FUNDING FORMULA
Frequently Asked Questions (FAQs)

General
1. Why did the RI Department of Education (RIDE) assist in the development of an education funding formula?
Over the past five years, RIDE staff and the Board of Regents for Elementary and Secondary Education have worked closely with members of the General Assembly and several nonprofit agencies on the development of a funding formula. In 2009, the Regents approved a set of guiding principles for a funding formula for education aid. The formula puts these principles into practice and ensures that funds are distributed in a way that is consistent and transparent and takes into consideration what is needed to educate a child effectively in Rhode Island (RI). RIDE is pleased that the General Assembly enacted a new funding formula in June 2010 to ensure that aid is distributed based on what students need and not on what systems need.

2. Why did RI need a funding formula?
RI was the only state in the country without an education aid funding formula. This allowed measurable disparities and inequities to develop between school districts. It was time for a transparent data-based formula aimed at distributing an adequate level of funding to support student learning. A funding formula enables local school and municipal leaders to plan the use of their resources to support the Basic Education Program (BEP).

3. What does the funding formula achieve?
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. It gradually rebalances education funding to provide all districts a common level of purchasing power.

4. How do we know the funding formula in RI is grounded in the best thinking?
RIDE partnered with pro-bono support from Dr. Kenneth Wong, Chair, Department of Education, at Brown University on the development of a research-based, data-driven methodology for an education aid formula. The work of Dr. Wong and his research team incorporated audited, verifiable expenditure figures, empirical research and best practices that bring credibility and objectivity to the funding formula. This formula is informed by research undertaken by national and regional experts and incorporates some of the best thinking in the country.

5. Identify the stakeholders in development of the formula
RIDE staff worked closely with members of the General Assembly and several nonprofit agencies on the development of a funding formula. The formula incorporates and builds on many of the concepts that have been included in previous proposals.

Throughout the process, RIDE met with numerous stakeholders for feedback on the formula, including but not limited to, Senate and House leadership, legislative policy and fiscal staff, the Governor and his staff, the State Budget Officer, the Office of Municipal Finance, the RI Association of Superintendents, the RI Association of School Committees, the RI Association

of School Business Officials, the League of Cities and Towns, the League of Charter Schools, the RI Public Expenditure Council, the Funding our Future group, and the RI is Ready group. RIDE also met with many districts individually at the request of the district.

6. How does the enacted formula differ from some of the other proposals that were introduced during past legislative sessions?

Over the last several legislative sessions, numerous proposals for a funding formula were considered by the General Assembly. All of these proposals included similar components but considered different methodologies and approaches for achieving the desired result. The major differences were that past proposals:

- Assumed that current funding levels were inadequate and required a large influx of additional state dollars (3-6% per year);
- Included foundation amounts that were arbitrary or derived from current per pupil expenditures instead of a data driven amount;
- Included multiple student weights for categories beyond poverty, including special education, limited English proficiency, and career and technical education;
- Used different calculations for the state share ratio; however, all calculations were derived from district property values and median family income;
- Included minimum and/or maximum state share ratios; and
- Froze existing aid distributions (hold harmless) and did not redistribute the base for a more equitable distribution that accounts for changes in district demographics.

The basic premise of this approach assumes that RI's current education system is adequately funded and strives to drive funding to the neediest students to close student achievement gaps. This formula informs interested stakeholders of what ought to be and includes calculations that are child centered and help create equity, accountability, and transparency. This formula uses empirical evidence to estimate a core instruction amount per pupil that every RI student will receive, a single poverty weight as a proxy for student supports, and a new state share ratio that considers the district's ability to generate revenues and its poverty concentration. No minimum share is used in the formula. Finally, this formula gradually redistributes the current aid to account for large disparities that have developed between districts' ability to generate revenues and the students they serve.

7. Discuss other states' formulas as they relate to "money following the student".

Most states use a foundation formula that provides funding for the core instruction of students. These types of formula fund the student's BEP and provide funding for additional student supports. Formulas that fund the student versus the system allow for student choice by having the funding follow the student.

8. Justify the current overall level of state aid to public education as being adequate, given the unmet needs of children, and the below-average state contribution?

RI ranks in the top ten for education funding in the nation. According to the National Center for Education Statistics' fiscal year 2007 data, Rhode Island's state contribution is $5,423 per pupil, which is the 14th highest in the country.

9. What are the components of the enacted funding formula?

The formula has three key components:

a) A core instruction amount that adequately funds student instructional needs as described in the BEP;
b) A student success factor that provides additional funding to support student needs beyond the core services with the ultimate goal of closing student achievement gaps; and
c) A state share ratio that considers a district's revenue generating capacity, taking into account property values, median family income, and the concentration of at-risk students.

Core Instruction Amount
10. How is the core instruction amount calculated?
The core instruction amount is based on best practice cost studies from states that have been deemed by education researchers, or the State Council of Governors, 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 RI should be spending to provide a high quality education.

The calculation uses actual, audited, verifiable expenditure data for Massachusetts, Rhode Island, Connecticut and New Hampshire. The information is extracted from the National Center for Education Statistics (NCES) database. Annually, this organization releases expenditure data for public schools throughout the country at a detailed level.

The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instruction support, some operating costs, and all leadership costs. The average cost, for core instruction expenditure categories, for the four states is adjusted by a New England specific Consumer Price Index (CPI) to make the calculation more relevant to current costs. The calculated amount is called the "core instruction amount."

The included costs are comprehensive and based on real expenditure data. They include salaries, supplies, curriculum development, professional development, professional dues and fees, all class room supports, all student centered services, a portion of benefits, and all leadership costs including staff.

The formula requires the core instruction amount to be updated annually.

11. Why is the core instruction amount the same for all grade levels?
This formula does not elect to treat grade levels differently. Because NCES data already accounts for the costs of delivering services at all grade levels, this formula uses "averaging" that spreads costs across all grade spans and all types of students in the New England region. Once a distribution is determined through the state funding formula, decisions on how the funds are spent are maintained at the local level. Therefore, locals may choose to allocate funds differently across grade levels. However, there is no conclusive research that spending more on certain grade levels is necessary or that it improves student outcomes.

12. Define standard class size as used in the formula.
Standard class sizes were not a factor in the formula. To ensure comparative data was included in regional average of New England state expenditure data for the core instruction amount, a common denominator was set to analyze the expenditure data.

13. Are there services that are not included in the core instruction amount?
The core instruction amount does not include those costs determined to be entirely controlled at the local level, federally funded, funded by other state programs, or can be consolidated into statewide or regional efficiencies. These costs include but are not limited to, retiree health care, pension, transportation, utilities, and building upkeep.

14. Why are teacher retirement costs and transportation not included in the core?
Teacher retirement costs are already partially supported through an existing state program, where the costs are shared 60% at the local level and 40% at the state level. School districts with state share ratios less than 40% receive more support by maintaining the existing formula for retirement as opposed to including these funds in the funding formula calculation.

Transportation is a cost where there are opportunities to consolidate into statewide and/or regional efficiencies. The statewide initiative for out-of-district transportation began in July 2009. The formula includes a categorical fund to offset the costs of transporting students within regional school districts and to out-of-district non-public schools.

15. Explain social security factor for those districts participating in social security. Will other districts receive a "built-in bonus" for not participating?
The core instruction amount is an average of all expenditures excluding teacher retirement that are aligned to the BEP. Expenditure types and amounts vary from district to district and are incorporated into the calculation.

16. Explain why post retirement benefits are not part of per student calculation.
Post-retirement benefits vary greatly among different districts and are subject to local collective bargaining agreements. These costs are excluded from the formula.

17. How is this funding formula related to the BEP?
The funding formula provides a basic level of academic and support functions to ensure that sufficient resources are available for every student to have an equitable educational opportunity. The funding formula aligns with the standards established in the BEP for local education agencies that include leadership and management of the educational system, curriculum, instruction and assessment, and supports and services for student learning.

18. Clarify the definition of "adequate per-pupil funding level" that districts must fund education at in terms of components and $ amounts as outlined in the FAQ.
Adequate per-pupil funding level means that the combination of state, local, and federal funds should be sufficient to fund the BEP and other approved programs required by law. Funding for the BEP is calculated as the core instruction amount and the student success factor total prior to application of the state share ratio.

<u>**Student Success Factor**</u>
19. How is the student success factor determined?
The student success factor used in the formula is derived from student poverty data, in this case derived from free and reduced price lunch (FRPL) data, and based on national costing out and/or research studies. The student success factor is based on research and methods employed by over 22 states in the country. This research builds on the previous work and research done by the RIDE and other stakeholders and provides funding for students who need additional supports.

20. Why does this formula use one weight as a proxy for student needs?
A weight is a mathematical mechanism used to estimate the additional funds needed for a child who requires further supports to reach a proficient level of knowledge. Research has shown that poverty density is a good predictor of the concentration of student need. In addition, poverty data is defined by objective federal income guidelines so that it is difficult to manipulate the data for a favorable outcome. Throughout the country, states are struggling with complex formulas that include numerous weights but do not necessarily see improvements in student achievement. In addition, data to support the assigned amounts for the weights is arbitrary. Research on student weights indicate that there may be an incentive for districts to classify more kids in a particular manner to drive increased funding. Furthermore, children do not exit from the programs because districts will lose the additional funds. As better cost data becomes available through the Uniform Chart of Accounts (UCOA) and when supported by empirical research, weighting factors can be adjusted.

21. Justify the 40% student success factor – Is that higher than other states? What are other states doing?
Nationally, weights similar to the student success factor range from 35-55%.

22. Does the student success factor provide adequate funding to meet additional student needs such as ELL and Special Education?
In RI, there is a very strong correlation between English language learner concentration and poverty concentration and a moderate correlation between special education students and poverty. When comparing the results of using this funding formula to the enacted fiscal year 2010 budget, regression analysis revealed that the formula does a far better job at directing funds to students with these needs. Additionally, the core instruction amount is calculated from expenditure data that includes the additional support services required to help these students.

23. How will this formula address my special needs student who does not qualify for free and reduced price lunch?
The core instruction amount includes salaries, supplies, materials, and a portion of the benefits expense for specialists and the materials they use and need. It is a comprehensive figure that covers numerous types of employee categories including special education teachers, psychologists, psychiatrists, speech pathologists and other adults trained to support children with special needs. Children who need supports that exceed five times their districts

combined core instruction and student success factor amounts may receive funding through a state categorical program.

State Share Ratio
24. How is the state share ratio calculated?
The state share ratio is a combination of two factors. The first factor is based on community property values adjusted for median family income as provided by the Office of Municipal Finance at the Department of Administration. This is representative of the community's ability to generate tax revenue per child attending a public school versus the state average. The second factor is the percent of children in kindergarten through sixth grade who are eligible for FRPL. These two factors together represent two policy goals when determining where the state should distribute additional money: what is the local ability to generate revenue for education and where are the concentrated pockets of need?

To combine these two factors into a single state share ratio, a special kind of average is calculated, called the quadratic mean. The practical effect of using this type of calculation is the larger number is weighted more heavily in a quadratic mean than a normal mean. In districts where the ability to generate tax revenues is high but the child poverty concentration is greater, the quadratic mean is closer to the value of the poverty concentration. To calculate a quadratic mean, square each value, add the two squares, divide by two, and take the square root.

25. Explain the decision to use a quadratic mean rather than an arithmetic (or simple average) mean in consideration of children in poverty when calculating the state share.
Without the inclusion of FRPL concentration, there are considerable differences in local burden for communities with the same adjusted assessed property values and different levels of poverty. Including FRPL in the state share ratio is a way to account for additional local burden that exists because of a high concentration of poverty. Without FRPL concentration, two communities with the same adjusted assessed property value could have drastically different expectations for local revenue generation. While including FRPL concentration in a straight mean does help to reduce this difference, the calculation is more effective at equalizing the local burden of areas with concentrated poverty versus those with less concentrated poverty.

26. Explain if the calculation on 'district's revenue-generating capacity' was done by town or district and if this means one town could be potentially positively or negatively impacted because of the wealth or lack of wealth of the other.
The calculation for district revenue-generating capacity was done by city or town. For regional districts, the values for each of the sending communities are averaged, with the exception of the Chariho Regional School District whose state share ratio is calculated by sending community.

27. Define exact formula and explanation of components and each community's share (EWAV, %FRPL). Identify source of EWAV and FRPL data.
For further information on the state/local share ratio, refer to the state share ratio handout on our website at www.ride.ri.gov. Click on the funding formula link on the home page.

28. Explain if the formula still relies on the tax equalization study performed by Dept. of Revenue, or some other entity.
The formula will continue to use the equalized weighted assessed valuations, provided by the Department of Administration, as one component in the state/local share ratio calculation. If the tax system is changed and it results in a better variable for this calculation, the data could be updated.

29. Explain why some value sources seem outdated; i.e., the use of a Median Family Income based on 2000 U.S. Census data, Adjusted Equalized Weighted Average Values (AEWAV) reference year being three years prior to the most current December 31 Assessment date. Discuss any changes that will be made when 2010 median family income data becomes available.
The funding formula would be updated annually based on the latest data available. This formula will include safeguards to ensure that significant changes in education aid, due to any elements in the formula, will be transitioned over a period of time so that districts have adequate time to adjust for the revised distribution. In addition, beginning in FY 2011, the U.S. Census Bureau will collect annual median family income updates for every community using the American Community Survey. This information will be published for use in FY 2012. Therefore, we will be able to use annually updated income data for the state share calculation.

In June 2008, a Tax Policy Strategy Workgroup was convened by Governor Carcieri to make recommendations for improving tax policy throughout the state, which would directly affect the AEWAV data used in the state share calculation. Those changes can only be made upon the recommendation of the General Assembly under advisement from the Department of Administration. If changes are made that result in better data, then RIDE would use that data in the formula.

30. Explain how you avoid discrepancies as to property valuations from town to town.
The formula will continue to use the AEWAV, provided by the Department of Administration, as one component in the state/local share ratio calculation. If the tax system is changed and it results in a better variable for this calculation, the data could be updated. However, we understand that all districts' property values are revalued or updated at least every three years so that updates to property values are occurring more frequently.

31. Justify why this formula uses median family income (MFI) when Education Aid Formulas in other States consider a variety of other income factors other than MFI. In addition to median family income, median household income, per capita income or combinations of the three would generate differing adjustments to a community's full market value of their tax roll.
RIDE, in conjunction with Brown University, tried over thirty different simulations for the formula, including the use of various income measures in the state share ratio calculation. This formula uses median family income because in conjunction with the other formula elements, it directs funding where the largest student achievement gaps and gradually rebalances education funding to provide all districts a common level of purchasing power. For

many districts, the change in the state share ratio is minimal regardless of what income factor is used.

Student Data

32. Explain how the "Resident Average Daily Membership" is determined. Are less than full day students counted on a prorated basis? Will the student count data be from the same reporting period as the AEWAV?

Resident Average Daily Membership (RADM) is calculated at RIDE based on student data reported by the school districts. RADM gives the resident district credit for each student enrolled in a public school, whether the student was present or absent. For purposes of this formula, charter school, Davies Career and Tech, and the Met Center students will be excluded from the district data. Less than full day students are prorated so that a student attending a half day kindergarten program would be counted as 0.5.

This funding formula updates the reference date established for the formula so that it shall not exceed one year prior to the year in which aid is paid. Charter schools would submit their spring lottery for the following school year which would be used in the education aid calculations. This aid would be adjusted, if necessary, in the fall for actual October 1st enrollments. Current education aid programs are on a two year reference, using student data from two years prior to the fiscal year being funded. This formula will use student data on a one year reference.

33. Explain why charter and state school students are not counted in the RADM, yet districts are to send local share to them.

The amount that the local communities would pay in local tuitions represents the per pupil local property tax contribution. Parents of charter and state school students reside in the communities and pay the required property taxes. If the student chooses to go to a public school outside of the district school system, the related property tax would follow the student. Therefore, when school districts submit their budgets, they will be advocating for all public school children that reside in a community regardless of what public school they attend.

34. Explain why the number of school aged children who attend private and parochial schools is not taken into consideration. Those families contribute to the tax base but these families drive up the median income calculation and capacity to pay issue; we don't receive allowance in the RADM for them because they are not enrolled.

This formula includes all children attending a school in the public school system. RIDE is not aware of any other state that includes private and parochial students in any data variable for their education funding formulas. The state share ratio is meant to be a measure of wealth of the community to determine the ability to pay. Families that choose not to use the public school system are still part of the community and will remain in calculations to determine the ability of the community to support the education system.

35. Provide information on audit standards and comfort levels with the FRPL data.

Eligibility for the FRPL program is based on federal poverty guidelines for students with families at or above 185% of the poverty level. This data has been used historically and consistently in current education aid programs, including the student investment funds. The U.S. Department of Agriculture requires a verification test of eligibility data that is done annually. RIDE is currently obtaining electronic eligibility data through the RI Department of

Human Services' (DHS) food stamp program. In addition, RIDE is working with DHS to obtain other poverty data to ultimately rely less on self-reporting from school districts and to ensure all eligible students are captured in the student data.

36. Explain why the formula does not consistently use the PK-6 FRPL in both places (i.e. the student success factor and the poverty density weight in the state share ratio).
FRPL is used in two places in the formula for two different reasons. First, the districts' percentage of FRPL students in grades PK-6 is used as a proxy for the poverty density of a community in the state share ratio. The PK-6 percentage tends to benefit districts because families are more likely to enroll younger students in this program.

In addition, there is a student success factor, or weight, that addresses student needs beyond the BEP. For each PK-12 student enrolled in the FRPL program, a district will receive an additional 40% of the core instruction amount. PK-12 students were used for the student success factor because the data reported to RIDE can be verified with data collected by the Office of Nutrition. This measure also is an incentive to ensure eligible students remain enrolled in the FRPL program throughout grade 12.

Furthermore, RIDE will continue to work with the DHS in mapping our student data to this agency's data to ensure districts are receiving funding for all eligible students.

Formula Calculations
37. Why does the formula change the amount of education aid districts will receive?
One of the goals of this formula is to ensure that the RI educational finance system supports student achievement. The greatest achievement gaps are among our poorest communities who are serving our neediest students. This formula is designed to dramatically improve student performance by allocating state funds to support our highest need students wherever they are located in the state. For the past fifty years, distributions of education aid have included a myriad of past policy decisions that have become obsolete, lost relevancy, or are outdated, which created inequities in the current system.   The fluctuations in education aid in the formula have resulted from a combination of the following:

- **Student Data** – The distribution prior to passage of the formula did not account for changes in enrollment and/or FRPL eligibility, including increases and decreases, because student data has not been updated (data was frozen at June 30, 2004 data levels).

- **Minimum State Share** – Past education aid distributions, including the "Operations Aid" program, which was in effect from the late 1960s through the late 1990s, used a minimum state share ratio. The Operations Aid formula was established to provide local school districts with funds to support their general operations and gave districts the opportunity to spend what they felt was necessary for education. This formula originally included a minimum state share ratio of 25%, which was increased to 30% from 1964 through 1984 and decreased back to 28% from 1984 through 1992. For the final years of Operations Aid, the minimum was incrementally phased out to zero. Because the calculated state share ratio for the applicable districts was often much less, several districts have received state education aid beyond their actual fiscal needs. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program;

therefore, the minimum state share ratio is frozen in the distribution. The state share ratio calculation for the formula does not include a minimum.

- **Regionalization Bonus** – Past education aid distributions, including the Operations Aid program, added a regional district bonus to the state share ratio to encourage districts to consolidate. Bonuses began at 2% per consolidated grade and gradually phased out to a minimum of 8%. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program; therefore, regional bonuses were frozen in the distribution. Because Bristol-Warren's phase-out was not complete, its bonus was frozen at 10.5% while Chariho, Exeter-West Greenwich, and Foster-Glocester were frozen at the minimum 8%. The formula includes a regional bonus in years 1 (2%) and 2 (1%) that phases out to 0% in year 3 and after.

- **Changes in Assessed Property Values and Median Family Income** – As indicated in a previous question, the state share ratio uses district property values adjusted for district median family income as compared to the state averages. Fluctuations in assessed property values and/or median family income impact the state share ratio calculation. The Operations Aid program used a similar state share ratio. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program; therefore, the state share ratio was frozen at the 1997 calculated value. This formula updates the state share ratio calculation using the most current data.

- **Across the Board Changes** – increases or decreases over the last ten years for the most part have been evenly pro-rated across all districts and have not taken into consideration fluctuations in enrollment, changes in student need, and other data updates.

- **Compounding Interest Effect** – any inequity built into the current distribution has been exacerbated by across the board changes in the system.

38. Provide information on the Central Falls calculation.
In July 1991, the state took over the Central Falls school system due to the city's inability to fiscally support its schools. While RI General Law (R.I.G.L.) 16-1-10 allows districts to petition RIDE to assume the supervision, control, and management of the public schools, the takeover does not automatically occur without a task force looking into the municipality's ability to finance the schools. School districts do not take this decision lightly because it requires them and the municipalities to give up certain autonomous functions. Currently, the Central Falls school system is 100% state funded and there is no contribution from the city. Although there have been proposals over the last few years that would require the city to begin contributing to the school system, the General Assembly did not enact them.

Central Falls' aid was calculated similar to other school districts. Therefore, the core instruction amount was applied to the system's PK-12 RADM and the 40% weight was applied to PK-12 free and reduced price lunch students. The state share ratio was calculated in the same manner as other school district. The formula includes a Central Falls stabilization fund to ensure this community has adequate funding to continue closing the district's student achievement gaps; however, this fund is only paid by the state upon verification that the city has contributed to the schools. Due to declining enrollments, the school department's

funding should be adjusted; therefore, RIDE anticipates that the school department can reduce expenditures to accommodate the anticipated reductions.

39. How will charter school students be funded?
Charter schools will be funded similarly to traditional school districts using the funding formula, as well as the state share ratio for the sending district to determine the state funds sent to each school. Charters will continue to receive the applicable local contribution from the sending districts.

40. Explain how charter schools will secure the funds necessary to cover those costs excluded from the Core Instruction Basket of Costs.
Costs beyond the state share of the core instruction amount and student success factor will be supported by the local share that charter schools will receive from the sending communities, federal funding, and/or private fundraising.

41. Explain why certain charter school will lose money under the new formula. Discuss per pupil equity for charter schools as it pertains to the sending district and the disparities in the per pupil costs for the sending district.
Current charter school funding is derived from actual expenditure per pupils for the sending communities. In many cases, districts' per pupils are nearly two times national and regional averages for education spending. Therefore, some districts may need to reduce their education expenditures. In other cases, some districts may not be contributing sufficient funds to support the BEP and other programs required by law or regulations. These districts will need to start increasing their local contribution. Charter schools will receive the state share of the core instruction amount and student success factor and their share of the local property tax revenue. Changes in state and/or local funding will be transitioned over a period of time so that charter schools will have a number of years to plan.

42. How will state operated schools be funded (i.e. Davies Career-Technical High School, RI School for the Deaf, Metropolitan Regional Career & Technical Center)?
Rhode Island has three state schools, Davies Career and Technical High School, Metropolitan Regional Career and Technical Center, and the RI School for the Deaf. Both Davies and the Met Center are supported 100% with state and federal resources. Under this formula these schools will be funded in the same manner as charter schools and traditional school districts. The RI School for the Deaf is a special education program and the funding methodology will not change since it already has a state, federal, and local share.

43. Discuss the impact of this formula on the state schools. Will the Met School have to close because of this process?
Districts and schools will have several years to adjust to reductions in state education aid. They will have to analyze their budgets for cost savings and other efficiencies to operate within the allocated funding.

44. Please clarify what additional costs charter and state schools will be expected to assume under a new funding formula.
The cost for transporting a pupil attending a charter school, Davies, or the Met School within the established region shall be charged to the receiving school at the same grade level transportation per pupil cost of the resident community. Districts may offer transportation to

charter schools, Davies, or the Met School outside the established region in order to facilitate efficiency provided there is no additional cost to the resident community.

45. Please explain the reason for the cut in regional bonuses and how these municipalities will absorb the reductions?
Regional school districts will have several years to adjust to reductions in state education aid. RIDE's analysis indicates that the regional bonus is only a small portion of the overall education aid reduction. Changes in assessed property values, declining enrollments, and per pupil expenditures in excess of the state average are also factors. Regional school districts will have to analyze their budgets for cost savings and other efficiencies to operate within the allocated funding. In addition, there may be categorical funding to offset some of the regional school district expenditures. See Categorical Program section of the FAQs on page 13 for further information.

46. What happens to the districts with changes in their state contribution?
Each community shall consider their local revenues and expenses to determine if their local contribution to education has been adequate when compared to other communities. Some communities may need to increase their local contribution for education, while others may need to revisit their expenditures. Communities should be looking at their per pupil expenditure cost and comparing it to other communities to determine if their school system is adequately funded. Districts are also encouraged to reduce costs through consolidation of services, contract negotiations, and participation in all statewide efficiency initiatives.

47. Will this formula increase my property taxes?
These decisions will need to be made by local municipalities based on their current per pupil funding levels, student performance, and an examination of local investments. Changes to state Maintenance of Effort statute (R.I.G.L. § 16-7-23) allow some communities to reduce their local contribution to education by a percentage of the increase in state funding if the school district is a high local contribution community or high per pupil expenditure district. Many communities may need to revisit district budgets depending on their per pupil expenditures. There are other communities who have not adequately contributed to their education system and will need to increase local investments; however, this could be done through shifts from other areas of spending and does not automatically mean taxes will increase.

48. How will the formula be implemented?
The funding allocations will be phased in over ten years based on the transition model. Districts that are underfunded will be fully funded within seven years while reductions for overfunded districts will be phased in over ten years. The model redistributes the FY 2011 enacted education funding levels over time to create greater revenue equity between districts. The annual transition amount is subject to change if enrollments increase or decrease.

49. Explain what the aid distribution would look like if this formula were in effect four years ago, similarly what it would look like four years hence based on current trends. Explain how an assumed 5-10% decline in overall enrollment and a 3-5% increase for those eligible for FRPL would change the aid distribution going forward.

Updates to any components of the education aid formula, such as student data, property values, and/or median family income, which result in an increase or decrease in state education aid that impacts the total state and local contribution by more than three percent will be transitioned over a period of time.

School districts can assess the per pupil value of a student by multiplying their formula state share ratio by the core instruction amount. This calculation can be multiplied by 40% for the additional value of a student eligible for the student success factor. These calculations can then be multiplied by different amounts to assess the impact of a change in student data.

Data Updates
50. Verify when the data used in the formula will be updated - annually or less frequently during the phase–in and thereafter.
Data will be updated annually. Significant changes in education aid will be transitioned over a period of time so that districts have adequate time to adjust for the revised distribution.

Categorical Programs
51. Will there be funding outside of the formula for other categorical programs?
The formula includes funding outside the formula distribution for certain high-cost items. Categorical funding may be provided for the following (subject to the availability of funds):

- Extraordinary costs related to high-cost special education students. The state will begin assuming these costs when they exceed five times the core instruction foundation amount.
- Career and technical education fund to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs in critical and emerging industries and to help offset the higher than average costs associated with facilities, equipment maintenance and repair, and supplies necessary for maintaining the quality of highly specialized programs.
- Early childhood services that will increase access to voluntary, free, high quality pre-kindergarten programs proven to help close the achievement gaps for children in the highest need communities of the state.
- Transportation fund to offset the costs of transporting students within regional school districts and to out-of-district non-public schools for districts participating in the statewide program
- Regional bonus to regional school districts that provides 2% of the state share of the core foundation amount in year 1; 1% in year 2; and 0% in years 3 and after.
- Central Falls Stabilization Fund to assure that appropriate funding is available to support the intervention efforts. Historically this district has been 100% state funded; therefore, this fund allows time for the municipality to begin contributing toward the education of their students in accordance with the state and local share ratio calculation. The state share of this fund is only transferred upon verification that the local funds have been provided to the school department.

52. What school district categorical programs will be collapsed into the state funding formula distribution?

The Paul W. Crowley RI Student Investment Initiative, enacted by the 1997 General Assembly, created several categorical streams of funding. This law provided a distribution methodology for state funding. However, since student data for these categorical programs has been frozen since June 30, 2004, the distribution has become outdated and is irrelevant to the current student population. This funding formula suspends the following categorical programs outlined in Chapter 16-7.1 and 16-77.1 of the R.I.G.L into the formula distribution:

- Core Instruction Equity Fund (R.I.G.L. § 16-7.1-6) – not currently funded
- Student Equity Investment Fund (R.I.G.L. § 16-7.18-8) - $73.8 million
- Student Language Assistance Investment Fund (R.I.G.L. § 16-7.1-9) - $31.7 million
- Professional Development Investment Fund (R.I.G.L. § 16-7.1-10) – not currently funded
- Early Childhood Investment Fund (R.I.G.L. § 16-7.1-11) - $6.8 million/state revenues referenced in the previous question are allocated outside of this distribution
- Full Day Kindergarten Investment Fund (R.I.G.L. § 16-7.1-11.1) - $4.2 million
- Student Technology Investment Fund (R.I.G.L. § 16-7.1-12) - $3.4 million
- Targeted School Aid (R.I.G.L. § 16-7.1-16) - $20.0 million
- Urban After-School Programs (R.I.G.L § 16-7.1-17) – not currently funded
- Vocational Technical Equity Fund (R.I.G.L. § 16-7.1-19) - $1.5 million
- Literacy and Dropout Prevention Set-Aside (R.I.G.L. § 16-67-4) - $13.0 million
- Indirect Charter Aid to sending school districts (R.I.G.L. § 16-77.1-2) - $1.2 million

53. Will the formula include incentives for districts to consolidate?

The primary reason districts would consolidate is to gain efficiencies and reduce costs. If cost savings cannot be achieved, then districts should not consolidate. The formula does include a regional bonus for current regional school districts and any districts that choose to regionalize in the future. Research has shown that the greatest efficiencies are gained through consolidation of facilities that may not be at full capacity. Currently, the school housing aid formula allows for incentive bonuses for regional districts. This formula provides an additional 2% for every grade that is consolidated and 4% for regional districts that renovate existing facilities, including an additional 4% if the renovations are for energy conservation, access for people with disabilities, and/or asbestos abatement.

54. Verify that group home aid is outside the formula.

Group home is outside the formula and will continue as a separate allocation.

Local Share Calculation

55. Define how local share was calculated.

The local share of education is calculated using the most readily available district's local property tax contribution divided by the total public school children residing in the community, including students attending charter and state schools. This per pupil amount will follow the student to whatever public school he or she chooses to attend. Therefore, when school

districts submit their budgets, they will be advocating for all public school children that reside in a community regardless of what public school they attend. Changes in local share will be transitioned over five years so that districts will have time to plan accordingly. Payments will be made on a quarterly basis similar to the current process.

56. Discuss how local school districts that send students to the three state schools will be required to pay all costs in excess of the "core instructional amount."
The state currently has three state operated schools: Davies Career and Technical High School, the Metropolitan Regional Career and Technical Center, and the RI School for the Deaf. Both Davies and the Met Center are supported 100% with state and federal resources. Under this formula, these schools will be funded in the same manner as charter schools and traditional school districts. Districts sending students to these two schools will begin paying a local tuition, consistent with other vocational schools in the state. The formula calculates the local share using the local property tax contribution divided by resident average daily membership, including charter school, Davies, and the Met Center students. This calculation provides the local property tax per student amount that the district provides for every public school student in the district. If those students choose to attend a public school outside the district, the local funds will "follow the student." The RI School for the Deaf is a special education program and the funding methodology will not change since it already has a state, federal, and local share.

57. Please discuss funding of charter schools by Central Falls. If the local per pupil is determined by property tax revenue but the City of Central Falls doesn't contribute anything, how will the charter schools be funded?
For FY 2012, the local share for Central Falls is calculated using UCOA data for the non-core costs not included in the core instruction amount plus the "local share" of the core costs, i.e. the difference between the calculated state share ratio and 100%.

58. Clarify how to avoid property tax revenue going to the school district as the basis for the local share creating an incentive for municipalities to shift the spending on districts to the municipal budget to effectively make their share to districts less.
State law requires communities to contribute local funds to their school committees to support the basic program and all other approved programs required in law. In addition, the uniform chart of accounts provides a system for the department of education to determine education revenues.

Federal Funds
59. Clarify how federal funds are part of the per pupil.
Currently, federal funds follow the student. Therefore, when federal allocations are done, charter and state school students are pulled out of the sending communities and the funds go directly to the charter or state schools. This formula does not change the federal allocation process.

Accountability
60. How will we know if the money is being invested wisely?
R.I.G.L. §16-2-9.4 charged the Office of the Auditor General and the RI Department of Elementary and Secondary Education with promulgating a uniform system of accounting, including an UCOA. The implementation is now complete. The first year of statewide data

that is transparent, uniform, accountable, and comparable was released in March 2011. This data will be placed in RIDE's data warehouse, a component of our Comprehensive Education Information System, and used for multiple analyses. Having the ability to analyze financial information alongside student, teacher, and course information provides RIDE with the tools to ensure that the money is invested wisely. Financial reporting under UCOA is required on a quarterly basis throughout the year and assures more timely information than existed in the past.

Maintenance of Effort
61. Discuss the impact the formula will have on maintenance of effort (RIGL §16-7-23).
This formula updates the maintenance of effort statute to include options for districts receiving additional state education funds, as follows:
(a) High Local Contribution Communities – any communities that fund at least 85% of the cost of their public schools and are fully funding the basic education program and all other approved programs required in law and regulation will be authorized to reduce their local appropriation to schools.

(b) High Per Pupil Expenditure Communities – any communities that have local appropriations that combined with state education aid provide full funding of the basic education program and exceed the benchmarks established by RIDE for costs outside the education aid formula will be authorized to reduce their local appropriation to schools.

62. Clarify, for the purposes of determining MOE, how to account for debt service.
To the extent that debt service is carried on a school district's books, the appropriating municipality must fund this debt service so as to prevent "the cost of school housing from interfering with the effective operation of schools" (R.I.G.L.16-7-35 (2)). Therefore, debt service is part of the appropriating community's maintenance of effort obligation. If the debt service is carried on the books of the municipality, then it would not be a factor in the maintenance of effort calculation.

Tax Cap
63. Provide details on how the tax cap will be applied for those communities losing school aid.
The tax cap statute allows districts to exceed the percentage specified in the law if the municipality experiences a loss in total non-property tax revenues (RIGL 44-5-2 (d)).