

State of Rhode Island and Providence Plantations

# Executive Summary



## Fiscal Year 2014

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 \$974.1 million in all funds in FY 2014, a \$26.8 million increase in total state funding relative to the FY 2013 revised budget, a 2.8 percent increase. The general revenue total for FY 2014 is \$945.2 million. 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's share of Teacher Retirement and School Housing Aid.

Fiscal year 2014 represents year three 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 – (\$8,897 per student in FY 2014) 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 – (\$3,559 per student in FY 2014) 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 of seven years. In FY 2014, the third year of the formula implementation, the transition periods will be eight years for overfunded districts and five 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. In prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2014, total distributed education aid increases \$27.7 million from the revised FY 2013 budget. The Governor's budget fully funds year three of the education aid funding formula in FY 2014, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$26.5 million from the revised FY 2013 budget. A reduction of \$1.1 million in Group Home Aid is made to reflect updated group home bed census figures.

One of the primary drivers for the \$27.7 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 2014, five existing charter schools experiencing growth will be fully funded, while three charter schools, Achievement First, Nowell Academy, and Village Green are projected to open.

Moreover, the FY 2014 request begins 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 three current sending communities, Central Falls, Cranston, and Providence, will see a reduction in state education aid for these 139 students.

### **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 \$29.9 million in general revenue for FY 2014, which constitutes a \$1.2 million decrease from the revised FY 2013 budget. Only Davies and the Met fall under the funding formula.

### **Non-Distributed Aid**

Non-distributed aid in FY 2014 increases \$2.7 million from the revised FY 2013 budget. The FY 2014 budget includes \$10.2 million to finance four of the five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010. The regional district bonus decreases from 1.0 percent in FY 2013 to 0.0 percent in FY 2014 of the State's share of the foundation aid for regional districts established prior to July 1, 2010. For regional districts established after this date, the regional district bonus begins in the fiscal year following the establishment. Since no regional districts were established in FY 2013, the regional district bonus is excluded from the Governor's budget. 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 2013 revised budget for a total of \$3.3 million is recommended for year three of the transportation fund, designed to reimburse districts for the excess costs associated with

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## Education Aid to Local Governments

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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 \$2.5 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 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 revised budget restored funding totaling \$1.5 million for these early childhood programs and an additional \$1.0 million to total \$2.5 million is recommended for FY 2014. A \$500,000 increase 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 (\$62,280 in FY 2014), 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.

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. 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.

General revenue funding for the Rhode Island Telecommunications Access fund, Textbook Expansion, and School Breakfast programs remain constant in FY 2014 as compared to the FY 2013 revised level.

### **Other Aid**

The FY 2014 Budget also includes an increase in other aid of \$4.7 million; a \$5.6 million increase for teachers' retirement is offset by a decrease of \$923,945 in housing aid reimbursement.

### **FY 2014 Education Aid Increases (Decreases) From the Revised FY 2013 Budget**

- Formula Aid: \$30,318,355
- Group Home Funding: (\$1,050,000)
- Central Falls School District: (\$1,517,569)
- Early Childhood Demonstration: \$1,000,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$500,000
- Regionalization Bonus: (\$412,951)
- Metropolitan Career and Technical School: (\$560,012)
- School for the Deaf: (\$107,187)
- Davies Career and Technical School: (\$664,631)
- Teachers' Retirement: \$2,745,556
- School Housing Aid: (\$923,945)

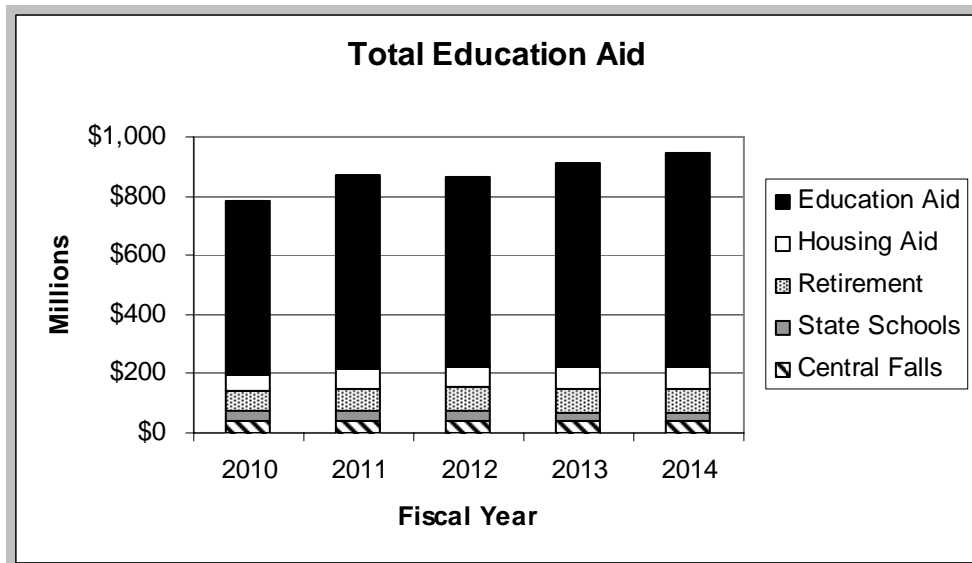
The following graph displays total school aid from FY 2010 to FY 2014. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include, but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other

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## Education Aid to Local Governments

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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, 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.

## **Education Aid to Local Governments**

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 revised FY 2013 and FY 2014 budgets propose general revenue expenditures of \$72.1 million and \$71.1 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

	<b>Actuarial Contribution Rate of Payroll(60%)*</b>	<b>Employer Share</b>			<b>Teacher</b>
		<b>Local (40%)*</b>	<b>State Total</b>	<b>Sub Share</b>	
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%
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%

\* Adjusted for deferral liability

- Defined Contribution Retirement Plan



## Education Aid to Local Governments

	<u>Required Contribution Rate of Payroll</u>	<u>Employer Share</u>			
		<u>Local (60%)</u>	<u>State (40%)</u>	<u>Sub total</u>	<u>Teacher 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%
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%

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
2013 Revised	\$76,911,999
2014 Recommended	\$82,514,003

### 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 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 2013 Revised	FY 2014 Recommend	Difference
<b>Distributed LEA Aid</b>			
Barrington	\$3,321,232	\$3,939,930	\$618,698
Burrillville	12,957,679	13,045,403	87,724
Charlestown	1,677,912	1,716,895	38,983
Coventry	19,681,513	20,431,208	749,695
Cranston	39,357,220	42,881,891	3,524,671
Cumberland	13,786,524	14,485,574	699,050
East Greenwich	1,933,139	2,267,908	334,769
East Providence	26,920,637	28,199,021	1,278,384
Foster	1,209,152	1,184,530	(24,622)
Glocester	2,785,722	2,691,073	(94,649)
Hopkinton	5,560,369	5,521,254	(39,115)
Jamestown	358,137	360,839	2,702
Johnston	10,916,882	11,738,574	821,692
Lincoln	8,138,012	8,946,871	808,859
Little Compton	338,666	367,484	28,818
Middletown	9,282,092	9,086,708	(195,384)
Narragansett	1,661,461	1,795,760	134,299
Newport	10,657,837	10,632,341	(25,496)
New Shoreham	69,634	75,467	5,833
North Kingstown	10,755,311	10,864,143	108,832
North Providence	14,025,693	14,753,034	727,341
North Smithfield	5,116,230	5,366,654	250,424
Pawtucket	68,241,462	70,659,568	2,418,106
Portsmouth	5,379,137	5,134,130	(245,007)
Providence	197,728,205	204,818,875	7,090,670
Richmond	5,420,353	5,338,583	(81,770)
Scituate	3,500,030	3,710,794	210,764
Smithfield	4,953,864	4,927,615	(26,249)
South Kingstown	8,474,120	8,113,149	(360,971)
Tiverton	5,671,905	5,748,989	77,084
Warwick	34,407,725	35,206,987	799,262
Westerly	6,560,341	7,127,358	567,017
West Warwick	19,739,060	20,312,214	573,154
Woonsocket	46,715,235	48,133,625	1,418,390
Bristol/Warren	17,331,724	16,578,504	(753,220)
Exeter/W Greenwich	6,328,850	6,072,724	(256,126)
Chariho District	306,562	268,242	(38,320)
Foster/Glocester	5,091,550	5,015,324	(76,226)
Central Falls	39,705,880	38,188,311	(1,517,569)
Subtotal	\$676,067,057	\$695,707,554	\$19,640,497

## Education Aid to Local Units of Government

	FY 2013 Revised	FY 2014 Recommend	Difference
<b>Distributed LEA Aid</b>			
Achievement First	-	1,386,792	1,386,792
Beacon Charter School	1,694,107	1,671,727	(22,380)
Blackstone Academy	1,588,944	1,623,719	34,775
Compass School	579,647	564,618	(15,029)
Greene School	898,333	917,566	19,233
Highlander	2,733,717	2,769,093	35,376
International Charter School	2,876,846	2,869,033	(7,813)
Kingston Hill Academy	689,636	654,274	(35,362)
Learning Community	6,095,627	6,120,939	25,312
New England Laborers	1,255,888	1,233,644	(22,244)
Nowell Academy	-	1,690,687	1,690,687
Nurses Institute	1,633,673	2,544,265	910,592
Paul Cuffee Charter School	7,588,913	7,846,958	258,045
RIMA Blackstone Valley	6,076,368	7,992,467	1,916,099
Segue Institute for Learning	2,572,083	2,605,273	33,190
Textron	2,323,013	2,335,358	12,345
Times 2 Academy	7,054,405	7,021,532	(32,873)
Trinity Academy	1,073,542	1,463,681	390,139
Village Green	-	1,191,062	1,191,062
Subtotal	\$46,734,743	\$54,502,688	\$7,767,946
Urban Collaborative	-	275,977	275,977
Distributed LEA Subtotal	\$722,801,800	\$750,486,219	\$27,684,420
	FY 2013 Revised	FY 2014 Recommend	Difference
<b>Non-Distributed Aid</b>			
Textbook Expansion	240,000	240,000	-
School Breakfast	270,000	270,000	-
Telecommunications Access	400,000	400,000	-
Early Childhood Demonstration	1,450,000	2,450,000	1,000,000
Transportation Categorical	2,175,680	3,263,520	1,087,840
High Cost Special Ed Categorical	500,000	1,000,000	500,000
Career and Tech Categorical	3,000,000	3,500,000	500,000
Regionalization Bonus	412,951	-	(412,951)
Subtotal	\$8,448,631	\$11,123,520	\$2,674,889
<b>State Schools</b>			
Metropolitan School	\$11,648,256	\$11,088,244	(\$560,012)
School for the Deaf	6,186,824	6,137,694	(49,130)
Davies School	13,328,293	12,716,908	(611,385)
Subtotal	\$31,163,373	\$29,942,846	(\$1,220,527)

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## Education Aid to Local Units of Government

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### Other Aid

Teachers' Retirement	\$76,911,999	\$82,514,003	\$5,602,004
School Housing Aid	72,058,624	71,134,679	(923,945)
Subtotal	\$148,970,623	\$153,648,682	\$4,678,059
<b>Total</b>	<b>\$911,384,427</b>	<b>\$945,201,267</b>	<b>\$33,816,840</b>