

A HISTORY OF EDUCATION FUNDING IN RHODE ISLAND

Sixty years ago Rhode Island implemented its first distributed education funding formula. It soon became apparent that Rhode Island needed to address the wealth inequities between communities. As a result, the State developed a percentage equalizing allocation formula for the distribution of state aid. The system reimbursed districts for education expenditures at a sliding percentage that was determined by the property wealth of the municipality. Wealthier cities and towns received less in reimbursement. Poorer communities were reimbursed at a higher percentage. No community, however, received less than 28%. The reimbursements were based on expenditures made in the prior two fiscal years.

While predictable, the formula favored higher property wealth communities, who could rely on growing property taxes. These municipalities could annually increase their contribution to education and then be reimbursed for a percentage of it. Poorer communities lacked the tax capacity to keep pace with their wealthier neighbors. In response to this emerging inequity, policymakers add new variables to the formula. Categorical programs, such as vocational education and special education were created to distribute more money to impoverished cities and towns.

In the 1980s, the DiPrete administration introduced legislation pushing the state's overall share of funding to at first 50% and then 60%. The schedule to achieve this was never realized as the country entered into major recession. In fact, it was at this time that the first signs of a deterioration of the formula emerged, when the state changed the ratio for its teacher pension debt obligations from 60/40 state-local share to a 40/60 state-local share.

In 1992, as a result of the prolonged recession, the formula was capped and education aid was reduced by, 11% and the 28% minimum share ratio that the wealthiest communities enjoyed was eliminated. Reimbursement for transportation was ended as were pupil counts that included non-public school students. To this day, transportation costs are not part of the current formula's Core Instructional Amount (CIA).

One area that bucked this trend was reimbursement for school construction. That allocation increased to \$10 million and was based on the same percentage equalizing formula, and now included reimbursement for interest in addition to the principal on bonded debt. A 30% minimum share ratio for richer districts was preserved. Urban districts benefited to a much greater degree as the costs associated with general obligation bonds could be spread out over longer periods of time.

In response to the decrease in funding, the cities of Pawtucket and Woonsocket filed suit in Superior Court alleging that relying on property taxes to fund education discriminated against students in municipalities with low property wealth. In their suit, the plaintiffs contended that the current funding system violated Article XII, the Education Article of Rhode Island's Constitution and thus the Equal Protection clause in Article I.

In 1995, Superior Court, Justice Thomas Needham found in favor of the plaintiffs and ruled that the present formula violated Rhode Island's equal protection and due process clauses. The State appealed and in 1995, the Supreme Court reversed Needham's decision. Justice Victoria Lederberg, writing for the entire court held that *"The education clause confers no such right, nor does it guarantee an "equal, adequate, and meaningful education."*

In 1994, the Rhode Island Public Expenditure Council (RIPEC), in response to 1993's report by the 21st Century Commission, convened a group of stakeholders to discuss education funding in the State. The Rhode Island Association of School Committees (RIASC) was a member of that group. The result of the group's effort was the proposed Guaranteed Student Entitlement Program (GSE). The GSE would be moving the formula from a percentage equalizing formula to a foundation support formula. The main thrust was that the state would determine the amount of local property taxes necessary to support local education and in the case of poorer communities provide more aid. It was designed to bring adequacy to funding while providing property tax relief. Additionally GSE addressed the question of student need by establishing weights for special education, limited English proficiency, vocational education, gifted programs and economically disadvantaged students.

Ironically, in FY 1995, the ongoing fiscal crises caused the Legislature to eliminate Special Education Excess Aid, a total of \$33.4 million. It has been revived in the current formula, but at only 10% of the FY 1995 total.

In 1995, the State essentially abandoned the formula. A Maintenance of Effort (MOE) provision was created to guarantee no district would receive less State and local aid than the prior fiscal year. While this provided some relief initially, it led to substantial inequities, as low property tax communities froze their annual appropriation. Wealthier districts were having greater success in raising local taxes to increase school funding. With the end of a formula-driven distribution of State funds, the State resorted to annual appropriations of a flat percentage for each district. Categorical aid was also created to address the neediest districts, but did little to close the wealth gap. With no formula, districts received what they received the prior year with a modest increase. This flat percentage allocation process ignored shifts in student population, changing community demographics and rising or declining property values.

For over a decade funds would continue to be distributed under this arbitrary system. Beginning in 2005, under the leadership of the Rhode Island Public Expenditure Council, some groups representing various stakeholders began to meet and question the lack of a predictable, equitable and adequate funding formula. In addition to RIPEC, the group known as Funding Our Future, consisted of the Rhode Island Association of School Committees, the Rhode Island School Superintendents' Association, the Rhode Island League of Cities and Towns, the Rhode Island Federation of Teachers and Health Professionals, the National Education Association of Rhode Island and the Education Partnership.

As a result of Funding Our Future's efforts, the General Assembly created the Joint Committee to Establish a Permanent Education Foundation Aid Formula for Rhode Island. The Assembly's Committee held extensive hearings, took testimony from stakeholders, and retained R.C. Wood & Associates to conduct a comprehensive report on the state of education funding in Rhode Island. Wood & Associates was also directed to draw up multiple scenarios for the implementation of a foundation based formula. In 2007, after numerous hearings the Joint

Committee created a group of stakeholders to flesh out the specifics of a foundation based formula.

The Foundation Aid Technical Advisory Group met and held a number of hearings and issued a report in May, of 2007. In its report, the Advisory Group recommended that student weights be at the core of any formula adopted by the Legislature.

- Special Education be weighted at 2.0
- Free Lunch at 1.75
- Reduced Lunch at 1.25
- Career & Technical Education at 1.25
- Limited English Proficiency at 1.20

These weights would be added to the standard student population. Thus, for purposes of funding, a special education student would be counted as two students, a Free Lunch student as 1.75, etc. It also recommended that the State assume the expense for high-cost special education students. Costs of more than \$50,000 for individual special education students would be borne by the State.

It would not be until 2010 that the Legislature would adopt a new formula, but was not able to fund it until FY 2012.

The new formula establishes a Core Instructional Amount (CIA) that the State uses to determine the per-pupil amount necessary to provide an adequate education. The CIA relies on the Basic Education Program (BEP) to define what constitutes adequacy. The CIA was also determined by examining what other states included in their core amounts. In FY 2012, the CIA was set at \$8,333 as of FY 2015 the amount is \$8,966.

The State's share of the CIA is determined by three components Equalized Weighted Assessed Valuation (EWAV), Resident Average Daily Membership (RADM), and Free and Reduced Price Lunch (FRPL). EWAV consists of a communities property values adjusted for median family income. EWAV determines the wealth of a community. RADM reflects all children that are residents of a district that have been enrolled in the school system at any time in the school year. FRPL is the percentage of children in Pre-Kindergarten through Grade 6 that are eligible for USDA's free and reduced lunch program.

The formula provides a weight of 1.4 for FRPL students. FRLP is used as the proxy for students living in poverty and increases the State's appropriation for these students by 40%.

EWAV = Community Wealth

RADM = Number of Students

FRPL = Increase the Student Count by 40% for Students in Poverty

Unlike most education formulas, Rhode Island's does not specifically define what the local share of the CIA must be. It only defines the State share and implies what the local should be. For FY 2016, the State appropriated a total of \$815,286,391 to local districts, Central Falls and charter schools per the formula. An additional \$27,608,676 is allocated for the Met school, Davies, the Urban Collaborative, and Group Homes.

The State also funds a limited number of categorical programs:

- High-Cost Special Education \$2.5 million
- Career & Tech Schools \$3.5 million
- Early Childhood \$4.0 million
- Transportation \$4.4 million

These funds are subject to arbitrary appropriation and are not part of the formula.

The budget also appropriates funds for other education programs. School Construction Aid \$70.9 million, is for debt service on previously approved construction projects. The distribution mirrors the current formula, except in that it allows for a minimum share ratio of 35%. In 2011, the State imposed a moratorium on new construction projects and directed the Department of Education to develop a cost containment plan. Districts were and still are allowed to file plans for new projects that involved health and safety issues. The FY 2016 budget enacted the Governor's School Building Authority. The legislation creates a Building Authority to prioritize and allocate \$20 million included in the Budget. The State also assumes 40%, approximately \$92.8 million, of the employer's contribution for teacher retirement; local districts are responsible for the remaining 60%, about \$139 million.

In a case of history repeating itself, Pawtucket and Woonsocket filed a new suit in 2010, again contending that the new formula didn't provide equity or adequacy to students in poorer communities. In addition to their original claims, the plaintiffs now contended that state and federal requirements mandating improved student achievement enhanced their position. No Child Left Behind required states to adopt educational standards and implement assessments to measure students' progress in meeting the standards. The plaintiffs contended that a lack of adequate resources prevented students in their districts from achieving at the same level as their peers.

In July 2012, Superior Court Judge Netti Vogel, citing the Lederberg decision ruled for the State. Pawtucket and Woonsocket appealed to the State Supreme Court, and again the Court held that education is not a right under Rhode Island's Constitution. However, Chief Justice Suttell in writing for the court did recognize that there are serious concerns about education funding in Rhode Island. *"In our opinion, the factual allegations in plaintiffs' complaint make a strong case to suggest that the current funding system is not beneficial to students in Pawtucket and Woonsocket, especially when compared to other municipalities. We are sensitive to plaintiffs' concerns, and yet our prior case law clearly declared that the General Assembly has exclusive authority to regulate the allocation of resources for public education."*

In the 2014 session of the General Assembly, legislative resolutions were introduced to create a ballot question for consideration by the voters in the 2014 General Election. The resolutions would have amended Article XII of the Constitution and guarantee education as a right for all Rhode Islanders. The Legislature failed to act on the Resolutions

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Past Studies on Education Funding and Related Issues in Rhode Island

- 1965 The Tibeault Commission to Study the Entire Field of Education
- 1968 Education in Rhode Island: A Plan for the Future
- 1981 The Swearer Commission
- 1993 The 21st Century Commission
- 1994 A Guaranteed Student Entitlement
- 2000 The Governor's Task Force on Elementary and Secondary Education Finance
- 2004 Cost/Benefit Analysis of a Statewide Teacher Contract
- 2006 Cost-effective Schools for the 21st Century
- 2007 Funding Our Future
- 2007 Rhode Island Education Adequacy Study RC Woods Associates
- 2007 Report of the Foundation Aid Technical Advisory Group
- 2008 Transportation for Afterschool and Childcare Programs
- 2008 Special Legislative Commission to Study Youth Financial Education
- 2009 Building Our Future: An Agenda for Quality Urban Education in Rhode Island
- 2009 Aquidneck Island Consolidation Feasibility Study
- 2010 Property Tax Capacity in Rhode Island
- 2010 Senate Committee on Government Oversight Report on State Mandates
- 2011 Pension and OPEB Plans Administered by Rhode Island Municipalities
- 2011 Commission to Study the Purchase and use of Textbooks in Public Schools
- 2012 DCYF Education Task Force Final Report
- 2013 Public Schoolhouse Assessment
- 2014 Senate ask Force on School Housing Aid
- 2015 Preliminary Analysis of Career and Technical Education in Rhode Island
- 2015 Local Pension & OPEB Study Commission
- 2015 Special Commission to Study and Assess Rhode Island's Fair Funding Formula