

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2015

Lincoln D. Chafee, Governor

Dedication

*This year's budget documents are dedicated to the
Memory of William V. Golas, Jr.
Sr. Budget Analyst 1987 - 2013*

The image on the cover of this year's budget document is a Winter Scene of the State House from Artist John Pitocco of Providence and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.

Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$987.2 million in FY 2015, a \$45.7 million increase in total state funding relative to the FY 2014 revised budget, a 4.9 percent increase. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the charter schools, the Central Falls School District, and the Metropolitan Career and Technical School, as well as support for the state share of teacher retirement and School Housing Aid.

Fiscal year 2015 represents year four of the education aid funding formula. As of July 1, 2011, education aid to all districts, charter schools, and state schools (Davies and the Met) is formula based. The School for the Deaf is a special education program and the funding method has not changed since it already has a state, federal, and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

The funding formula has been designed to distribute aid based on three key components:

- Core Instructional Amount – (\$8,966 per student in FY 2015) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- Student Success Factor – (\$3,586 per student in FY 2015) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor, which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- State Share Ratio – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

Data plays a crucial role in how education aid is distributed to districts, charter schools, Davies, and the Met. The funding formula will incorporate annual data updates including student counts, the core instruction per pupil, and the most recently assessed community property values and median family income data in order to ensure aid distribution uses the best available data. The formula establishes a platform for creating horizontal equity. It attempts to get a like amount of funding to children who have similar characteristics regardless of where they sit, which in turn gradually rebalances education funding to provide all districts a common level of purchasing power.

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, early childhood education, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that appropriate funding is available to support the district, due to concerns regarding local capacity. According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

Education Aid to Local Governments

Lastly, funding allocations will be phased in over ten years based on a transition model where overfunded districts shall have a level decrease period, while underfunded districts will have a quicker transition of seven years. In FY 2015, the fourth year of formula implementation, the transition periods will be seven years for overfunded districts and four years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2015 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid will now reflect aid to both districts and charter schools as a result of the education aid funding formula. In prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2015, total distributed education aid increases \$35.0 million from the revised FY 2014 budget. The Governor's budget fully funds year four of the education aid funding formula in FY 2015, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$36.0 million from the revised FY 2014 budget. A reduction of \$1.0 million in Group Home Aid is made to reflect updated group home bed census figures.

One of the primary drivers for the \$36.0 million growth is attributed to the expansion of charter schools. Charter school growth is funded in full in the year of growth, while reductions in the sending communities are spread over the remaining years of transition. Upon full transition, money will follow the student and charter or state school growth will be offset by dollar-for-dollar reductions in the sending communities. In FY 2015, five existing charter schools experiencing growth will be fully-funded, while three charter schools, Engineering Early College, Hope Academy, and Southside Elementary are projected to open.

Moreover, the FY 2015 request continues with year two of funding the Urban Collaborative through the funding formula, in accordance with the change the 2012 General Assembly made to RIGL §16-3.1-11. Although this change is revenue neutral to the state, the four current sending communities, Central Falls, Cranston, North Providence, and Providence, will see a reduction in state education aid for these 145 students.

The Governor's recommendation also includes \$1.4 million in funding formula aid to accommodate districts that will be implementing the Full-Day Kindergarten Pilot Program. Since students participating in this program are now in school for a full day instead of half the school day, Distributed Aid for FY 2015 shows a subsequent increase to accommodate the increase in the Average Daily Membership (ADM) number used in the education aid funding formula calculations.

Finally, an additional \$1.8 million is included in the Central Falls Stabilization Fund as required by RIGL 16-7.2-6(d) to cover costs outside of those calculated by the education aid funding formula. This is the first year that Central Falls receives assistance through this Fund.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$28.7 million in general revenue for FY 2015, which constitutes a \$1.0 million decrease from the revised FY 2014 budget. Only Davies and the Met fall under the funding formula.

Non-Distributed Aid

Non-distributed aid in FY 2015 increases \$2.6 million from the revised FY 2015 budget. The FY 2015 budget includes \$12.3 million to finance four of the five education aid categorical funds, all of which were

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included in the funding formula legislation passed in 2010. The regional district bonus, the fifth categorical fund, is not funded in the Governor's budget since no new regional districts were established in FY 2014. The remaining categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.5 million to be used for the career and technical education fund which will support the initial investment requirements to transform existing or create new career and technical programs and offset the higher than average costs of maintaining the highly specialized programs. An increase of \$1.1 million from the FY 2014 revised budget for a total of \$4.4 million is recommended for year four of the transportation fund, designed to reimburse districts for the excess costs associated with transporting non-public, non-special education students to out-of-district non-public schools and public school students within regional districts. Only those districts participating in the statewide system are eligible for non-public transportation funding. The Governor recommends \$3.0 million for early childhood programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The Pre-K expansion in Rhode Island will start with seventeen communities with selected concentrations of children from low-income families. This began as a pilot program in FY 2010 and continued in FY 2011; however, funding was eliminated in the FY 2012 enacted budget. Funding was restored in FY 2013 and the program continues to be financed in the Governor's FY 2014 Revised and FY 2015 Budgets. A \$500,000 increase as compared to the FY 2014 Revised Budget is recommended for a high cost special education fund, which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$62,760 in FY 2015), including but not limited to instructional and related services provided to a child as defined in his/her Individual Education Plan (IEP), transportation costs, tuition costs, assistive technology costs, and other associated costs.

Moreover, the FY 2014 revised and FY 2015 budget includes \$250,000 for the Full-Day Kindergarten Pilot Program intended for one-time start-up costs for interested LEAs. A subsequent increase in Distributed Aid is included to accommodate the increase in the Average Daily Membership (ADM) number.

Offsetting some of these increases in education aid includes eliminating a substantial investment of \$745,000 to the Rhode Island Vision Education and Services Program (RIVESP) over a three-year period beginning in FY 2014; FY 2015 is year two of the phase-out. RIVESP, housed at the Sherlock Center at Rhode Island College, is a program that provides children with low vision, blindness, and print disabilities full access to services and adaptive instructional materials, while also providing teaching and consultation services to the children, their families, and educational staff within the school environment. This reduction in state aid would have no impact on students who utilize these services, for the original intent of the Program is to ultimately have the full cost of such services shift to LEAs. In addition, state financing for the Textbook Expansion program and the School Breakfast program will also be discontinued. This will not affect operations in either program since state aid is provided only for additional assistance. The operating costs for both programs are financed by the LEAs and through federal funds, respectively.

General revenue funding of \$400,000 for the Rhode Island Telecommunications Access fund in FY 2015 is level-funded as compared to the FY 2014 revised level.

Other Aid

The FY 2015 Budget also includes an increase in other aid of \$9.2 million; an \$8.9 million and \$286,468 increase for Teachers' Retirement and the Housing Aid programs, respectively.

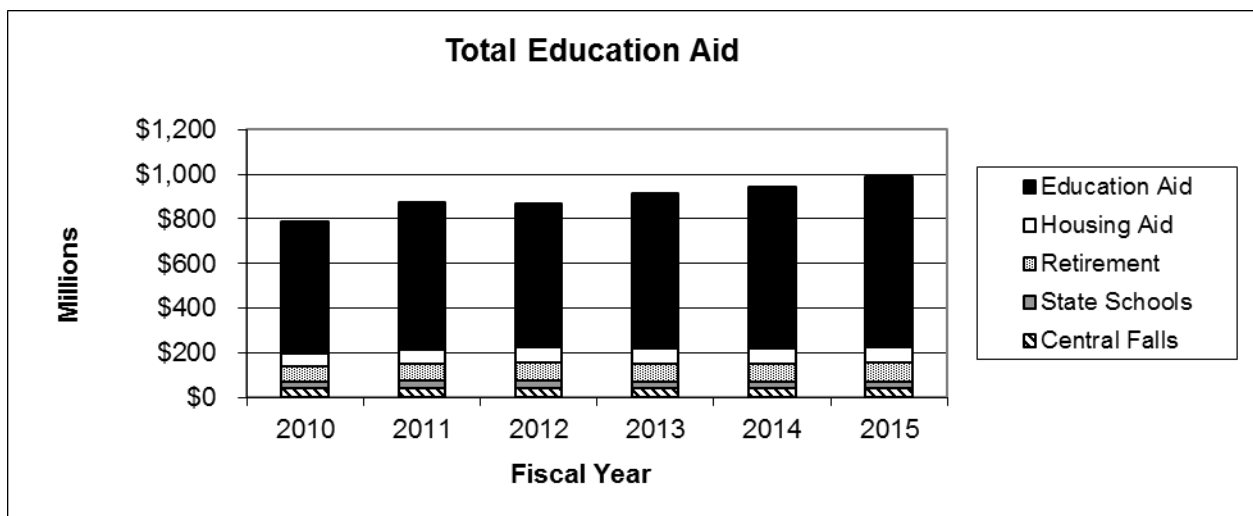
FY 2015 Education Aid Increases (Decreases) From the Revised FY 2014 Budget

- Formula Aid: \$35,575,416
- Group Home Funding: (\$1,038,000)
- Central Falls School District: \$446,261

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- Textbook Expansion: (\$240,000)
- School Breakfast: (\$270,000)
- Early Childhood Demonstration: \$1,000,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$500,000
- Metropolitan Career and Technical School: (\$548,442)
- School for the Deaf: \$25,252
- Davies Career and Technical School: (\$525,810)
- Teachers' Retirement: \$8,937,459
- School Housing Aid: \$286,468

The following graph displays total school aid from FY 2010 to FY 2015. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include, but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other components of total aid include: State Contributions for Teachers' Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Housing Aid

The School Housing Aid Program reimburses a community for eligible construction expenditures beginning in the fiscal year after the project is completed. The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The Commissioner and the Board of Regents review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Regents promulgated new regulations governing both this process as well as the oversight of all projects eligible for School Housing Aid.

Although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Under current law,

Education Aid to Local Governments

beginning FY 2013, the minimum reimbursement to each community is frozen to a maximum of thirty-five percent. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

Reimbursement is based on total expended project cost, plus related bond interest cost, not on the amount of the original bond issuance. For example, if a community issued \$6.5 million for ten years for a capital improvement to a school, but only spent \$6.0 million, the Department would reimburse the community for the State's appropriate share of the \$6.0 million spent on the completed project, plus the bond interest payments over a ten-year period. This statute was amended to include the use of lease revenue bonds, financial leases, capital reserve funding, and similar financial instruments to finance school construction. Communities used this amendment to receive project reimbursements commencing in FY 1999. The FY 2004 Appropriation Act amended the housing aid statute to require that all future school construction debt be issued through the Rhode Island Health and Education Building Corporation.

In June 2011, the General Assembly enacted a moratorium on new school construction project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect. This moratorium is due for expiration on June 30, 2014.

The revised FY 2014 and FY 2015 budgets propose general revenue expenditures of \$67.7 million and \$67.9 million, respectively, for the School Housing Aid program.

Teachers' Retirement

RIGL 16-16-22 requires the State to make contributions to the teacher retirement system in Rhode Island. The State shall contribute a percentage of the employer's share, with the school districts contributing the balance. The State's share has varied over the years based upon the total actuarially determined rate of payroll, but since FY 1993 it has been fixed at 40 percent, with the municipalities contributing 60 percent. Each district receives the same percentage, regardless of district wealth.

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

Furthermore, the municipalities of Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield did not participate in the 1990 early retirement window for teachers and therefore contribute a slightly smaller percentage of teachers' salaries than the ones listed in the tables below.

Contribution Rates for Teachers' Retirement Fund

- **Defined Benefit Retirement Plan**

	Actuarial Contribution Rate of Payroll (60%)*	Employer Share			
		Local (40%)*	State Total	Sub Share	Teacher
1999	21.02%	6.62%	4.90%	11.52%	9.5%
2000	24.14%	8.43%	6.21%	14.64%	9.5%
2001	21.51%	6.86%	5.15%	12.01%	9.5%
2002	19.45%	5.73%	4.22%	9.95%	9.5%

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2003	21.47%	6.93%	5.04%	11.97%	9.5%
2004	23.22%	7.99%	5.73%	13.72%	9.5%
2005	24.34%	8.72%	6.12%	14.84%	9.5%
2006	25.97%	9.72%	6.75%	16.47%	9.5%
2007	29.14%	11.62%	8.02%	19.64%	9.5%
2008	31.51%	13.04%	8.97%	22.01%	9.5%
2009	29.57%	11.89%	8.18%	20.07%	9.5%
2010	29.57%	11.89%	8.18%	20.07%	9.5%
2011	28.51%	11.25%	7.76%	19.01%	9.5%
2012	31.82%	13.23%	9.09%	22.32%	9.5%
2013	23.04%	11.41%	7.88%	19.29%	3.75%
2014	24.43%	12.26%	8.42%	20.68%	3.75%
2015	26.35%	13.41%	9.19%	22.60%	3.75%

* Adjusted for deferral liability

- Defined Contribution Retirement Plan

Required Contribution		Employer Share			Teacher Share
Rate of Payroll		Local (60%)	State (40%)	Subtotal	
2014	6.0%	0.6%	0.4%	1.0%	5.0%
2014 (Non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%
2015	6.0%	0.6%	0.4%	1.0%	5.0%
2015 (Non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%

The following table displays the state contributions to Teacher Retirement since FY 1999. The State Retirement Board uses the districts' retirement contribution data to calculate the state obligation each month, and contributions are accrued to the appropriate fiscal period.

State Contributions for Teacher Retirement

<u>Fiscal Year</u>	<u>State Share</u>
1999 Actual	\$30,202,943
2000 Actual	\$40,719,407
2001 Actual	\$35,365,234
2002 Actual	\$30,652,207
2003 Actual	\$38,242,690
2004 Actual	\$45,039,269
2005 Actual	\$48,503,125
2006 Actual	\$54,537,733
2007 Actual	\$70,286,753
2008 Actual	\$83,028,510
2009 Actual	\$73,592,722
2010 Actual	\$68,550,306
2011 Actual	\$70,286,261
2012 Actual	\$80,385,930

Education Aid to Local Governments

2013 Actual	\$75,777,027
2014 Revised	\$80,891,937
2015 Recommended	\$89,829,396

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state's local and regional education agencies (LEAs). "Distributed LEA Aid" consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid for FY 2012 and beyond, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. "State Schools" include the Metropolitan School, Davies, and School for the Deaf. "Non-Distributed Aid" includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. "Other Aid" consists of allocations for School Housing Aid and state contributions to the Teachers' Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012 and beyond, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

Education Aid to Local Units of Government

	FY 2014 Revised		FY 2015 Recommend		Difference
Distributed LEA Aid					
Barrington	\$ 3,918,965		\$ 4,613,191		\$ 694,226
Burrillville	13,042,387		13,123,950		81,563
Charlestown	1,706,995		1,711,607		4,612
Coventry	20,300,158		21,299,255		999,097
Cranston	42,982,101		46,653,409		3,671,308
Cumberland	14,621,350		15,618,239		996,889
East Greenwich	2,266,168		2,421,954		155,786
East Providence	28,039,793		29,316,046		1,276,253
Foster	1,189,070		1,177,658		(11,412)
Glocester	2,683,922		2,642,789		(41,133)
Hopkinton	5,515,535		5,614,461		98,926
Jamestown	359,449		401,463		42,014
Johnston	11,756,085		12,960,058		1,203,973
Lincoln	8,957,047		9,795,054		838,007
Little Compton	365,270		404,941		39,671
Middletown	9,098,862		8,951,060		(147,802)
Narragansett	1,799,609		2,010,898		211,289
Newport	10,641,310		10,682,365		41,055
New Shoreham	75,366		81,289		5,923
North Kingstown	10,791,146		10,714,391		(76,755)
North Providence	14,984,604		16,290,755		1,306,151
North Smithfield	5,364,804		5,565,348		200,544
Pawtucket	71,454,232		74,858,028		3,403,796
Portsmouth	5,125,144		4,856,357		(268,787)
Providence	205,733,049		213,256,979		7,523,930
Richmond	5,335,436		5,195,425		(140,011)
Scituate	3,685,657		3,913,574		227,917
Smithfield	4,924,041		4,953,991		29,950
South Kingstown	8,100,495		7,832,493		(268,002)
Tiverton	5,769,004		5,826,351		57,347
Warwick	35,092,103		36,195,582		1,103,479
Westerly	7,122,961		7,643,254		520,293
West Warwick	20,265,989		20,886,831		620,842
Woonsocket	48,092,469		50,523,775		2,431,306
Bristol/Warren	16,575,588		16,074,429		(501,159)
Exeter/W Greenwich	6,068,269		5,880,806		(187,463)
Chariho District	268,242		229,922		(38,320)
Foster/Glocester	5,001,610		4,972,225		(29,385)
Central Falls	38,399,591		38,845,852		446,261
Subtotal *	\$ 697,473,876		\$ 723,996,055		\$ 26,522,179

Education Aid to Local Units of Government

	FY 2014 Revised	FY 2015 Recommend	Difference
Distributed LEA Aid			
Achievement First	\$ 1,745,202	\$ 4,408,893	\$ 2,663,691
Beacon Charter School	1,682,079	1,675,426	(6,653)
Blackstone Academy	1,619,062	1,655,787	36,725
Compass School	561,195	546,658	(14,537)
Engineering Early	-	1,067,169	1,067,169
Greene School	888,954	924,518	35,564
Highlander	3,331,257	3,758,673	427,416
Hope Academy	-	808,669	808,669
International Charter School	2,867,619	2,864,354	(3,265)
Kingston Hill Academy	653,830	618,614	(35,216)
Learning Community	6,122,147	6,145,261	23,114
New England Laborers	1,230,541	1,208,034	(22,507)
Nowell Academy	1,573,568	1,579,359	5,791
Nurses Institute	2,478,686	2,487,652	8,965
Paul Cuffee Charter School	7,962,677	7,981,632	18,955
RIMA Blackstone Valley	7,818,591	9,501,709	1,683,118
Segue Institute for Learning	2,596,191	2,631,920	35,729
Southside Elementary	-	255,742	255,742
Textron	2,255,254	2,367,223	111,969
Times 2 Academy	7,013,322	6,981,388	(31,934)
Trinity Academy	1,448,044	1,828,080	380,036
Village Green	1,209,709	1,848,404	638,695
Subtotal	\$ 55,057,929	\$ 63,145,163	\$ 8,087,234
Urban Collaborative	\$ 296,703	\$ 670,967	\$ 374,264
Distributed LEA Subtotal	\$ 752,828,508	\$ 787,812,185	\$ 34,983,677
Non-Distributed Aid			
Textbook Expansion	\$ 240,000	\$ -	\$ (240,000)
School Breakfast	270,000	-	(270,000)
Telecommunications Access	400,000	400,000	-
Early Childhood Demonstration	1,950,000	2,950,000	1,000,000
Transportation Categorical	3,263,520	4,351,360	1,087,840
High Cost Special Ed Categorical	1,000,000	1,500,000	500,000
Career and Tech Categorical	3,000,000	3,500,000	500,000
All Day Kindergarten	250,000	250,000	-
Subtotal	\$ 10,373,520	\$ 12,951,360	\$ 2,577,840

Education Aid to Local Units of Government

	FY 2014 Revised		FY 2015 Recommend		Difference
State Schools					
Metropolitan School	\$ 11,085,049	\$	10,536,607	\$	(548,442)
School for the Deaf	5,904,572		5,929,824		25,252
Davies School *	12,792,048		12,227,793		(564,255)
Subtotal	\$ 29,781,669	\$	28,694,224	\$	(1,087,445)
Other Aid					
Teachers' Retirement	\$ 80,891,937	\$	89,829,396	\$	8,937,459
School Housing Aid	67,663,036		67,949,504		286,468
Subtotal	\$ 148,554,973	\$	157,778,900	\$	9,223,927
Total	\$ 941,538,670	\$	987,236,669	\$	45,697,999

*Numbers printed in the Education Aid tables in the Technical Appendix do not reflect the latest data.