

RHODE ISLAND

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I. GENERAL BACKGROUND

State

Prior to and including FY1995, state support for elementary and secondary education was provided through a general aid program, operations aid, and five smaller, categorical aid programs. Operations aid was a formula driven program that used wealth per student of a school district versus wealth per student of the state as a whole to generate the percent the state would pay of the district's general operating expenses in a given year. The program reimbursed expenses on a two-year reference, for example, FY1999 aid would have reimbursed FY1997 expenses. The funding for this program was capped by the General Assembly in FY1992 through FY1995. The categorical aid programs were for special education, vocational education, limited English proficient education, and support for students residing in low-income housing. These programs were recalculated with the most recent data and used for the last time in FY1995. In FY1996 to FY1999, the dollar amounts each district received in these programs was carried forward with all new funding distributed through other methods and added to this base dollar amount.

In FY1995, FY1996, and FY1997, additional aid was distributed primarily through an equity fund, which pro-rated a state allocation based on each district's total number of students eligible for federal free and reduced USDA reimbursable meals. In FY1998 and FY1999, the equity fund was re-named the student equity fund and became one of six "investment funds" enacted in law. A seventh "investment fund" was established in FY1999. Unlike the old categorical aid programs, the investment funds have designated intended uses (i.e., the district is to use student equity funding to close performance gaps) that are to be documented as part of district strategic plans and individual school improvement plans. This creation was landed in a statute that also spoke to education accountability and reform issues. Thus, Rhode Island has for the first time linked state funding to results both in terms of directing educational activities and student performance. This is reinforced by the new distribution methods which are forward funding mechanisms based on student need (as opposed to

reimbursing expenses), and which, therefore, direct more funding to urban districts with the greatest number of students with need.

Besides student equity, the other investment funds are: instructional equity, technology, professional development, early childhood, language assistance and targeted (urban) aid. Presently, Rhode Island distributes all aid either as general aid, literacy funds, or one of the seven investment funds. For example, a district might receive a base amount, \$10 million in general aid, and another \$3 million to \$5 million distributed across the literacy and other investment funds.

In FY1999, all state aid from all programs, except that for capital outlay, reimburses about 46% of state/local supported education expenses reported in FY1998.

Local

There are 36 fiscally dependent school districts in Rhode Island. Local funding for elementary and secondary education is raised as part of the local municipal tax levy. Local school districts have had varying success in increasing local support for education in the face of declining state aid. In general, the wealthier districts have been able to fill the gap left by the decline of state aid better than the poorer, urban districts.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$ 511.1 million
Grants in Aid	479.5 million	
Teacher Retirement Contributions	31.6 million	
FICA	0 million	
Total Local School Revenue		\$ 702.3* million
Property Tax	687.7 million	
Other local source tax revenue	14.6 million	
Local source non-tax revenue	0 million	
Total Combined State and Local School Revenue		\$ 1,213.4 million
State Financed Property Tax Credits		
Attributable to School Taxes		0
*Estimated data.		

II. LOCAL SCHOOL TAX REVENUE

Property Tax

Education is supported almost exclusively at the local level through the local property tax. The assessment system at the local level varies widely both in terms of assessment ratios and classification of property. The unaudited amount of property taxes in support of education reported by the local school districts for FY1999 is \$687.7 million.

Income Tax

Local districts in Rhode Island are not allowed to collect an income tax or income tax surcharge.

Sales Tax

Local districts in Rhode Island are not allowed to collect sales tax.

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Tax Credits and Exemptions

None.

III. TAX AND SPENDING LIMITS

Rhode Island has no tax and spending limits for school districts; however, such restrictions do exist for municipalities as a whole. For example, cities and towns may not exceed a 5.5% cap on increasing property tax rates without state approval.

Voter Approval of Budgets and Bond Issues

Local voters must approve school budgets unless this authority has been vested in city councils or (in the case of regional districts) specifically constituted finance committees.

In rural communities voting to approve school budgets normally occurs at town meetings; city councils and other committees will also vote at public meetings. Voting procedures for school bonds vary by community. The great majority of school budgets pass on first attempts, and there is no limit on the number of times a district may seek voter approval. In fact, districts sometimes amend requests to voters if state revenue projections differ from those used in initial budget approval requests. Districts that cannot agree with municipalities on budgets must seek recourse by appealing to Superior Court.

IV. STATE\PROVINCIAL EARMARKED TAX REVENUE

N/A.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$406.5 million.

Percentage of Total State Aid: 81.0%.

Nature of Program: Foundation Program based on 1997–1998 funding.

Allocation Units: None.

Local Fiscal Capacity: None.

How the Funding Formula Operates: With the suspension of the operations aid program in FY1999, there is in essence no basic support program. There is, instead, a dollar amount of base aid called general aid. The dollar amount is equal to what each district received in FY1998. Thus, there are no allocation units, formula, or weighting procedures for general aid. General aid does not address local fiscal capacity, nor are there any adjustment factors such as enrollment. There are no districts “off formula” because there is no formula. The \$406.5 million funded in 1998–1999 represents 39% of total reported FY1997 education expenses of \$1.05 billion (this number does not include expenses supported by Federal funds).

Local and State Share: No local contribution; 100% state.

Weighting Procedures: None.

Adjustments for Special Factors: None.

Aid Distribution Schedule: The aid is distributed monthly, with 2.5% of the total distributed in July and August, and 9.5% each of the remaining 10 months.

Districts Off Formula: None.

VI. TRANSPORTATION

There is no separate program for transportation in Rhode Island.

VII. SPECIAL EDUCATION

There is no separate program for special education in Rhode Island (suspended FY1999).

VIII. COMPENSATORY EDUCATION

There is no separate program for compensatory education in Rhode Island. It can, however, be argued that three of the new investment funds which are designed to distribute money to urban communities based on student need and/or municipal fiscal capacity are in essence compensatory education programs since the intent is

to use these funds to close gaps in student performance (i.e., gaps associated with such things as economic disadvantage). The literacy fund also is focused on providing additional resources in the early grades for reading, writing, speaking, listening and mathematics.

IX. GIFTED AND TALENTED

There is no separate program for gifted and talented education in Rhode Island.

X. BILINGUAL EDUCATION

Funding in 1998–1999: \$1.3 million.

Percentage of Total State Aid: less than 1%.

Description: One of the new investment funds, the language assistance fund, has as its purpose to assist students that require additional language educational services. The program distributes an annual state allocation determined as part of the state budget process based on the number of full time equivalent limited English proficient students reported by the school districts. The fund is also designed to close student performance gaps in accordance with the district's strategic plan; however, there are no other statutory requirements for participation in the fund. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: Not reported.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: \$5.3 million.

Percentage of Total State Aid: 1.1%.

Description: One of the new investment funds is designed to support early childhood education. The program distributes an annual state allocation determined as part of the budget process based on the average daily membership of students in grades kindergarten through three reported by school districts. The fund (like language assistance) is to be used to close student performance gaps, and the statute lists other requirements for use of the funds such as all day kindergartens and programming of funds in coordination with other state/federal

funds. The Department of Education issues guidelines for and monitors the use of the fund. In addition to the early childhood fund, the literacy fund supports early grades (K-3) activities in reading, writing, speaking, listening and mathematics.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL FUNDS

Literacy Fund

Funding in 1998–1999: \$11.9 million.

Percentage of Total State Aid: 2.4%

Description: The literacy fund supports early grades (K-3) programming in reading, writing, speaking, listening, and mathematics. The literacy fund is comprised of two parts: a \$10.8 million fixed dollar amount that is based on FY1998 funding levels (i.e., exactly like general aid) plus 3% of the annual allocations funded in the student equity and early childhood funds. The statute sets out additional requirements such as appropriate activities to be supported by these funds. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: Not reported.

Student Equity Fund

Funding in 1998–1999: \$27.7 million.

Percentage of Total State Aid: 5.5%.

Description: The student equity investment fund targets students needing additional educational services. The program distributes an annual state allocation determined as part of the state budget process based on students eligible for USDA reimbursable meals reported by school districts. The fund is also designed to close student performance gaps; however, there are no other statutory requirements for participation in the fund. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: Not reported.

Professional Development Investment Fund

Funding in 1998–1999: \$2.8 million.

Percentage of Total State Aid: less than 1%.

Description: The professional development investment fund supports training for teachers and staff. The program distributes an annual state allocation determined as part of the state budget process based on a pupil-teacher ratio. (This ratio may be adjusted annually and is currently 17:1. It is operationalized by the average daily membership of students in grades pre-K to 12 divided by 17 as the database used to distribute the allocation.) Use of these funds must be determined by a committee in each school. The committee is to be composed of the school principal, two teachers and two parents. Only 50% of the annual allocation can go to support ongoing activities, i.e., 50% of the allocation must support new professional development activities. Finally, the statute again states that the funds must focus on closing student performance gaps. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: Not Reported.

Instructional Equity Investment Fund

Funding in 1998–1999: \$12.6 million.

Percentage of Total State Aid: 2.5%.

Description: The instructional equity investment fund supports the core instruction activities that are the basis of daily teaching and learning in all classrooms. Based on a tax effort index that recognizes that urban districts have little capacity to raise funds locally, it provides additional funds to four districts, which have a .5 or less on the index and which also spend less than the state median in per pupil instructional costs. The program distributes an annual state allocation determined as part of the state budget process on the cost of the gap between the state median instructional per pupil amount and the actual instructional per pupil amount in each qualifying district. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: 4 districts.

Targeted (Urban Aid) Fund

Funding in 1998–1999: \$8.0 million.

Percentage of Total State Aid: 1.6%.

Description: The targeted (urban aid) fund also provides resources to five urban districts with low tax capacity and with a 40% or greater free and reduced school lunch population in grades K-3. This fund uses the same index as the instructional equity fund, with the cut-off being 1.0 or below on the index. The fund distributes an annual allocation determined as part of the state budget process based on eligible districts average daily membership in grades pre-K to 12. The statute lists appropriate uses for the fund including early childhood education, improving instruction to meet high standards, reducing elementary class size, middle school after school programs, mentoring, curriculum revision and/or intervention. The district may only spend 95% of its allocation in this fund for the purposes outlined above because 5% of the allocation can only be spent with the express approval of the commissioner, a requirement designed to focus funds on needed intervention remedies. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: 5 districts.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–1999: \$31.6 million.

Percentage of Total State Aid: 6.2%.

The state teacher retirement system consists of contributions by teachers as employees and a shared contribution by the state and by local school districts as employers. The local share is funded as part of the regular school budget. The state share is paid directly to the state retirement system by the Department of Elementary and Secondary Education. The employee contribution rates are set annually by the retirement board based on action by the General Assembly. State law governs the state/local split in the employer contribution, which is 40% from the state and 60% by the local school district. The contribution rates for FY1999 were: teachers 9.5%; local school district 6.62%; and the state 4.9%. (Note: in FY1999 the local and state contribution rates for five communities were 5.63%

and 4.24% respectively.) Districts are not allowed to have separate teacher retirement programs other than the state retirement system.

Extent of Participation: All districts .

XIV. TECHNOLOGY

Funding in 1998–1999: \$3.4 million.

Percentage of Total State Aid: less than 1%

Description: The student technology investment fund is designed to provide schools and teaching staff with up-to-date educational technology and training to help students meet the demands of the 21st century. The program distributes an annual state allocation determined as part of the state budget process based on each district's average daily membership in grades pre-K to 12. Only 35% of the annual allocation can go to support ongoing activities, i.e., 65% of the allocation must support new technology activities. Funds may be used for curriculum development, professional development, and infrastructure requirements such as equipment, instructional materials, software and networking of systems. Each district must have (under a separate requirement) a technology plan, and use of these funds must be consistent with that plan. There is a legislative technology task force in place, which also must review plans for the use of these funds. Finally, the statute again states that the funds must focus on closing student performance gaps. The Department of Education issues guidelines for and monitors the use of the fund.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–1999: \$22.7 million.

Percentage of Total State Aid: 4.5%.

Description: Rhode Island has no program for capital appropriations for local school district construction and/or renovation projects. There is, however, a program to reimburse local school district capital project costs, which are roughly equivalent to capital project debt service. School district capital projects supported by bonds must go through a needs test at the state level to qualify for

aid. Once approved as necessary by the Board of Regents for Elementary and Secondary Education (and after completion), the state housing aid program will reimburse districts for the cost of the project and for bond interest based on a percentage determined by a percentage equalizing formula.

The formula divides the wealth per pupil of a school district by the wealth per pupil of state as a whole. This number is multiplied by 62%, which is the average local share of costs. The result is then subtracted from one (the total) to yield the state "share ratio," which is the percent that the state will pay of a given school district's approved capital project costs in a given year. There is a 30% minimum reimbursement in this program and a bonus for regional school districts of 2% per grade regionalized.

Other features of the program:

- districts are compensated over the term of the bond issued in support of the project;

- while formula factors (i.e., student count and wealth) are on a two-year reference, projects are on a one-year reference, which means aid begins the fiscal year after a project is completed;

- the program includes a debt service adjustment for heavily burdened districts; however, districts have rarely qualified for this entitlement since aid on bond interest began in FY1990; and

- there is an additional 4% bonus for regional districts that undertake renovation projects and a 4% bonus for any project for which 75% of the cost of that project is for a combination of asbestos abatement, handicap access, and/or energy conservation.

The state share is determined by calculating the percent that the state will pay in a given district in a given year or by the minimum 30% applied to: (1) project costs divided by the term of the bond; and (2) bond interest accrued and owed through June 30 of the previous fiscal year once the project is completed. The local share is the total debt service payments minus state aid. In FY1996, the program was expanded to include projects supported by lease revenue bonds (up to this point only general obligation bonds were allowed), capital leases and capital reserve funds. The program operates in the same general fashion for these financing

mechanisms; however, some restrictions (i.e., disallowing equipment purchases) apply to non-bonded projects.

Extent of Participation: Not reported.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Rhode Island has embarked on a comprehensive education strategy to ensure that all children achieve at high levels. To this end, Rhode Island has established state content standards in mathematics, English language arts, science, health, family and consumer sciences, and the arts. These content standards are advisory in nature; however, state assessments are based on performance standards aligned with the content standards. Based on these tests, improved student performance and proficient levels of achievement in performance based assessment is the key measure of success of Rhode Island's schools.

Concurrently, Rhode Island has set in place requirements for district strategic plans and school improvement plans as another measure for accountability. The plans must address improving overall student achievement and closing performance equity gaps such as those correlated with poverty, gender and language background. Plans must include strategies to improve performance in mathematics, reading and writing, and health as well as measures of progress expected over a three-year period towards school targets. The Department of Education has developed procedures to support district strategic planning and school improvement planning. These, plus strategies for intervention for schools that continue to fall short of performance goals, are promulgated by the Board of Regents in a document called "School Accountability for Learning and Teaching (SALT)."

There is no direct funding program that sets outcomes or performance objectives; however, the investment funds described above constitute a funding program that addresses the principles of closing resource gaps among districts, closing performance gaps among groups of students and targeting state aid to improve student and school performance.

Rhode Island has also mandated a fiscal accountability package to implement a uniform program to track educational expenses. All districts have initiated the program, but it is still in the pilot stage of tracking these expenses to the school level. Once fully implemented, it is envisioned that the program (called In\$ite)

will be one component of a district strategic plan and/or school improvement plan linking resources, school practices, and student performance data.

Rhode Island is also tracking school practice by collecting data from a survey called the SALT survey. The survey collects data from teachers, principals, parents and students about the frequency of key “best” practices of the school which contribute to student performance.

Finally, Rhode Island is in its second year of reporting district and school information in a document called Information Works! This book provides a variety of information, such as assessment data, on each school to begin (as its subtitle states) the discussion on “Measuring Rhode Island Schools for Change.” The In\$ite data, when available, will feed into this document as the public policy discussion on education reform and funding issues in Rhode Island continues. On a final note, the Commissioner of Education now (for the second year) makes an annual report on the state of education to the Rhode Island House of Representatives and Senate sitting in Grand Committee.

XVII. REWARDS/SANCTIONS

There is no state aid program that rewards successful districts with fiscal incentives or places some type of sanction for districts not meeting standards in Rhode Island.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Funding in 1998–1999: \$0.05 million.

Percentage of Total State Aid: less than 1%.

Description: There is no state funding for non-traditional public schools in Rhode Island for FY1999; however, there is a small amount of money (\$50,000) in the Department of Education budget to support the development of charter schools. Rhode Island has also recently received a Federal grant in this area, and there is legislation pending that would provide direct state support for charter schools. The latter would be based on the per pupil amount in the district sending the student to the charter school. The state would pay 5% of this amount to the sending district in an acknowledgement that losing a student does not automatically represent a savings to the district. The state would then pay a percentage of the remaining 95% of the per pupil amount to the charter, with

whatever is left over being paid by the sending district. The state's share of the per pupil amount is higher in the poorer communities, and is based on a formula that uses wealth per student of the district compared to the wealth per student of the state as a whole. While not fully operationalized, this legislation also provides for startup grants and facilities support for charter schools.

The state also directly operates three schools: the Rhode Island School for the Deaf, and two career and technical centers that provide fully integrated academic and vocational training programs (Davies and the Metropolitan Career and Technical Centers).

Extent of Participation: Not reported.

XIX. STATE AID FOR PRIVATE K-12 SCHOOLS

There is no state aid to non-public schools in Rhode Island.

XX. RECENT/PENDING LITIGATION

Three Rhode Island school districts brought suit against the state over the state education aid programs. In February 1994, Superior Court Judge Needham declared the state's method of funding public education unconstitutional. The judgment declared that: "The Rhode Island school finance system violates the Education Clause of the Rhode Island Constitution, Article XII, as well as the Equal Protection and Due Process Clauses of the Rhode Island Constitution, Article 1, Section 2." However, in July of 1995, the Rhode Island Supreme Court, in *City of Pawtucket v. Sundlun*, 662 A.2d 4D (R.I. 1995), reversed the Needham decision. In reviewing the State's history of education laws, the court determined that the Constitution did not guarantee an "equal, adequate and meaningful" education. The Supreme Court decision also recognized that all power was granted to the General Assembly unless it was specifically granted to another division of government, thus affirming the General Assembly as the school committee for the state.

XXI. SPECIAL TOPICS

N/A.