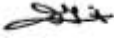


State of Rhode Island and Providence Plantations
DEPARTMENT OF EDUCATION
Shepard Building
255 Westminster Street
Providence, Rhode Island 02903-3400

Enclosure 6b
November 3, 2011

Deborah A. Gist
Commissioner

November 3, 2011

TO: Member of the Board of Regents
FROM: Deborah A. Gist, Commissioner 
RE: Approval of FY 2013 and FY 2012 revised budget proposals

The department's FY 2013 budget submission requests a total of \$1.2 billion, including \$985.8 million in General Revenue expenditures. It includes a \$122.8M increase (14%) in General Revenue expenditures from the FY 2012 enacted level. The largest increase is \$53M (43% of the proposed increase) to fund the state's share of the public school teachers' retirement system. The budget restores \$32.5M of General Revenue for the expiring Federal Education Jobs Fund aid and requests \$26.1M for Year 2 of the funding formula and the categorical funds which are included with the formula. The funding formula distributes education aid for all school districts, including Central Falls, charter public schools, and two state schools (Davies and The Met). The FY 2013 request, the second year of the formula, continues the 10-year transition plan, which increases aid for some districts and schools while others experience reductions.

Within the overall increase, the FY 2013 budget contains \$6.0M in restorations, which includes \$2.3M for Adult Basic Education grants which were eliminated from the FY 2012 final enacted budget. The Department also proposes to restore \$2.7M for Progressive Support and Intervention services to support the Persistently Lowest Achieving schools in our state. We also propose to increase the General Revenue investment in the RI Telecommunications Education Access Fund by an additional \$1M, which will leverage an additional \$2M in federal funds. This increase is necessary to keep pace with growing data-intensive demands such as distance learning, student graduation portfolio requirements, professional development for teachers, and administrative data for RIDE. Other than the increases in statewide personnel costs calculated by the State Budget Office, this budget requests no increases for the operations of the department's "administration" or ACES program.

The FY 2012 revised budget submission contains an overall \$334,596 reduction in General Revenues when compared with the FY 2012 enacted budget. A decrease of \$2.7M in housing aid is partially offset by a \$2.4M increase for Teacher's Retirement costs.

The Department's budget submission for General Revenues, when combined with other investments, such as the \$20M proposal for LEA Technology Infrastructure that was included in the Regents' Capital Budget request earlier this year, will continue the crucial reform work that is already underway. The budget as a whole furthers the work of the Department's strategic plan while acknowledging the continuing deficits at the state level by restraining costs in the department's operations.

Therefore, I RECOMMEND THAT, the Rhode Island Board of Regents for Elementary and Secondary Education approve and transmits the Regents' FY 2013 and FY 2012 revised budget proposals.



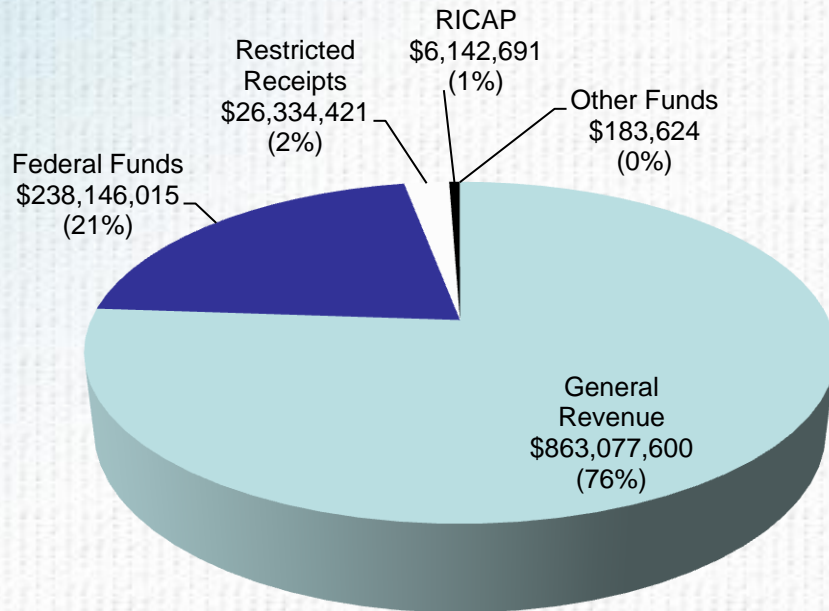
***Rhode Island Department of Elementary and
Secondary Education***

**Board of Regents
FY 2012 Revised and FY 2013 Budgets**

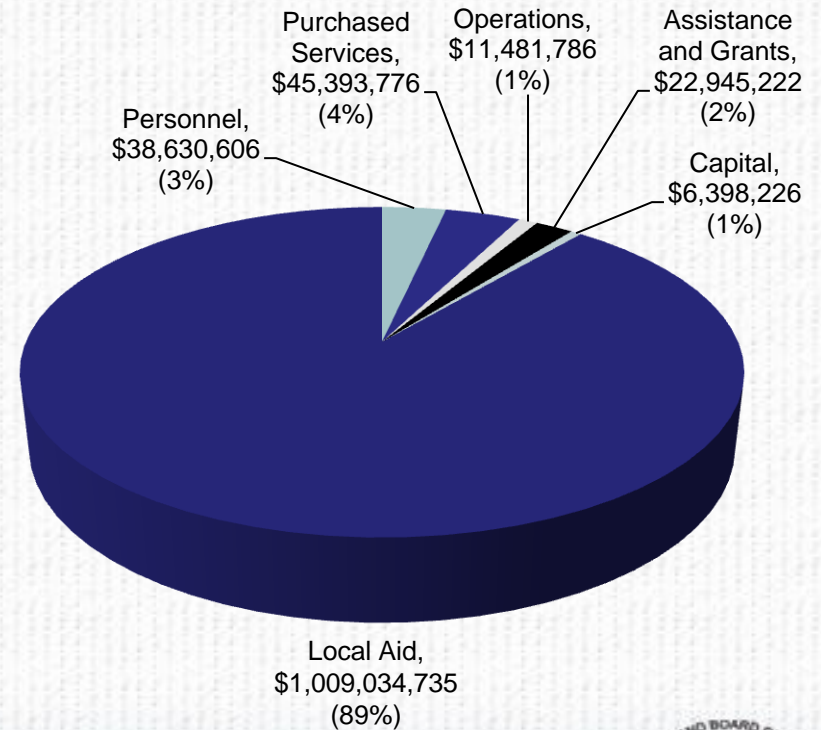
Rhode Island Department of Education

FY 2012 enacted budget
All funds - \$1,133,884,351

By source of funding



By category of expenditure

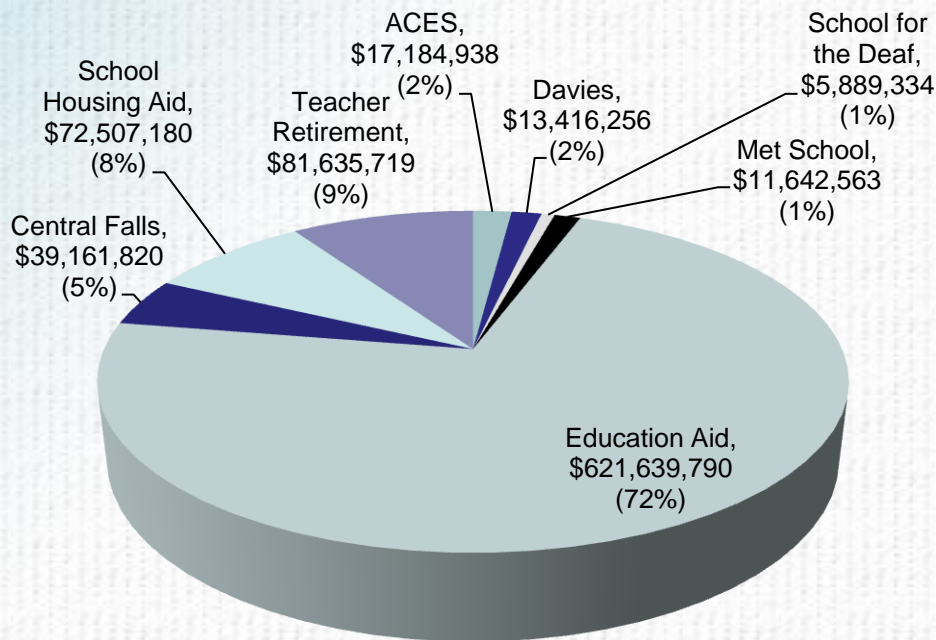


Rhode Island Department of Education

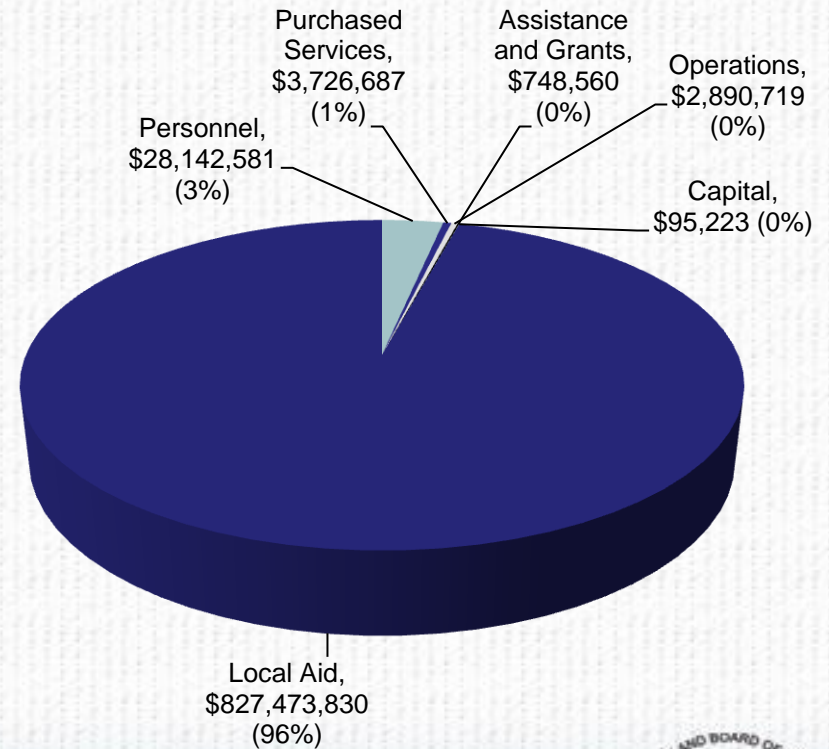
FY 2012 enacted budget

General revenue - \$863,077,600

By program



By category of expenditure



Rhode Island Department of Education

Summary – FY 2013 Regents' Request

Program	FY 2012 Enacted Budget	Budget Office Target Adds/ Data Updates	GR Restoration for Jobs Fund	Proposed Changes	FY 2013 Regents Request	% Change 2012 Enacted to 2013 Request
ACES (Program Operations)	\$17,184,938	\$1,002,592	\$248,000	\$2,320,000	\$20,755,530	21%
Davies Career and Technical School	\$13,416,256	(\$679,757)	\$673,955	0	\$13,410,454	0%
RI School for the Deaf	\$5,889,334	\$532,404	\$283,888	0	\$6,705,626	14%
Metropolitan Career & Technical School	\$11,642,563	(\$625,813)	\$593,721	0	\$11,610,471	0%
Education Aid	\$621,639,790	\$30,159,361	\$28,749,543	\$3,687,559	\$684,236,253	10%
Central Falls School District	\$39,161,820	(\$1,689,017)	\$1,969,619	0	\$39,442,422	1%
School Housing Aid	\$72,507,180	\$2,500,000	0	0	\$75,007,180	3%
Teacher's Retirement	\$81,635,719	\$49,238,195	0	\$3,792,041	\$134,665,955	65%
Total	\$863,077,600	\$80,437,965	\$32,518,726	\$9,799,600	\$985,833,891	14%



Rhode Island Department of Education

FY 2013 General Revenue Changes from Budget Office Targets

FY 2013 Proposals	\$ Amount
Teachers' Retirement add to reflect higher teacher wage growth than projected	\$3,792,041
Restore Progressive Support & Intervention to FY 2011 level	\$2,687,559
Restore Adult Ed grants to FY 2011 level	\$2,295,000
Full funding for the RI Telecommunications Access Fund	\$1,000,000
Vision Services add for personnel costs	\$25,000
TOTAL	\$9,799,600

* No changes to authorized personnel levels (FTEs) for RIDE, the School for the Deaf, or Davies Career & Technical High School are requested.



Rhode Island Department of Education

Administration of the Comprehensive Education Strategy (ACES)

- The FY 2012 and FY 2013 funding of the Department's ACES account complies with the State Budget Office's current service level requirement; however, these funding levels require diligent management to continuously mitigate the embedded risks during education reform. The following are the contributing factors:
 - Across-the-board Budget Office and General Assembly reductions to operational and purchased service supports result in extremely limited flexibility;
 - Aggressive personnel projections require strategic recruitment and hiring; and
 - The majority of federal grant funding are direct allocations to LEAs and the percentage to support the Department's work is restricted.



Rhode Island Department of Education

Funding Formula

FY 2013 General Revenue Adjustments

Total Funding Formula Aid - FY 2012 Enacted*	\$676,399,430	
Education Jobs Fund Offset Restoration	\$31,986,838	(4.7% increase)
Subtotal	\$708,386,268	
Funding Formula Distribution – Year 2 **	\$21,565,005	(3.2% increase)
Subtotal: Funding Formula Aid – Year 2	\$729,951,273	

Funding Formula Categorical Funds

Career & Technical Education	\$3,000,000	
Early Childhood	\$1,450,000	
Transportation	\$1,087,840	
High Cost Special Ed	\$500,000	
Central Falls Transition ***	\$0	
Regional Bonus	(\$438,071)	
Subtotal: Formula Categorical Funds	\$5,599,769	(0.8% increase)

Total – FY 2013 **\$735,551,042**

* Includes Formula funding for all local districts, all charter schools, and all state schools except for the School for the Deaf. Also includes funding for the Regional Bonus and the Transportation categorical funds.

** Includes the projected amount needed to accommodate anticipated data updates, including student enrollment changes, the core instruction per pupil, and the state share ratio . Amounts are subject to change with annual spring data updates.

*** Subject to change based on the outcome of the current court proceedings.



Rhode Island Department of Education

State Schools

- FY 2013 is “Year 2” of the funding formula for Central Falls, Davies, and the Met School. Reductions from the enacted “Year 1” level may be necessary to reach the funding formula-driven Year 2 budget in FY 2013.
- For Central Falls, reduction of \$1.7M in state funding may be partially offset by additional state and local funding through the Central Falls Stabilization Fund. (Central Falls’ FY 2010 per pupil amount was \$19,886, because state funding has remained constant despite the loss of approximately 1,000 students over the course of three years.)
- For Davies and Met, reductions of \$0.7M and \$0.6M, respectively, will be offset by projected local tuitions from the sending communities of \$0.8M and \$1.3M, respectively (net gain projected for both schools – Davies \$103K and Met \$701K).
- The School for the Deaf is not part of the funding formula. They will request \$5.9 million FY 2012 and \$6.7 million in for FY 2013, which is equal to the target amount in both years.



Rhode Island Department of Education

Teacher Retirement

- The Budget Office adjustment for teacher retirement added \$49.2 million to the FY 2012 enacted level of \$81.6 million, based on an estimated 2% increase in overall teacher payroll.
- Actual wage growth in FY 2011 was higher, requiring an additional \$2.4 million in FY 2012 and \$3.8 million in FY 2013.

Teachers' Retirement Required Contributions	FY 2012 Revised	FY 2013	Change
Percentage of Wages			
State	9.09%	14.27%	5.18%
Local	13.23%	20.98%	7.75%
TOTAL	22.32%	35.25%	12.93%
Estimated Required Contribution			
State	\$84,032,293	\$134,665,955	\$50,633,662
Local	\$126,048,440	\$201,998,932	\$75,950,492
TOTAL	\$210,080,733	\$336,664,887	\$126,584,154



Rhode Island Department of Education

School Housing Aid

- In FY 2012 \$72.5 million was appropriated for School Housing Aid. The minimum state share rose from 30% to 35% in FY 2012 and will rise to 40% in FY 2013.
- In June 2011 the General Assembly enacted a moratorium on new project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect.
- The moratorium provides no immediate savings because the state reimburses projects once they have been completed not when they are approved. A short term decrease in housing aid is anticipated between FY 2015 and 2017. However, long term costs will be higher because a moratorium does not solve the district's facility needs and creates a back log of projects. In many cases, building conditions worsen as a result of deferred maintenance.
- Costs are expected to increase by \$2.5 million from the FY 2012 enacted level in FY 2013.



Rhode Island Department of Education

FY 2012 General Revenue revised budget

- For FY 2012, the revised budget will maintain the Enacted level for all programs except for Teachers' Retirement and School Housing Aid.
- Delays in school construction projects results in a reduction of \$2.7 million in FY 2012, while higher than budgeted teacher wage growth is expected to boost Teacher Retirement costs by \$2.4 million.

FY 2012 Revisions	\$ Amount
Teachers' Retirement add to reflect higher teacher wage growth than projected	\$2,396,574
Delay in project completion for School Housing Aid	(\$2,731,170)
TOTAL	(\$334,596)



Rhode Island Department of Education

Budget Articles

- The RIDE budget request will contain budget articles on the following subjects:
 - To allow the \$477K in supplemental funding received by Rhode Island under the Education Jobs Fund to flow to LEAs without an offsetting reduction of state education aid.
 - To amend the wording for the Central Falls Stabilization Fund language to allow total funding to change based on student data updates.
 - To revise the calculation for school housing aid for charter schools to have state reimbursements reflect the demographics of the students attending the charter schools.

