

## **Issue Brief 7: Funding Formula Categorical Funds**

The attached brief was developed to introduce and frame key issues under discussion by the Funding Formula Working Group.

These briefs do not address every issue that affects public education funding. By focusing on concise introductions to important and complicated topics, some detail and nuance has been intentionally omitted.

We welcome your feedback on these briefs or on any other topic related to Rhode Island's Funding Formula, which you may submit to [edfundingri@ride.ri.gov](mailto:edfundingri@ride.ri.gov)

## Issue Brief 7: Categorical Aid

### Issue Summary

This brief describes the purpose of the categorical funds in Rhode Island's Funding Formula. The categoricals<sup>1</sup> are primarily for:

1. High Cost Special Education Students
2. Early Childhood Education
3. Student Transportation
4. Career and Technical Education

Categorical funds are essential components to the structure of the entire funding system and address expenses that are outside the core instructional amount. Failure to fund the categorical aid without offsetting formula adjustments will shift the financial burden from the state to districts.

### ***High-Cost Special Education***

The high cost special education categorical provides financial support to districts that are serving students with extraordinary needs. From this \$2.5 million fiscal year 2016 fund, districts received a partial reimbursement for students with expenses at or above \$62,496 per pupil.

### *Rhode Island Context and Data*

In fiscal year 2016, districts received approximately 20% reimbursement for the 551 eligible students. Providence has the largest share at 21%, followed by Cranston at 10% and East Providence at 7.6%. The costs associated with these programs are included in the core instructional amount.

### *National Practice and Examples*

States across the country use high cost special education categorical funds to assist districts with these types of costs. It is common to have both student weights and a high cost categorical fund. At five times the per-pupil cost Rhode Island has one of the higher thresholds to receive reimbursement in the country.

### ***Early Childhood Education***

The early childhood education categorical is used to increase access to high quality pre-kindergarten programs.

### *Rhode Island Context and Data*

Early childhood categorical funds are distributed through a competitive process for high-quality programs serving our lowest-income communities, including Central Falls, East Providence, Newport, Pawtucket, Providence, West Warwick, and Woonsocket.

Rhode Island is maximizing the use of these funds by using them as a state match with a \$19 million federal grant. The FY 2016 Budget includes a \$3.95 million appropriation the early childhood categorical.

### ***Student Transportation***

The transportation categorical is used to reimburse districts for a portion of the cost of transporting students outside their districts. Districts must participate in the statewide transportation system to be eligible. Reimbursement for regional district transportation accounts for half of the categorical.

### *Rhode Island Context and Data*

The FY 2016 Budget includes \$4.4 million and this is divided nearly evenly between the non-public and regional components. The department estimates full funding for this category of aid to be approximately \$10 million.

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<sup>1</sup> There is also a Central Falls stabilization fund and a provision for regionalization support.  
Funding Formula Briefing Materials, Meeting 3

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### ***Career and Technical Education***

The purpose of the career and technical categorical fund is to support start-up for new programs and to offset the higher than average per pupil costs associated with existing programs.

### ***Rhode Island Context and Data***

Twenty-one LEAs receive funding from this categorical in varying amounts ranging from an annual average of \$405,000 for free-standing centers to an annual average of \$25,000 for single programs embedded in comprehensive high schools. The FY 2016 budget is \$3.5 million. RIDE estimates \$10 million is needed to fully fund the program.

### **National Practice and Examples:**

State Funding Approach	Description	# of States
1. Weighted Funding	States that establish a single weight for CTE programs without differentiation	12
2. Categorical Funding	Supporting CTE in centers with categorical funding	8
3. Proportional Allocation	LEAs are funded in a manner proportionate to its share of the state's total CTE population	9
4. Unit Based Funding	Unit- or program-based formulas allocate funds based on a set of educational inputs used to deliver CTE services.	7
5. Cost Reimbursement	Districts are reimbursed for all or a portion of CTE expenses, as determined by state policies.	9

Rhode Island's funding formula approach is a combination of method 2 and 5 and provides direct state reimbursement for over half of all CTE expenses statewide. Federal funding and out-of-district tuition cover the remaining costs.