

December 21st Meeting
Executive Order Topic 3: Improving the Design of the Formula

Local Education Aid and Local Share

- **Key Concept 1:** Local funding represents about 53% of average per-pupil funding, followed by 37% for state funding and 10% for federal funding. The national average for local funding is 45.2%. Rhode Island is highly reliant on local property tax to fund public education. (Issue Brief 8)
- **Key Concept 2:** 17 of the 36 Rhode Island cities and towns have averaged between a 0% and 1% annual increase since 2011. For the most part, these communities have not kept up with the rate of inflation. (Issue Brief 8, Discussion, Public Comment)
- **Key Concept 3:** Rhode Island’s MOE requirements require that communities not fund education at less than the previous year, except in instances in which there is a decline in enrollment or one-time expense. (Issue Brief 8, Discussion, Public Comment)
- **Key Concept 4:** There is great variability in local education aid. Some communities may be underfunding public education based on statewide averages; the reasons and the results of these municipal funding decisions vary widely. (Issue Brief 8, Public Comment)
- **Key Concept 5:** Rhode Island calculates local per pupil share for the purpose of calculating tuition to public schools of choice. This calculation method must be rational, clear, fair, and well-understood by all. (Issue Brief 8, Public Comment)

Discussion Notes

Considerations to promote fairness in the way that the funding formula handles these issues	
Considerations to promote equity amongst student and school types in the way that the funding formula handles these issues	
Considerations that will help ensure all recommendations for revision are grounded in data	
Other Notes	

Quick Facts About Public Education in Rhode Island

Public School Enrollment Information

All Public School Enrollment, 2006 & 2015				
Student Demographics	October 2006		October 2015	
	#	%	#	%
Race/Ethnicity				
White	105,361	69.5%	84,851	59.7%
Non-White	46,258	30.5%	57,163	40.3%
Hispanic Only	27,238	18.0%	34,322	24.2%
Total	151,619	100.0%	142,014	100.0%
Program Status				
English Language Learners	7,645	5.0%	10,341	7.3%
Students with Disabilities	27,648	18.2%	21,714	15.3%
Free/reduced lunch eligible	49,992	33.0%	66,563	46.9%

Charter Public School Enrollment, 2006 & 2015				
Student Demographics	October 2006		October 2015	
	#	%	#	%
Race/Ethnicity				
White	840	29.9%	1,730	23.6%
Non-White	1,972	70.1%	5,586	76.4%
Hispanic only	1,221	43.4%	4,030	55.1%
Total	2,812	100%	7,316	100%
Program Status				
English Language Learners	261	9.3%	823	11.2%
Students with Disabilities	343	12.2%	903	12.3%
Free/reduced lunch eligible	1,629	57.9%	5,143	70.3%

- Total public schools..... 300
 - October 2015 public school enrollment 142,014
- Total traditional school districts..... 32
 - October 2015 traditional district enrollment..... 123,452
- Total regional school districts..... 4
 - October 2015 regional district enrollment.....9,358
- Total state schools/other 5
 - October 2015 state/other school enrollment 1,888
- Total charter schools 22
 - October 2015 charter school enrollment 7,316

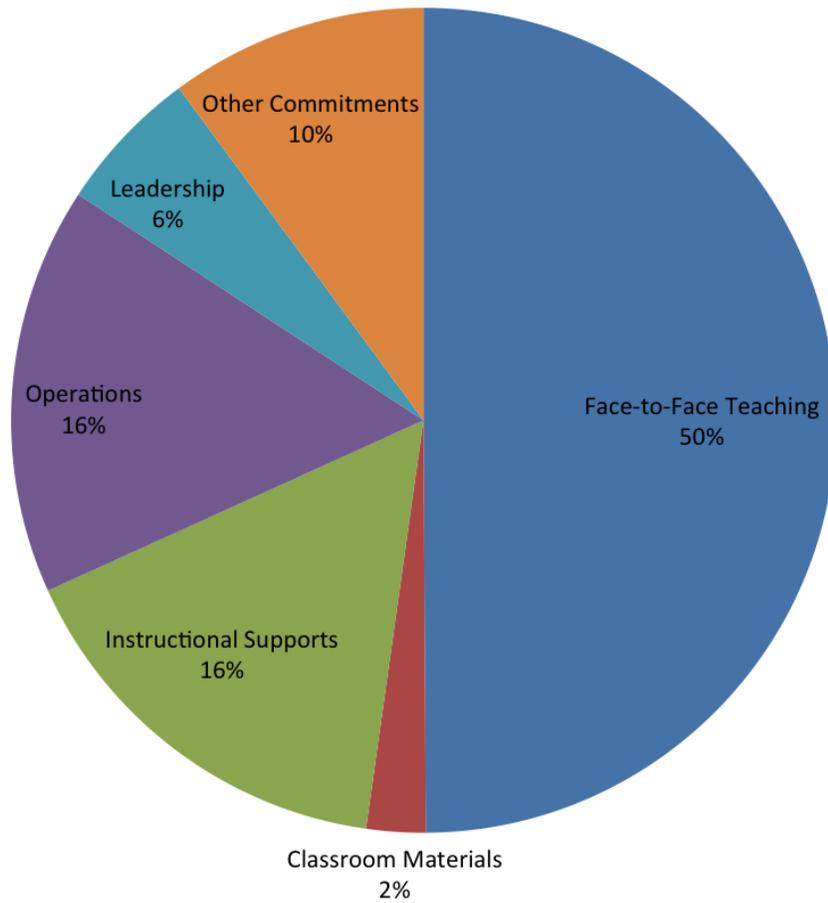
Funding Formula Data

- Total increase in education aid since 2011 \$179.4M
- Districts with net state gains under the FFF 26
- Total districts with net state loss under the FFF..... 10

2013-2014 State and Local Education Contributions and Expenses

- State education aid distributed through formula* \$850M
- Total local appropriation\$1.2B
- Rhode Island average per pupil spending \$15,808

FY14 Statewide Expenditures Based on \$1 of Spending



Issue Summary: Local Education Aid and Local Share

This brief introduces three important topics related to local education aid and share under Rhode Island's Funding Formula:

- (1) The local appropriation for education;
- (2) Proportion of local, state, and federal funding in Rhode Island districts; and
- (3) The method used to calculate local share in Rhode Island schools.

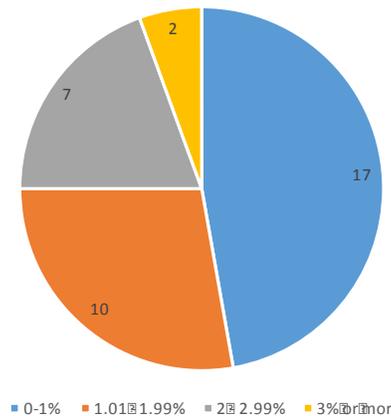
Rhode Island Context and Data

In Rhode Island, cities and towns are the only entities authorized to levy taxes for the purposes of funding public education. Education funding is only one part of the many expenses funded through local property taxes: fire and police departments, public works among many other services are also funded through taxes. Each year, cities and towns work with their school department and school committees to set the school budget, which, in turn, determines the local appropriation for education.

Local Appropriation for Education

Cities and towns can increase taxes to increase education aid, but they also are subject to a 4% ceiling on local property tax increases.¹ For these reasons and more, there have been very limited increases to local education appropriation during the years since the Funding Formula has gone into effect. Figure summarizes the distribution of city and town based on percentage of average annual local education aid increase over the past three years. In it, you can see that 17 of the 36 cities and towns have averaged between a 0% and 1% annual increase during the years since the Funding Formula was implemented. Of the 27 cities and town with average annual increases below 2%, 20 of them have been "gainers" in the funding formula transition.

Figure 1: Distribution of Districts Based on Average Annual Increase in Local Appropriation for Education, 2012-2014



As a point of comparison, during this same period, the consumer price index (the most common and well-regarded escalator for inflation) went up by 1.7%, 1.5%, and .08% in 2012, 2013, and 2014 respectively.

Calculation of the per pupil local share

In its simplest form, the local per pupil share is the local appropriation to education divided by the number of public school students.² RIDE calculates the local per pupil for every district through formula that begins with the deduction of capital expenses, debt service, and charter school tuition. These items are deducted to arrive at an equalized local appropriation, which is then divided by the public school enrollment.

Maintenance of Effort

Maintenance of Effort (MOE) is a widely used and well-established method to ensure that funding levels remain relatively constant from year to year. MOE requirements also create a safeguard that prevent

¹ This 4% ceiling is a combined ceiling and covers all necessary increases in the municipal budget.

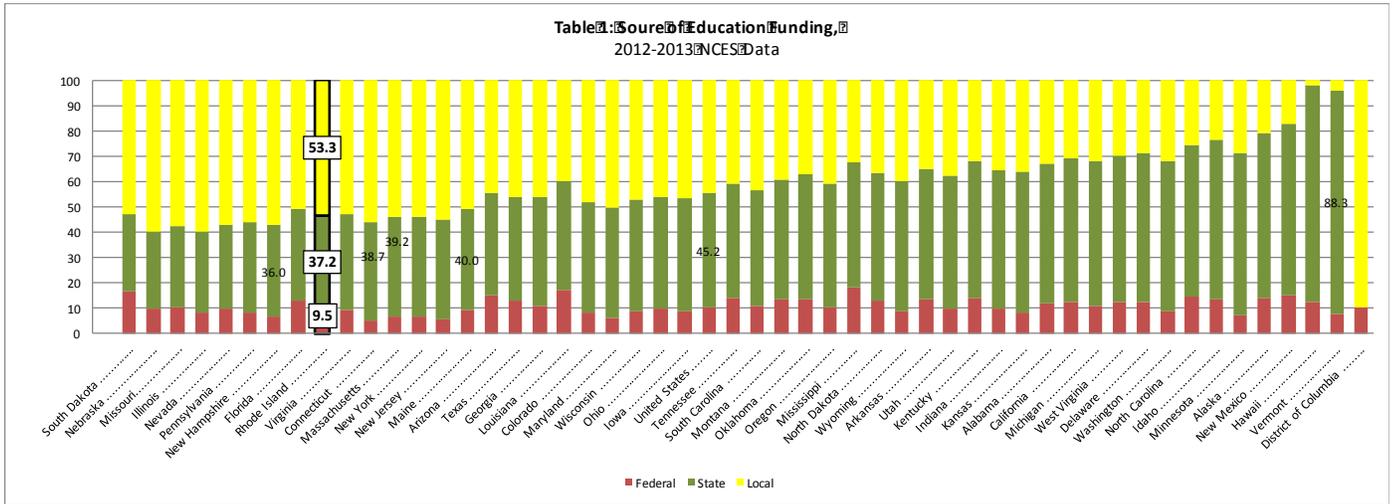
² The primary reason to calculate a local *per pupil* share is to calculate the funding that must follow schools to public schools of choice.

funded organizations from shifting funding away from critical areas, especially when the state or federal government is providing funding to help them meet their obligations.

Rhode Island's MOE requirements require merely that communities not spend less than they spent in the previous year, except in instances in which there is a documented decline in enrollment or one-time expense.

National Practice and Examples

Table 2 displays the local contributions of various districts since the implementation of the existing formula.



Many states have reduced their reliance on local taxes, and increased the percentage of their educational funding that comes from statewide sources.

- In 15 states, including Rhode Island, local property taxes (and other local sources) represent more than 50 percent of total school funding.
- In eight states, statewide funding now represents more than 60 percent of total education funding.
- In Vermont more than 85 percent of funding for education comes from statewide sources.