

State of Rhode Island and Providence Plantations

Budget



Fiscal Year 2016

Executive Summary

Gina M. Raimondo, Governor

Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$1.030 billion in FY 2016, a \$46.4 million or 4.7 percent increase in total state funding relative to the revised FY 2015 Budget of \$983.4 million. Total Education Aid is defined to include local public schools, 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 programs.

Fiscal year 2016 represents year five 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 – (\$8,928 per student in FY 2016) 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 2016) 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 40.0 percent 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 incorporates 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 2016, the fifth year of formula implementation, the transition periods will be six years for overfunded districts and three years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2016 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid reflects aid to both districts and charter schools as a result of the education aid funding formula. In prior years, charter schools were displayed within the non-distributed aid category of the education aid tables following this section. In FY 2016, total Distributed Education Aid, which includes formula aid to districts, Central Falls, charter schools and Group Home Aid, increases by \$36.9 million from the revised FY 2015 budget. The formula aid segment alone totals \$776.8 million or an increase of \$37.6 million in FY 2016. The Governor's Budget fully-funds year five of the education aid funding formula in FY 2016, including an additional \$1.4 million for Full-Day Kindergarten for districts that plan to implement by September, 2015. Since students participating in this program are now in school for a full day instead of half the school day, Distributed Aid for FY 2016 shows a subsequent increase to accommodate the adjustment in the Average Daily Membership (ADM) number used in the education aid funding formula calculations. A reduction of \$1.1 million in Group Home Aid is made to reflect updated group home bed census figures as of December, 2014.

One of the primary drivers for the \$37.6 million growth in formula aid is 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 2016, five existing charter schools experiencing growth will be fully-funded, while two new charter schools, Engineering Early and RISE Mayoral Academy, are projected to open (subject to Board approval). Charter school growth, assuming the new schools are approved, is \$11.1 million more than the FY 2015 revised recommendation.

Moreover, the FY 2016 recommendation continues with year three of funding the Urban Collaborative through the funding formula, in accordance with the change made to RIGL §16-3.1-11 in the 2012 Session of the General Assembly. 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 138 students. The Urban Collaborative increases in the Governor's recommendation by \$274,683 to a total of \$849,196 in the FY 2016 recommendation. Finally, an additional \$3.7 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 second 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 Rhode Island School for the Deaf are collectively financed at \$27.9 million in general revenue for FY 2016, which constitutes a decrease of \$694,299 from the revised FY 2015 Budget. Only Davies and the Met fall under the funding formula.

Education Aid to Local Governments

Non-Distributed Aid

Non-distributed aid in FY 2016 decreases by \$115,745 from the revised FY 2015 Budget. The FY 2016 Budget includes \$12.3 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, the fifth categorical fund, is not funded in the Governor's Budget since no new regional districts were established in FY 2014 to be eligible for the three-year bonus. Categorical funds are not 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 Categorical 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. For year five of the Transportation Categorical Fund, the Governor recommends \$2.4 million, or \$2.0 million less than in FY 2015 revised, to reimburse districts for a portion of 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. (Article 6 of the Governor's FY 2016 Budget amends § RIGL 16-21-1 to relieve local education agencies from providing this service for non-public school children.)

The Governor recommends \$4.0 million for the Early Childhood Demonstration Categorical Fund to increase access to voluntary, free, high-quality pre-kindergarten programs. The pre-kindergarten 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 enacted FY 2012 Budget. Funding was restored in FY 2013 and continued in years following. A \$1.0 million increase as compared to the revised FY 2015 Budget is recommended for the High Cost Special Education Fund, which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$62,495 in FY 2016), 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 revised FY 2015 and FY 2016 Budget includes \$250,000 for the Full-Day Kindergarten Pilot Program intended for one-time start-up costs for interested local education agencies (LEAs). A subsequent increase in Distributed Aid is included to accommodate the increase in the Average Daily Membership (ADM) number used in the Education Aid Funding Formula calculations.

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 2016 is the final year 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 will also be discontinued. This will not affect operations similar to the Vision Services Program, since state aid is provided only for additional assistance. The operating costs for both programs are financed by the LEAs.

General revenue funding of \$400,000 for the Rhode Island Telecommunications Access fund and \$270,000 for the School Breakfast program in FY 2016 are both level-funded as compared to the revised FY 2015 level.

Education Aid to Local Governments

Other Aid

The FY 2016 Budget also includes an increase of \$3.8 million to a total of \$92.8 million for the State's 40.0 percent share of the employer cost of Teacher Retirement benefits, mostly attributable to an employer rate increase from 9.19 percent to 9.41 percent for most communities.

Housing aid, also known as School Construction Aid, increases significantly in FY 2016, as the Governor recommends \$20.0 million to be transferred a new School Building Authority Capital fund at the Rhode Island Health and Education Building Corporation. This fund will be available to local education authorities as a perennial source of financing (and refinancing) for approved school construction projects. The Department will continue to apply its computation of reimbursable school housing aid. Underlying growth in school housing aid is \$2.8 million for a total of \$70.9 million in FY 2016, as the Department continues to reimburse existing commitments in every community in the state.

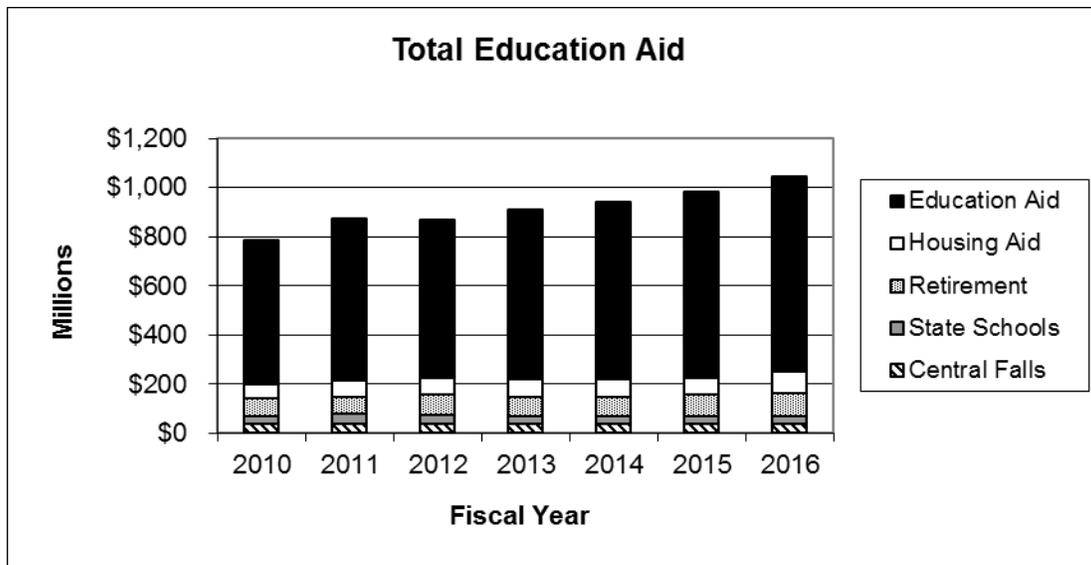
Also in FY 2016, the Governor promotes \$250,000 to finance a new Teacher Diversity Initiative to certify teachers from a wider range of backgrounds and diversity. This new initiative is in RIDE's Office of Educator Quality and its goal is to narrow the achievement gap of children in racially diverse neighborhoods.

FY 2016 Education Aid Increases (Decreases) From the Revised FY 2015 Budget

- Formula Aid including \$1.4 million for full-day K: \$37,611,031
- Group Home Funding: (\$1,053,061)
- Central Falls School District: \$358,754
- Textbook Expansion: (\$240,000)
- Early Childhood Demonstration: \$1,000,000
- Transportation Categorical: (\$2,000,000)
- High Cost Special Ed Categorical: \$1,000,000
- Metropolitan Career and Technical School: (\$513,855)
- School for the Deaf: \$386,131
- Davies Career and Technical School: (\$694,299)
- Teachers' Retirement: \$3,800,787
- School Housing Aid: \$22,807,038

The following graph displays total school aid from FY 2010 to FY 2016. 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).

Education Aid to Local Governments



Housing Aid

The Governor includes \$20.0 million in general revenue to finance the new School Building Authority Capital Fund at the Rhode Island Health and Education Building Corporation (RIHEBC) in FY 2016. The financing is included in RIDE's budget, as a transfer to RIHEBC to provide a perennial source of financing for local education agencies.

The existing 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 Education review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Education 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 2014 allocations were based on 2012 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. Under current law, beginning FY 2013, the minimum reimbursement to each community is frozen to 35.0 percent. A 4.0 percent bonus is awarded when a minimum of 75.0 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.

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 was extended in the 2014 Session due for expiration on May 1, 2015, at which time the new School Building Authority Capital Fund will be poised to finance a significant backlog of projects.

The revised FY 2015 and FY 2016 Budgets propose general revenue expenditures of \$68.1 million and \$90.9 million respectively, for the School Housing Aid program. Of the year over year increase in FY 2016, \$20.0 million is attributable to the new School Building Authority Capital Fund, as opposed to typical housing aid reimbursements.

Education Aid to Local Governments

Teachers' Retirement

RIGL 16-16-22 requires the State of Rhode Island to make contributions to the teacher retirement system. 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 40.0 percent, with the municipalities contributing 60.0 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, is 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 deferred 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.

Education Aid to Local Governments

Contribution Rates for Teachers' Retirement Fund

- Defined Benefit Retirement Plan

	<u>Actuarial Contribution Rate of Payroll</u>	<u>Employer Share</u>			<u>Teacher</u>
		<u>Local (60.0%)*</u>	<u>State (40%)*</u>	<u>Sub Share</u>	
1999	21.02%	6.62%	4.90%	11.52%	9.50%
2000	24.14%	8.43%	6.21%	14.64%	9.50%
2001	21.51%	6.86%	5.15%	12.01%	9.50%
2002	19.45%	5.73%	4.22%	9.95%	9.50%
2003	21.47%	6.93%	5.04%	11.97%	9.50%
2004	23.22%	7.99%	5.73%	13.72%	9.50%
2005	24.34%	8.72%	6.12%	14.84%	9.50%
2006	25.97%	9.72%	6.75%	16.47%	9.50%
2007	29.14%	11.62%	8.02%	19.64%	9.50%
2008	31.51%	13.04%	8.97%	22.01%	9.50%
2009	29.57%	11.89%	8.18%	20.07%	9.50%
2010	29.57%	11.89%	8.18%	20.07%	9.50%
2011	28.51%	11.25%	7.76%	19.01%	9.50%
2012	31.82%	13.23%	9.09%	22.32%	9.50%
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%
2016	26.89%	13.73%	9.41%	23.14%	3.75%

*Adjusted for deferral liability

- Defined Contribution Retirement Plan

<u>Required Contribution</u>		<u>Employer Share</u>			<u>Teacher Share</u>
<u>Rate of Payroll</u>		<u>Local (60%)</u>	<u>State (40%)</u>	<u>Subtotal</u>	
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%
2016	6.0%	0.6%	0.4%	1.0%	5.0%
2016 (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.

Education Aid to Local Governments

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 Actual	\$75,777,027
2014 Actual	\$80,351,295
2015 Revised	\$89,005,049
2016 Recommended	\$92,805,836

Explanation of Education Aid Table by LEAs

The following table displays education aid by apportionment among the state's local and regional education agencies. "Distributed LEA Aid" consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, including Funding Formula Aid to all districts and charter schools and Group Home Aid. "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. The next table shows the

Education Aid to Local Units of Government

	FY 2015 Revised		FY 2016 Recommend	Difference
Distributed LEA Aid				
Barrington	\$ 4,605,699	\$	5,125,978	\$ 520,279
Bristol/Warren	16,060,879		15,472,157	(588,722)
Burrillville	13,207,943		13,323,549	115,606
Central Falls (1)	39,010,583		39,369,337	358,754
Chariho District	229,922		191,602	(38,320)
Charlestown	1,708,666		1,721,411	12,745
Coventry	20,983,721		21,793,909	810,188
Cranston	46,502,463		49,976,874	3,474,411
Cumberland	15,614,646		16,511,066	896,420
East Greenwich	2,393,842		2,753,180	359,338
East Providence	29,240,976		30,912,340	1,671,364
Exeter/W Greenwich	5,904,008		5,653,149	(250,859)
Foster	1,178,487		1,178,425	(62)
Foster/Glocester	4,947,131		4,896,136	(50,995)
Glocester	2,616,917		2,528,470	(88,447)
Hopkinton	5,576,348		5,520,458	(55,890)
Jamestown	399,684		440,600	40,916
Johnston	12,903,199		13,706,185	802,986
Lincoln	9,787,593		10,390,726	603,133
Little Compton	401,928		401,954	26
Middletown	8,891,102		8,660,856	(230,246)
Narragansett	1,987,115		2,169,670	182,555
New Shoreham	82,308		84,762	2,454
Newport	10,623,202		10,510,795	(112,407)
North Kingstown	10,713,692		10,623,405	(90,287)
North Providence	16,417,039		18,044,074	1,627,035
North Smithfield	5,553,096		5,737,907	184,811
Pawtucket	74,724,961		77,363,421	2,638,460
Portsmouth	4,851,148		4,766,911	(84,237)
Providence	214,570,246		221,352,686	6,782,440
Richmond	5,205,437		5,082,617	(122,820)
Scituate	3,913,720		3,935,755	22,035
Smithfield	5,032,662		5,399,902	367,240
South Kingstown	7,842,011		7,600,916	(241,095)
Tiverton	5,800,664		5,980,785	180,121
Warwick	35,959,169		36,440,558	481,389
West Warwick	20,973,995		21,820,351	846,356
Westerly	7,620,089		8,279,681	659,592
Woonsocket	50,667,450		53,096,244	2,428,794
Subtotal (1)	\$ 724,703,742	\$	748,818,802	\$ 24,115,060

Education Aid to Local Units of Government

	FY 2015 Revised		FY 2016 Recommend		Difference
Distributed LEA Aid- Charter Schools					
ACE (Textron)	\$ 2,318,176		\$ 2,291,698		(26,478)
Achievement First	2,705,111		5,391,640		2,686,529
Beacon Charter School	1,679,403		2,044,695		365,292
Blackstone Academy	1,652,884		2,678,946		1,026,062
Compass School	534,940		509,620		(25,320)
Engineering Early (2)	-		1,060,052		1,060,052
Greene School	942,594		1,007,866		65,272
Highlander	3,754,605		4,453,429		698,824
Hope Academy	369,149		734,676		365,527
International Charter School	2,867,485		3,021,622		154,137
Kingston Hill Academy	625,616		614,217		(11,399)
Learning Community	6,137,788		6,126,851		(10,937)
New England Laborers	1,194,388		1,156,423		(37,965)
Nowell Academy	1,596,758		1,616,589		19,831
Nurses Institute	2,398,086		2,533,189		135,103
Paul Cuffee Charter School	7,962,689		7,953,844		(8,845)
RIMA Blackstone Valley	9,068,092		10,937,966		1,869,874
RISE Mayoral Academy (2)	-		652,514		652,514
Segue Institute for Learning	2,649,456		2,679,797		30,341
Southside Elementary	255,742		508,072		252,330
Times 2 Academy	6,986,801		7,619,514		632,713
Trinity Academy	1,755,462		2,160,875		405,413
Village Green	1,600,556		2,411,323		810,767
Subtotal	\$59,055,781		\$70,165,418	\$	11,109,637
Urban Collaborative (RIGL 16-3.1-11)	\$ 574,513	\$	849,196	\$	274,683
All Day Kindergarten Initiative (3)	-		1,417,343		1,417,343
Distributed LEA Subtotal	\$ 784,334,035	\$	821,250,759	\$	35,499,380
Non-Distributed Aid					
Textbook Expansion	\$ 115,745	\$	-	\$	(115,745)
School Breakfast	270,000		270,000		-
Telecommunications Access	400,000		400,000		-
Early Childhood Demonstration	2,950,000		3,950,000		1,000,000
Transportation Categorical	4,351,360		2,351,360		(2,000,000)
High Cost Special Ed Categorical	1,500,000		2,500,000		1,000,000
Career and Tech Categorical	3,500,000		3,500,000		-
All Day Kindergarten Pilot	250,000		250,000		-
Subtotal	\$ 13,337,105	\$	13,221,360	\$	(115,745)

Education Aid to Local Units of Government

	FY 2015 Revised		FY 2016 Recommend		Difference
State Schools					
Metropolitan School	\$ 10,501,360	\$	9,987,505	\$	(513,855)
School for the Deaf	5,893,459		6,279,590		386,131
Davies School	12,240,174		11,656,803		(583,371)
Subtotal	\$ 28,634,993	\$	27,923,898	\$	(711,095)
 Other Aid					
Teachers' Retirement	\$ 89,005,049	\$	92,805,836	\$	3,800,787
School Housing Aid (4)	68,100,072		70,907,110		2,807,038
Subtotal	\$ 157,105,121	\$	163,712,946	\$	6,607,825
Total	\$ 983,411,254	\$	1,026,108,963	\$	42,697,708

(1) Central Falls includes \$1.9 million in Stabilization Funds in FY 2016

(2) Subject to Board of Education final approval

(3) Assumes full implementation for Coventry, Cranston, East Greenwich, Johnston, North Kingstown, Tiverton and Warwick

(4) The Governor recommends \$20.0 million to be transferred to a new School Building Authority Capital Fund at the Rhode Island Health and Education Building Authority.

