	38.1	23.8%
2004	46.2	21.4%
2005	52.6	13.8%
2006	58.6	11.5%
2007	67.3	14.7%
2008	80.2	19.3%
2009	76.3	-4.9%
2010	77.8	2.0%

The FY2009 Budget includes pension revisions that will save an estimated \$52.5 million in General Revenue in FY2010 and \$44.5 million net savings in FY2009. These figures are based on actuarial estimates provided by Gabriel, Roeder, Smith & Company (GRS). The savings are actually more than proposed by the Governor (\$42.1 million); however, State General School Aid was reduced by the equivalent amount saved by the local school districts in their share of the pension contribution. The enacted pension changes have no impact on any member who is eligible to retire as of September 30, 2009. The proposal only affects those that are not-eligible to retire as of September 30, 2009.

FY2010 Enacted Pension Savings					
Contribution Changes (millions)	FY2009 Proposed	FY2009 Revised	FY2009 Assembly	FY2010 Proposed	FY 2010 Enacted
State Share of Employee Contributions	\$25.9	\$0.0	(\$1.5)	\$20.5	\$15.0
State Share of Teacher Contributions	28.1	18.4	18.5	19.2	15.0
Subtotal	\$54.0	\$18.4	\$17.0	\$39.7	\$30.0
Local Share of Teacher Contributions	\$41.1	\$23.7	\$27.5	\$24.8	\$22.5
State Reduction in School Aid	(41.1)	(23.7)	(27.5)	(24.8)	(22.5)
Subtotal	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total State General Revenue Savings	\$95.1	\$42.1	\$44.5	\$64.5	\$52.5

Source: RI Senate Fiscal Office

For teachers who are NOT eligible to retire as of September 30, 2009:

- Establishes a retirement age of 62 for all employees regardless of Plan, with a methodology that proportionally changes age requirement based on years of service so the closer one is to retirement, the less the impact;
 - Plan A – proportional to 28 years or age 60 with 10 years (retain 80% cap);
 - Plan B – proportional to 59 and 29 years (retain 75% cap);
 - Corrections and Nurses proportional to age 55 and 25 years.

- Bases average final compensation for pension calculation on 5 years rather than 3 years.
- Freezes service credits earned as of September 30, 2009 - but requires that all future accruals are earned at the Plan B schedule.
- Purchased credits – Count towards total service time, do not count towards contributory time, i.e. vesting (current law), but must be purchased at full actuarial cost after June 16, 2009.
- COLA - Plan B at 3.0% or the change in CPI, which ever is lower (remains compounded).
- Must annually document disability status to Retirement Board;
 - Permanently disabled - continue current benefit of 66 2/3 of salary;
 - Disabled from service - benefit reduced from 66 2/3 to 50% of salary.

Textbook Loan Program – RIGL § 16-23-2 and § 16-23-3.1 – Prior to FY2001, school committees of every community furnished, upon request, textbooks in the fields of mathematics, science, and modern foreign languages that appeared on the list of textbooks published by the Commissioner of Elementary and Secondary Education and at the expense of the community. This list was comprised of all the textbooks used in the three topic areas in each school district across the State. In FY2001, the General Assembly expanded the program to include English/language arts and history/social studies textbooks as those that must be available for loan to students in grades K-8. Since this expenditure is incurred at the local level, expanding the program without supporting appropriations would have presented an unfunded mandate to local communities: although communities already provided books for all subjects to public school students, the additional cost relates to loaning books to non-public school pupils. To avoid imposing an unfunded mandate on the communities, the General Assembly created a reimbursement program for the cost of providing English/language arts and history/social studies textbooks to students in grades K-8. In FY2004, this program was expanded to include students in grades 9 through 12.

Textbook Loan Program		
Fiscal Year	Total Funding	Percent Change
2001	\$0.1	
2002	0.4	300.0%
2003	0.2	-50.0%
2004	0.3	50.0%
2005	0.3	0.0%
2006	0.2	-33.3%
2007	0.3	50.0%
2008	0.3	0.0%
2009	0.3	0.0%
2010	0.2	-33.3%

FY2009 School Aid											
City/Town	FY2009 Enacted	Reductions					Group Home Aid	Subtotal	Stabilization Funds	FY2009 School Aid	Change from FY2009 Enacted
		Pension Reform	Stabilization Funds	Professional Development	Permanent School Fund	Prov Housing Aid					
Barrington	\$2,599,525	(\$925,571)	(\$251,083)	(128,710)	(\$16,243)		1,277,919	\$251,083	\$1,529,002	(\$1,070,524)	
Burrillville	13,854,744	(576,252)	(751,100)	(98,888)	(86,571)	75,000	12,416,933	751,100	13,168,033	(686,711)	
Charlestown	1,624,508	(147,546)	(135,786)	-	(10,151)		1,331,025	135,786	1,466,811	(157,697)	
Coventry	20,075,082	(1,561,883)	(1,166,987)	(221,952)	(123,438)		16,998,822	1,166,987	18,165,809	(1,909,273)	
Cranston	35,475,911	(3,152,561)	(2,090,303)	(420,273)	(221,670)		29,591,104	2,090,303	31,681,407	(3,794,504)	
Cumberland	13,257,007	(1,112,613)	(823,601)	(199,527)	(82,836)		11,038,430	823,601	11,862,031	(1,394,976)	
East Greenwich	1,949,763	(666,474)	(185,222)	(93,457)	(12,183)		992,447	185,222	1,177,669	(772,094)	
East Providence	26,888,252	(1,610,771)	(1,497,450)	(231,685)	(168,010)		23,380,336	1,497,450	24,877,786	(2,010,466)	
Foster	1,416,462	(89,901)	(80,345)	(13,665)	(8,851)		1,223,700	80,345	1,304,045	(112,417)	
Glocester	3,213,847	(190,605)	(180,413)	(29,121)	(20,082)		2,793,626	180,413	2,974,039	(239,808)	
Hopkinton	5,767,668	(439,791)	(346,643)	-	(36,039)		4,925,195	346,643	5,271,838	(495,830)	
Jamestown	531,907	(149,697)	(54,277)	(29,238)	(3,324)		295,371	54,277	349,648	(182,259)	
Johnston	10,730,363	(933,903)	(632,253)	(126,179)	(67,173)		8,990,855	632,253	9,623,108	(1,127,255)	
Lincoln	7,403,268	(1,072,022)	(483,059)	(134,550)	(46,259)	30,000	5,697,378	483,059	6,180,437	(1,222,831)	
Little Compton	368,811	(96,083)	(34,414)	(17,052)	(2,304)		218,958	34,414	253,372	(115,439)	
Middletown	10,497,118	(781,566)	(597,011)	(102,859)	(65,591)	60,000	9,010,092	597,011	9,607,103	(890,016)	
Narragansett	1,897,158	(523,625)	(154,558)	(65,250)	(11,854)		1,141,871	154,558	1,296,429	(600,729)	
Newport	11,871,081	(696,318)	(665,740)	(106,908)	(74,176)		10,327,940	665,740	10,993,680	(877,402)	
New Shoreham	106,346	(79,712)	(10,457)	(5,451)	(664)		10,062	10,457	20,519	(85,827)	
North Kingstown	11,986,005	(1,149,881)	(733,791)	(169,550)	(74,894)		9,857,889	733,791	10,591,680	(1,394,325)	
North Providence	13,382,872	(1,016,858)	(761,356)	(131,557)	(83,622)	15,000	11,404,679	761,356	12,166,035	(1,216,837)	
North Smithfield	4,834,238	(464,400)	(301,153)	(73,582)	(30,207)		3,964,896	301,153	4,266,049	(568,189)	
Pawtucket	67,023,558	(2,237,004)	(3,533,129)	(377,993)	(418,794)		60,456,638	3,533,129	63,989,767	(3,033,791)	
Portsmouth	6,700,041	(734,195)	(427,374)	(111,969)	(41,865)	45,000	5,429,638	427,374	5,857,012	(843,029)	
Providence	193,869,757	(6,614,369)	(10,213,530)	(1,087,104)	(1,211,386)	120,000	173,513,331	10,213,530	183,726,861	(10,142,896)	
Richmond	5,739,926	(455,906)	(341,512)	-	(35,991)		4,926,518	341,512	5,268,030	(491,897)	
Scituate	3,407,183	(473,757)	(228,213)	(67,820)	(21,290)		2,616,104	228,213	2,844,317	(562,867)	
Smithfield	5,743,567	(704,954)	(373,470)	(103,092)	(35,888)		4,526,163	373,470	4,899,633	(843,934)	
South Kingstown	10,548,697	(1,245,858)	(656,514)	(159,933)	(65,913)		8,420,479	656,514	9,076,993	(1,471,704)	
Tiverton	5,932,058	(548,844)	(363,307)	(84,055)	(37,066)		4,898,786	363,307	5,262,093	(669,965)	
Warwick	37,626,000	(3,577,122)	(2,224,260)	(453,015)	(235,104)		31,136,499	2,224,260	33,360,759	(4,265,241)	
Westerly	6,843,077	(1,131,765)	(467,083)	(144,945)	(42,759)		5,056,525	467,083	5,523,608	(1,319,469)	
West Warwick	20,440,547	(1,062,473)	(1,109,170)	(146,930)	(127,722)		17,994,252	1,109,170	19,103,422	(1,337,125)	
Woonsocket	47,421,612	(1,462,463)	(2,490,378)	(258,004)	(296,312)		42,914,455	2,490,378	45,404,833	(2,016,779)	
Wristol-Warren	20,438,190	(1,021,982)	(1,101,467)	(139,338)	(127,707)		18,047,696	1,101,467	19,149,163	(1,289,027)	
Charlton	1,679,034	-	(18,752)	(144,516)	(10,491)		1,505,275	18,752	1,524,027	(155,007)	
Exeter-West Greenwich	7,586,018	(611,523)	(438,869)	(81,758)	(47,401)		6,406,467	438,869	6,845,336	(740,682)	
Foster-Glocester	5,729,861	(361,899)	(335,529)	(65,795)	(35,803)		4,930,835	335,529	5,266,364	(463,497)	
Central Falls	43,873,873	(1,010,801)	(2,065,263)	-	(274,144)		40,523,665	2,065,263	42,588,928	(1,284,945)	
Total	\$690,374,935	(\$40,712,948)	(\$38,324,822)	(\$5,825,501)	(\$4,313,777)	(\$1,350,037)	\$600,192,850	\$38,324,822	\$638,517,672	(\$51,857,263)	

FY2010 School Aid

City/Town	FY2009 Enacted	Reductions				Central Falls	Group Home	Subtotal	Stabilization Funds	Total FY2010 School Aid	Change from FY2009 Enacted	Change from FY2009 Revised
		Pension Reform	Stabilization Funds	Professional Development	Prov Housing Aid							
Barrington	\$2,599,525	(\$479,974)	(\$127,753)	(\$128,710)			\$1,863,088	\$128,427	\$1,991,515	(\$608,010)	\$462,514	
Burrillville	13,854,744	(221,802)	(680,886)	(98,888)			\$12,928,168	684,478	13,612,646	(242,098)	444,613	
Charlestown	1,624,508	(68,103)	(98,429)	-		75,000	\$1,457,976	98,948	1,556,924	(67,384)	90,113	
Coventry	20,075,082	(809,946)	(986,582)	(221,952)			\$18,056,602	991,787	19,048,389	(1,026,693)	882,580	
Cranston	35,475,911	(1,634,824)	(1,743,450)	(420,273)			\$31,662,364	1,752,647	33,415,011	(2,060,900)	1,733,604	
Cumberland	13,257,007	(576,968)	(651,511)	(199,527)		(15,000)	\$11,829,001	654,948	12,483,949	(773,058)	621,918	
East Greenwich	1,949,763	(256,529)	(95,820)	(93,437)			\$1,503,977	96,326	1,600,303	(349,460)	422,634	
East Providence	26,888,252	(835,298)	(1,321,413)	(231,685)			\$24,499,856	1,328,384	25,828,240	(1,060,012)	950,454	
Foster	1,416,462	(46,620)	(69,612)	(13,665)			\$1,286,565	69,979	1,356,544	(59,918)	52,499	
Glocester	3,213,847	(98,842)	(157,943)	(29,121)			\$2,927,941	158,776	3,086,717	(127,130)	112,678	
Hopkinton	5,767,668	(241,794)	(306,729)	-			\$5,219,145	308,347	5,527,492	(240,176)	255,654	
Jamesstown	531,907	(77,629)	(26,140)	(29,238)			\$398,900	26,278	425,178	(106,729)	75,530	
Johnston	10,750,363	(484,294)	(528,323)	(126,179)		(15,000)	\$9,596,567	531,110	10,127,677	(622,686)	504,569	
Lincoln	7,403,268	(555,918)	(363,831)	(134,550)		15,000	\$6,363,969	365,750	6,729,719	(673,549)	549,282	
Little Compton	368,811	(36,983)	(18,125)	(17,052)			\$296,651	18,221	314,872	(53,939)	61,500	
Middletown	10,497,118	(405,297)	(513,877)	(102,859)		60,000	\$9,533,085	518,598	10,051,683	(445,435)	444,581	
Narragansett	1,897,158	(271,536)	(93,235)	(65,250)			\$1,467,137	93,727	1,560,864	(336,294)	264,435	
Newport	11,871,081	(361,090)	(583,400)	(106,908)		(75,000)	\$10,744,683	586,477	11,331,160	(539,921)	337,481	
New Shoreham	106,346	(30,681)	(5,226)	(5,451)			\$64,988	5,254	70,242	(36,104)	49,723	
North Kingstown	11,986,005	(596,294)	(589,048)	(169,550)			\$10,631,113	592,155	11,223,268	(762,737)	631,588	
North Providence	13,382,872	(527,312)	(657,696)	(131,357)		15,000	\$12,081,507	661,166	12,742,673	(640,199)	576,638	
North Smithfield	4,834,238	(178,749)	(237,577)	(73,582)			\$4,344,330	238,830	4,583,160	(251,078)	317,111	
Pawtucket	67,023,558	(1,160,043)	(3,293,847)	(377,993)		(15,000)	\$62,176,675	3,311,223	65,487,898	(1,535,660)	1,498,131	
Portsmouth	6,700,041	(380,731)	(329,271)	(111,969)		45,000	\$5,923,070	331,008	6,254,078	(445,963)	397,066	
Providence	193,869,757	(3,430,014)	(9,527,656)	(1,087,104)		(165,000)	\$178,309,944	9,577,917	187,887,861	(5,981,896)	4,161,000	
Richmond	5,759,926	(241,469)	(304,137)	-			\$5,214,320	305,742	5,520,062	(239,864)	252,033	
Scituate	3,407,183	(245,676)	(167,445)	(67,820)			\$2,926,242	168,328	3,094,570	(312,613)	250,254	
Smithfield	5,743,567	(365,568)	(282,265)	(103,092)			\$4,992,642	283,754	5,276,396	(467,171)	376,763	
South Kingstown	10,548,697	(646,065)	(518,412)	(159,933)			\$9,224,287	521,147	9,745,434	(803,263)	668,441	
Tiverton	5,932,058	(284,613)	(291,529)	(84,055)			\$5,271,861	293,067	5,564,928	(367,130)	302,835	
Warwick	37,626,000	(1,854,990)	(1,849,116)	(453,015)			\$33,468,879	1,858,870	35,327,749	(2,298,251)	1,966,990	
Westerly	6,843,077	(586,900)	(336,300)	(144,945)			\$5,774,932	338,074	6,113,006	(730,071)	589,398	
West Warwick	20,440,547	(509,966)	(1,004,543)	(146,930)			\$18,738,108	1,009,842	19,747,950	(692,597)	644,528	
Woonsocket	47,421,612	(758,390)	(2,330,517)	(258,000)			\$44,074,701	2,342,811	46,417,512	(1,004,100)	1,012,679	
Bristol-Warren	20,438,190	(529,969)	(1,004,427)	(139,338)			\$18,764,456	1,009,726	19,774,182	(664,008)	625,019	
Charlho	1,679,034	-	(19,576)	(144,516)			\$1,514,942	19,679	1,534,621	(144,413)	10,594	
Exeter-West Greenwich	7,586,018	(317,118)	(372,812)	(81,758)			\$6,814,330	374,779	7,189,109	(396,909)	343,773	
Foster-Glocester	5,729,861	(187,670)	(281,592)	(65,795)			\$5,194,804	283,077	5,477,881	(251,980)	211,317	
Central Falls	43,873,873	(524,171)	(2,156,165)	-	1,313,862		\$42,507,399	2,167,539	44,674,938	801,065	2,086,010	
Total	\$690,374,935	(\$20,860,836)	(\$33,928,216)	(\$5,825,501)	\$1,313,862	(\$75,000)	\$629,649,205	\$34,107,196	\$663,756,401	(\$26,618,534)	\$25,238,729	

Developing a New Formula:

Since the mid-1990s Rhode Island has been without an education aid funding formula. Rhode Island is currently the only state without such a funding formula. The 2004 General Assembly, recognizing the need for an equitable distribution of resources among the State's school district, a need for property tax relief, and a predictable method of distributing education aid established the Joint Legislative Committee to Establish a Permanent Education Foundation Aid Formula for Rhode Island (Committee).

In March of 2007, R.C. Wood & Associates issued a report to the Committee identifying four education finance models and the target expenditures they would generate in order to provide adequate support for public schools. In addition, the report recommended the State move from an appropriation model of distributing funds to a student need-based driven model.

In April of 2007, a group of Rhode Island public policy organizations released a report "Funding Our Future", which outlined principle elements of a formula design.

In February of 2009, the Board of Regents endorsed some "guiding principles" for a new education aid formula as follows:

- A foundation formula should align education resources with structured learning goals that are consistent with statewide standards, such as the Basic Education Program (BEP). Performance measures established by the Board of Regents shall be considered in any calculation regarding the return on investment of public funds.
- A foundation formula must be anchored in the larger system of fiscal and programmatic accountability that measures whether state and local programs and expenditures actually provide an opportunity for a sound basic quality education, at the individual student level, in a manner consistent with Rhode Island law and at the highest level of efficiency.
- A foundation formula should include a foundation amount per pupil, a state share ratio to address municipal tax capacity, and a student need factor and should apply equitably to all public schools and school districts with a "money follows the student" methodology.
- The foundation amount per pupil will be linked to data measuring the actual cost of delivery of an effective core PreK-12 education system, as established, or to be established, by the BEP.
- A student need allocation should be calculated using a poverty concentration index, such as percentage of free and reduced price lunch students (FRPL). Research has indicated that there is a high correlation between concentration of poverty and certain categories of high need student populations, including English Language Learners and students in need of intensive academic supports.

- Given that the foundation is only a portion of the overall funding system, additional funding must be provided for extraordinary costs, such as high-cost special education for children with an Individual Education Program (IEP), and program support, such as career and technical education, extended learning time, and pre-kindergarten programs.
- Incentives and disincentives should be provided in recognition of the implementation of cost reduction strategies, or regional and statewide efficiencies.
- Municipal effort and tax capacity issues, which directly relate to the data used for the state share ratio calculation, including the possibility of a minimum share, should take into consideration past policy decisions made to direct funds to certain high-risk populations and the potential impact on urban districts.
- Disparities in the local tax structure, relating to tax classifications and personal exemptions, are not consistently provided across the state and reduce the tax yield of certain communities; therefore, any redistribution of the base should be commenced immediately but phased in over a number of years to protect students from significant negative impact.
- A funding formula could be implemented now with any amount of available funding, thus creating a predictable arrangement for distribution and/or redistribution of funds; however, if there is an increase in aid, the amount should be conveyed pursuant to the formula to districts as early as possible.

During the 2009 Legislative Session, legislation was introduced which was designed to establish a new funding formula going forward for Rhode Island. The legislation proposed that the new funding structure would not be implemented until the first fiscal year in which the revenue and caseload estimating conference publishes an increase in general revenues for two consecutive years. In addition it adjusted funding for high-cost special needs students and recommended a 3-6% increase every year (subject to availability of funds). The new formula would consist of three parts:

- An amount equal to the aid received two years prior;
- An amount equal to the statewide per-pupil core instruction cost times the number of students and adjusted for community wealth; and
- An amount based on the percentage of a district's students who are eligible for USDA reimbursable meals.

The funding proposal intended to do the following:

- Foundation Amount: Core instruction per pupil derived from expenditure data (instruction, instructional support, and leadership);
- Annual Inflation Factor: Updated annually for CPI if greater than actual data;
- Student Need Allocation: Calculate using a Free and Reduced Price Lunch (FRPL) poverty concentration;
- State Share Ratio: Uses 50/50 split between property values and median family income (full value share ratio) not the current EWAV calculation (used in charter and housing aid);
- Minimum Share Ratio: Includes 25% minimum for all districts;
- Hold Harmless: Includes hold harmless for total amount received by the district in the fiscal year two years prior to the revenue conference estimates of increased revenues;
- District Cap on Increase: No more than 15%. No increase if current aid is greater than total formula aid;
- Annual Aid Increase: 3-6% increase, subject to the availability of funds
- State Assumed Costs: Provides direct state funding for high cost special education, exceeding five times the current statewide per pupil foundation amount;
- Accountability: Allows for funding to be allocated to RIDE to implement an accountability framework designed to ensure fiscal efficiency and program effectiveness.

Work must continue toward a new funding formula if this legislation is not passed by the entire General Assembly. Communities need predictability and fairness in the distribution of State funds. Taxpayers need property tax relief. There is also the possibility that lack of an education funding formula in Rhode Island could jeopardize the State's receipt of future funding through the American Recovery and Reinvestment Act of 2009.

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