

## H8094 Substitute A as Amended - Funding Formula Proposal

Enacted June 10, 2010

### Legislation Summary Points

**I. Section 1 revises RIGL 16-7-16, 16-7-20, 16-7-22, 16-7-23, 16-7-23.1, 16-7-24, 16-7-39, and 16-7-41 as follows:**

**16-7-16 “Definitions”**

- Removes reference to operations aid program; replaces language with the permanent foundation education aid formula pursuant to chapter 16-7.2.
- Updates basic program to “basic education program”
- Removes reference to transportation costs in the definition of the basic education program
- Updates the definition of the reference year stating for purposes of the proposed formula, the reference date will be established by RIDE and shall not exceed one year prior to the year in which aid is paid so that education aid distributions will be more relevant to current student demographics

**16-7-20 “Determination of state’s share”**

- Updates the factor in the calculation of the community’s state share ratio to move to 52.5% state funding as opposed to 50%.
- Removes language related to the former operations aid formula

**16-7-22 “Determination of average daily membership”**

- Clarifies that for purposes of calculating the permanent foundation education formula, the average daily membership for school districts shall exclude charter school and state school students

**16-7-23 “Community requirements – Adequate minimum budget provision”**

- Updates the maintenance of effort statute for fiscal years 2010 and 2011 so that communities are only required to contribute to their school committees 95% of their local contribution for fiscal year 2009

**16-7-23.1 “Special maintenance of effort rules for high local contribution and high per pupil expenditure communities”**

- Updates the maintenance of effort statute to allow high local contribution (85% or more funded by local) and/or high per pupil expenditures districts (full funding of basic education program (BEP) and exceeds benchmarks established by RIDE for costs outside of the formula) to reduce their local appropriation to schools by an amount up to ten percent (10%) of any increase it receives in state school funds
- Requires communities that have local appropriations insufficient to fund the basic education program and all other approved programs shared by the state and required in law and regulation to either increase their local appropriation through the tax levy or find efficiencies in other non-education programs to provide sufficient funding to support the public schools.

**16-7-24 “Minimum appropriation by a community for approved school expenses”**

- Requires communities with insufficient local appropriations to fund the basic education program and all other approved programs required by law to increase their local contributions in accordance with 44-5-2 (tax cap legislation) or find efficiencies in other non-education programs to provide sufficient funding to support the public schools

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- Requires the city of Central Falls to annually contribute an amount to education that is at least equal to the state share of the Central Falls stabilization fund established in 16-7.2-6(d).

#### **16-7-39/16-7-41 “Computation of school housing aid ratio” and “Computation of school housing aid”**

- Provides for the 30% minimum school housing aid ratio to increase by 5% in 2012 (35%) and 2013 (40%) until it reaches a minimum of not less than 40%. This provision applies only to school housing projects completed after June 30, 2010.

#### **II. Section 2 revises RIGL 16-21.1-2 “School bus districts established” as follows:**

- Allows for students attending charter schools, Davies, or Met within the established regions to be transported by the sending district and to pay the same grade level transportation per pupil cost of the resident district
- Districts may offer transportation to charter schools, Davies, or Met outside the established region in order to facilitate efficiency provided there is no additional cost to the resident district

#### **III. Section 3 revises RIGL 16-45.6 “Powers additional to previous authority” as follows:**

- Updates the state operated career and technical school section to share the costs between the state and the district of residence as opposed to 100% state funding
- Allows for 100% reimbursement for pension costs for state schools currently participating in the state retirement system

#### **IV. Section 4 revises RIGL 16-7.2 entitled “The Education Equity and Property Tax Relief Act” as follows:**

##### **RIGL 16-7.2-3 “Permanent Foundation Education Aid Established/16-7.2-4 State’s Share”**

- Beginning in the 2012 fiscal year, implements a transparent, research-validated, equitable mechanism for distributing education aid that is linked to empirical data and methods employed by states throughout the country and funds the basic education program to ensure sufficient resources are available for every student to have an equitable educational opportunity that:
  - Provides for a core instruction amount derived from regional expenditure data from the National Center for Education Statistics (NCES). Allows for the core instruction amount to be updated annually
  - Provides additional funding in support of high need students through a student success factor derived from student poverty data. This factor is 40% of the core instruction amount; and
  - Uses a unique state/local share ratio that considers a district’s ability to pay through adjusted assessed property values and the poverty concentration of the district. This calculation is effective at equalizing the local burden of areas with concentrated poverty and puts emphasis on the area of greater need, whether it is municipal capacity to pay or student need (**RIGL16-7.2-4**).

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**RIGL 16-7.2-5 “Charter Schools, Davies, and Met”**

- Includes charter schools, Davies Career and Technical Center, and the Metropolitan Regional Career and Technical Center in the formula
- Defines the local contribution to these schools as the local appropriation to education from property taxes net of debt service divided by the average daily membership of the community
- Provides equity between Davies and the Met Center as compared to how the other state career and technical centers are funded by requiring the sending communities to begin paying a local tuition rate and ensures that “money follows the student” by proposing to use the local per pupil appropriation to education as the factor for determining the local tuition due to charter and state schools

**RIGL 16-7.2-6 “Categorical programs, state funded expenses”**

- Provides additional categorical funding for high cost special education students, start-up and maintenance of certain career and technical programs, high quality pre-kindergarten programs, the stabilization of the Central Falls School District, and costs associated with transporting students to out-of-district non-public schools and within regional school districts
- In addition, this section provides funding for regional districts that will be phased out over three years. The regional incentive shall be 2% of the state’s share of the foundation education aid in year 1, 1% in year 2, and 0% in year 3. This regional incentive would apply to existing and new regional school districts.
- Funding for these categorical programs is tied to the transition plan established by the department of education

**RIGL 16-7.2-7 “Transition Plan”**

- Redistributes education aid funding over a period not to exceed seven years for districts that would be receiving more education aid and ten years for districts that would be receiving less education aid
- Allows for a transition period if any updates to data components of the permanent foundation education aid formula impact the total state and local contribution by more than three percent
- Transitions change in local per pupil rates for charter schools, Davies, and Met over a period not to exceed five years.

**RIGL 16-7.2-8 “Accountability”**

- Repeats language from 16-7.2-1 that requires full implementation of the Uniform Chart of Account and proposes to use the data to develop criteria and priorities for cost controls, efficiencies, and program effectiveness. Allows for funding to be allocated at RIDE for purposes of implementing this accountability framework.
- Requires RIDE to establish/implement program standards to be used in the oversight of foundation aid to ensure state aid for targeted populations results in improved student performance.

**RIGL 16-7.2-9 “Applicability”**

- Collapses the current student investment funds and charter and state school funding into the permanent foundation education aid formula. Maintains the state teacher retirement, group home, and school construction (housing aid) funding.

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**RIGL 16-7.2-10 “Reporting to the General Assembly”**

- Requires RIDE to report back to the General Assembly as of November 15, 2010 on the following:
  - An analysis of the impact of alternative mechanisms to update or supplement the median family income factor relied upon in the state share ratio calculation;
  - An analysis of the feasibility and impact of the Central Falls stabilization fund; and
  - A multi-year analysis of the impact of the financing of charter schools and vocational schools on local school districts.

***V. Section 5 allows for the act to take effect upon passage***