

State of Rhode Island and Providence Plantations

# Executive Summary



## Fiscal Year 2013

Lincoln D. Chafee, Governor

# **Appendix D**

## **Aid to Schools**



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## Education Aid to Local Governments

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Education Aid to Local Governments totals \$913.3 million in FY 2013, a \$67.6 million increase in total state funding relative to the FY 2012 revised budget, an 8.0 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 2013 represents year two 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) will be formula based. The School for the Deaf is a special education program and the funding method will not change 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 – (\$8,679 per student in FY 2013) 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 – (\$3,472 per student in FY 2013) 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.

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## **Education Aid to Local Governments**

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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. In FY 2013, the second year of the formula implementation, the transition periods will be nine years for overfunded districts and six years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2013 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. Please note that in prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2013, total distributed education aid increases \$63.7 million from the revised FY 2012 budget. The Governor's budget fully funds year two of the education aid funding formula in FY 2013, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$64.1 million from the revised FY 2012 budget. A reduction of \$420,000 in Group Home aid is made to reflect updated group home bed census figures.

In September 2010, the State of Rhode Island received \$32.9 million in funding from a federal grant called the Education Jobs Fund. Of this total, 98%, or \$32.3 million was distributed by formula to school districts, charter schools, and state schools. In September 2011, Rhode Island received notice that the federal government was awarding the state an additional \$486,517 under the same Education Jobs Fund program. Similar to the original distribution, 98% of these funds will be distributed by formula to Local Education Agencies (LEAs), with 2% remaining with the state to pay for the administrative costs of administering the program. The additional funds were made available to LEAs on November 1, 2011 with LEAs having up until September 30, 2012 to spend the funds, similar to the original funding distribution and federal guidelines. This additional Education Jobs Fund money will be used to offset any general revenue reductions that occur in FY 2013. Unlike the previous guidelines for State Fiscal Stabilization funding, where the State could dictate when LEAs drew down federal money, terms for this federal fund allow districts to withdraw funds at anytime up until September 30, 2012.

### **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 \$31.2 million in general revenue, which constitutes a \$316,141 increase from the revised FY 2012 budget. Please note that Davies and the Met will also fall under year two of the funding formula.

### **Non-Distributed Aid**

Non-distributed aid in FY 2013 increases \$4.7 million from the revised FY 2012 budget. The FY 2013 budget includes \$7.5 million to finance five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010. These categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.0 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 2012 revised budget for a total of \$2.2 million is recommended for year two 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 \$1.5 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

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## **Education Aid to Local Governments**

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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. The FY 2013 budget restores funding for these early childhood programs. \$500,000 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 (\$60,753 in FY 2013), 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. Lastly, the Governor provides \$413,170 for the second year of the regional bonus. In FY 2013, the regional bonus decreases from 2.0% to 1.0% of the state's share of the foundation aid for regionalization districts as calculated per the formula and in accordance with the statutory provisions.

Offsetting some of these increases in education aid including a substantial investment in non-public transportation is the elimination of state aid that supplements the non-public textbook fund. The non-public textbook reimbursement fund provides a small fraction of the cost to purchase certain types of textbooks provided to non-public school students as the districts generally provide the majority of funding for these books. This reduction in state aid would have no impact on students who attend non-public schools, for the laws requiring the districts to loan the textbooks to students remain unchanged. Also, the FY 2013 budget eliminates state aid towards a school breakfast program. Currently the United States Department of Agriculture reimburses schools for breakfasts served to students each and every morning. This federal aid will not be affected by eliminating the state's funding.

General revenue funding for the Rhode Island Telecommunications Access fund is also eliminated in FY 2013, to be replaced with a broadening of the fee charged only off land-lines to include wireless lines as well. An estimated \$2.0 million in revenue will be gained from this surcharge and will be used to both leverage additional federal funds as well as provide a continuous source of funding for internet access lines for all K-12 public schools and libraries around the state.

### **Other Aid**

The FY 2013 Budget also includes a decrease in other aid of \$1.1 million; a \$4.8 million increase for school housing aid reimbursements is offset by a \$5.9 million decrease in state contributions for teachers' retirement.

### **FY 2013 Education Aid Increases (Decreases) From the Revised FY 2012 Budget**

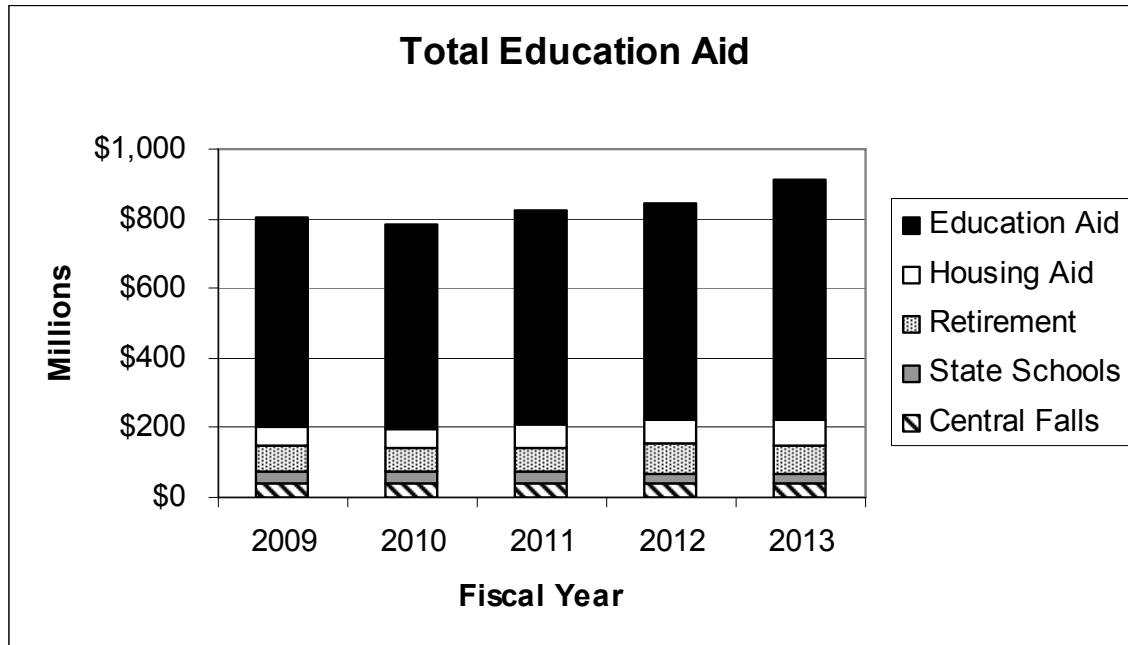
- Formula Aid: \$63,884,371
- Group Home Funding: (\$420,000)
- Central Falls School District: \$251,502
- Textbook Expansion: (\$265,698)
- School Breakfast (\$270,000)
- Telecommunications Access: (\$350,000)
- Early Childhood Demonstration: \$1,450,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$3,000,000
- Regionalization Bonus: (\$438,071)
- Metropolitan Career and Technical School: (\$40,864)
- School for the Deaf: \$372,764
- Davies Career and Technical School: (\$15,759)
- Teachers' Retirement: (\$5,893,513)
- School Housing Aid: \$4,792,896

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## Education Aid to Local Governments

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The following graph displays total school aid from FY 2009 to FY 2013. 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.

It should be noted that 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, beginning FY 2012, the minimum reimbursement to each community shall increase by five percent each year until a forty percent minimum share ratio has been achieved. 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

## **Education Aid to Local Governments**

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. The Governor recommends amending RIGL 16-7-39, which sets the minimum state share ratio, by lowering the minimum share from 40% to 35% in FY 2013 and beyond.

The revised FY 2012 and FY 2013 budget propose general revenue expenditures of \$69.8 million and \$74.6 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%
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%



## Education Aid to Local Governments

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%

\* Adjusted for deferral liability

- Defined Contribution Retirement Plan

<u>Required Contribution</u>		<u>Employer Share</u>			
<u>Rate of Payroll</u>		<u>Local</u>	<u>State</u>	<u>Sub</u>	<u>Teacher</u>
		<u>(60%)</u>	<u>(40%)</u>	<u>total</u>	<u>Share</u>
2013	6.0%	0.6%	0.4%	1.0%	5.0%
2013 (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 Revised	\$84,113,207
2013 Recommended	\$78,219,694

The FY 2013 recommend reflects statewide pension changes achieved through the Rhode Island Retirement Security Act of 2011. This legislation made significant changes to benefits received by current retirees and those to be received by teachers. As a result, the “employer” contribution rate changed from 35.25% to 19.29%.

### 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 in FY 2012 and FY 2013, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for

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## **Education Aid to Local Governments**

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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 2012 Revised	FY 2013 Recommend	Difference
<b>Distributed LEA Aid</b>			
Barrington	\$2,282,481	\$3,344,207	\$1,061,726
Burrillville	12,406,291	12,994,485	588,194
Charlestown	1,604,513	1,671,305	66,792
Coventry	17,841,361	19,702,293	1,860,932
Cranston	32,511,574	38,810,741	6,299,167
Cumberland	12,101,575	13,788,120	1,686,545
East Greenwich	1,442,707	1,928,774	486,067
East Providence	24,248,207	26,775,214	2,527,007
Foster	1,181,984	1,200,896	18,912
Glocester	2,725,127	2,781,494	56,367
Hopkinton	5,374,182	5,548,323	174,141
Jamestown	351,708	358,264	6,556
Johnston	9,617,586	10,875,308	1,257,722
Lincoln	6,710,317	8,231,951	1,521,634
Little Compton	300,714	340,404	39,690
Middletown	8,969,558	9,286,789	317,231
Narragansett	1,423,886	1,670,018	246,132
Newport	10,205,734	10,600,145	394,411
New Shoreham	59,350	72,329	12,979
North Kingstown	10,188,036	10,802,852	614,816
North Providence	12,160,857	13,936,915	1,776,058
North Smithfield	4,421,796	5,108,314	686,518
Pawtucket	61,722,490	68,519,984	6,797,494
Portsmouth	5,488,899	5,382,636	(106,263)
Providence	177,121,395	196,948,277	19,826,882
Richmond	5,298,508	5,414,664	116,156
Scituate	3,017,177	3,558,575	541,398
Smithfield	4,734,817	4,957,217	222,400
South Kingstown	8,395,479	8,478,752	83,273
Tiverton	5,088,118	5,682,400	594,282
Warwick	32,262,907	34,556,005	2,293,098
Westerly	5,721,060	6,536,425	815,365
West Warwick	18,267,435	19,784,418	1,516,983
Woonsocket	42,973,256	46,720,789	3,747,533
Bristol/Warren	17,223,772	17,311,653	87,881
Exeter/W Greenwich	6,208,981	6,340,874	131,893
Chariho District	273,805	305,512	31,707
Foster/Glocester	4,917,949	5,115,094	197,145
Central Falls	39,161,820	39,413,322	251,502
Subtotal	\$616,007,412	\$674,855,738	\$58,848,326

## Education Aid to Local Units of Government

	<b>FY 2012 Revised</b>	<b>FY 2013 Recommend</b>	<b>Difference</b>
<b>Distributed LEA Aid</b>			
Beacon Charter School	\$1,636,387	\$1,694,902	\$58,515
Blackstone Academy	1,481,057	1,566,758	85,701
Compass School	579,438	580,372	934
Greene School	640,513	825,758	185,245
Highlander	2,591,368	2,738,290	146,922
International Charter School	2,762,161	2,874,178	112,017
Kingston Hill Academy	692,088	687,796	(4,292)
Learning Community	5,724,503	5,922,924	198,421
New England Laborers	1,648,397	1,616,987	(31,410)
Nurses Institute	1,130,376	1,771,215	640,839
Paul Cuffee Charter School	6,526,131	7,444,006	917,875
RIMA Blackstone Valley	3,957,168	6,138,917	2,181,749
Segue Institute for Learning	2,482,437	2,570,134	87,697
Textron	2,323,795	2,317,949	(5,846)
Times 2 Academy	7,111,479	7,039,888	(71,591)
Trinity Academy	707,819	1,072,590	364,771
Subtotal	\$41,995,117	\$46,862,664	\$4,867,547
 Distributed LEA Subtotal	 \$658,002,529	 \$721,718,402	 \$63,715,873
	<b>FY 2012 Revised</b>	<b>FY 2013 Recommend</b>	<b>Difference</b>
<b>Non-Distributed Aid</b>			
Textbook Expansion	\$265,698	-	(\$265,698)
School Breakfast	270,000	-	(270,000)
Telecommunications Access	350,000	-	(350,000)
Early Childhood Demonstration	-	1,450,000	1,450,000
Transportation Categorical	1,087,840	2,175,680	1,087,840
High Cost Special Ed Categorical	-	500,000	500,000
Career and Tech Categorical	-	3,000,000	3,000,000
Regionalization Bonus	851,241	413,170	(438,071)
Subtotal	\$2,824,779	\$7,538,850	\$4,714,071
<b>State Schools</b>			
Metropolitan School	\$11,642,563	\$11,601,699	(\$40,864)
School for the Deaf	5,867,878	6,240,642	372,764
Davies School	13,416,256	13,400,497	(15,759)
Subtotal	\$30,926,697	\$31,242,838	\$316,141
<b>Other Aid</b>			
Teachers' Retirement	\$84,113,207	\$78,219,694	(\$5,893,513)
School Housing Aid	69,776,010	74,568,906	4,792,896
Subtotal	\$153,889,217	\$152,788,600	(\$1,100,617)
<b>Total</b>	<b>\$845,643,222</b>	<b>\$913,288,690</b>	<b>\$67,645,468</b>

