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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

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A N A C T

RELATING TO EDUCATION -- THE EDUCATION FUNDING FORMULA AND
PROPERTY TAX EQUITY ACT

Introduced By: Representatives Ajello, Savage, Melo, Palumbo, and Baldelli-Hunt

Date Introduced: February 24, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 Funding public elementary and secondary education is a necessary function of state
2 government and a critically important investment in the state's future and economic well being;

3 Particularly in challenging economic times, children, school leaders and all taxpayers
4 need and deserve a transparent, equitable mechanism for providing state funds to their districts
5 that is based on the most current available data regarding enrollment, student need and property
6 tax capacity;

7 The Rhode Island department of education will have its first year of complete data that is
8 transparent, uniform, accountable and comparable by the close of the current fiscal year pursuant
9 to Rhode Island general law section 16-2-9.4 through a uniform system of accounting which
10 includes a Uniform Chart of Accounts to analyze and assure the effectiveness of spending on
11 education;

12 The lack of a funding formula has produced significant disparities in students' access to
13 important education resources. An education formula is necessary to ensure that all children
14 receive an equitable and adequate education;

15 The state department of education as well as numerous school districts and education
16 experts have identified the need for the predictability of a funding formula as critical;

17 The implementation of an education funding formula will enhance the state's chances of
18 receiving "Race to the Top" funds to improve education and the State of Rhode Island is the only

1 state in the nation without a current formula for funding schools; and

2 Whereas the general assembly is empowered by law to enact an education funding
3 formula.

4 Therefore, it is enacted by the General Assembly as follows:

5 SECTION 1. Section 16-7-20 of the General Laws in Chapter 16-7 entitled "Foundation
6 Level School Support" is hereby amended to read as follows:

7 **16-7-20. Determination of state's share.** -- (a) For each community the state's share
8 shall be computed as follows: Let

9 R = state share ratio for the community.

10 v = adjusted equalized weighted assessed valuation for the community, as defined in
11 section 16-7-21(3).

12 V = sum of the values of v for all communities. m = average daily membership of pupils
13 in the community as defined in section 16-7-22(3).

14 M = total average daily membership of pupils in the state.

15 E = approved reimbursable expenditures for the community for the reference year minus
16 the excess costs of special education, tuitions, federal and state receipts, and other income. Then
17 the state share entitlement for the community shall be RE

18 where $R = 1 - 0.5vM/(Vm)$,

19 Except that in no case shall R be less than zero percent (0%). This percentage shall be
20 applied to one hundred percent (100%) of all expenditures approved by the board of regents for
21 elementary and secondary education in accordance with currently existing rules and regulations
22 for administering state aid, including but not limited to the setting of appropriate limits for
23 expenditures eligible for reimbursement; provided, however, that the costs of special education
24 required under chapter 24 of this title shall be excluded; and the costs for regional vocational
25 school operation and tuition which are funded in chapter 45 of this title for the reference year
26 1987-1988 and thereafter, shall be excluded. "Special education costs" mean the costs that are in
27 excess of the average per pupil expenditure in average daily membership for the second school
28 year preceding. The average per pupil expenditure in average daily membership of those students
29 receiving special education shall be included in the cost of the basic program for the reference
30 year, as "reference year" is defined in section 16-7-16. Expenditures from federal money in lieu
31 of taxes shall not be counted and, provided further that the individual communities in the Chariho
32 regional districts shall each receive the seven and five hundredths percent (7.05%) for those
33 grades serviced by the regional school district.

34 (b) The department of elementary and secondary education shall base reimbursement on

1 one hundred percent (100%) of the expenditures for its state operated schools in accordance with
2 the reference year provision as defined in section 16-7-16(11). Any funds to supplement the
3 reimbursement shall be appropriated and included in the department budget.

4 (c) This section shall apply to the School for the Deaf and the Davies Vocational School
5 notwithstanding any provisions of this section to the contrary.

6 (d) Whenever any funds are appropriated for educational purposes, the funds shall be
7 used for educational purposes only and all state funds appropriated for educational purposes must
8 be used to supplement any and all money allocated by a city or town for educational purposes and
9 in no event shall state funds be used to supplant, directly or indirectly, any money allocated by a
10 city or town for educational purposes. The courts of this state shall enforce this section by writ of
11 mandamus.

12 (e) Notwithstanding the calculations in subsection (a), the hospital school at the Hasbro
13 Children's Hospital shall be reimbursed one hundred percent (100%) of all expenditures approved
14 by the board of regents for elementary and secondary education in accordance with currently
15 existing rules and regulations for administering state aid, and subject to annual appropriations by
16 the general assembly including, but not limited to, expenditures for educational personnel,
17 supplies, and materials in the prior fiscal year.

18 (f) Excepting further, that commencing with the fiscal year that begins July 1, 2010,
19 twenty-five percent (25%) of the aid provided pursuant to the formula contained in this section
20 herein and as otherwise provided by this chapter shall instead be distributed in accordance with
21 the provisions of chapter 16-7.2, ("the education funding formula and property tax equity act").
22 Commencing with the fiscal year that begins July 1, 2011, fifty percent (50%) of the aid provided
23 pursuant to the formula contained in this section herein and as otherwise provided by this chapter
24 shall instead be distributed in accordance with the provisions of chapter 16-7.2. Commencing
25 with the fiscal year that begins July 1, 2012, all school aid previously provided by the formula set
26 forth in this chapter shall instead be distributed in accordance with the provisions of chapter 16-
27 7.2 ("the education funding formula and property tax equity act") and the formulas provided for
28 school aid both by this section and chapter shall become null and void.

29 SECTION 3. Sections 16-7.2-1 and 16-7.2-2 of the General Laws in Chapter 16-7.2
30 entitled "The Education Equity and Property Tax Relief Act" are hereby amended to read as
31 follows:

32 **16-7.2-1. Legislative findings.** -- (a) The general assembly recognizes the need for an
33 equitable distribution of resources among the state's school districts, property tax relief and a
34 predicable method of distributing education aid. The general assembly finds that there is a need to

1 reform the way public education is financed because:

2 (1) All children should have access to an adequate and meaningful education regardless
3 of their residence or economic means;

4 (2) A school funding system should treat property taxpayers equably, limit the portion of
5 school budgets financed by property taxes, ~~and~~ establish sufficient cost controls on school
6 spending, and promote efficiency in the use and distribution of limited resources;

7 (3) The state should ensure that its school funding structure adequately reflects the
8 different needs of students, and closes the educational inequities among the state's school
9 districts; ~~and~~

10 (4) The state education funding system should provide a predictable amount and source
11 of funding to ensure stability in the funding of schools; and

12 (5) The state education funding system must be anchored in systems of fiscal and
13 program accountability that measure whether state and local programs and expenditures actually
14 provide the opportunity for a sound basic education in a manner consistent with Rhode Island
15 law.

16 (b) The intent of this chapter is to promote a school finance system in Rhode Island that
17 is predicated on student need and taxpayer ability to pay. A new school funding system in the
18 state should promote educational equity for all students and reduce the reliance on the property
19 tax to fund public education. This legislation is intended to ensure educational opportunity to
20 each pupil in each city or town on substantially equal terms. Adequate per pupil support will be
21 provided through a combination of state school aid and local education property tax levies.

22 **16-7.2-2. Joint legislative committee to establish a permanent education foundation**
23 **aid formula for Rhode Island. --** (a) There is hereby established a joint legislative committee to
24 develop a basic foundation support program and an appropriate transition plan to fully implement
25 a new funding system.

26 The committee shall consist of ten (10) members, five (5) of which shall be appointed by
27 the speaker of the house, one (1) of which shall be from the minority party, and five (5) members
28 appointed by the president of the senate, one (1) of which shall be from the minority party. The
29 speaker of the house and president of the senate shall each appoint a committee co-chair.

30 The joint legislative committee ~~is directed to consider the following framework in~~
31 ~~developing a new education foundation support program:~~ shall monitor the operation and
32 implementation of this chapter and make such recommendations to the general assembly as it
33 may from time to time deem appropriate.

34 (b) The provisions of this chapter shall apply to the 2010-2011 and subsequent school

1 years. Education is of primary importance of Rhode Island’s economic competitiveness. Rhode
2 Island requires a permanent funding formula for education that ensures that education funding is
3 distributed in a responsible and consistently predictable manner, regardless of annual availability
4 of state revenues. It will take a period of years to implement a new approach to education
5 funding, making a reliable transition plan a key element of the permanent education foundation
6 aid formula, as well as the funding system that implements that formula on an annual basis.

7 Successful education funding must be done with transparency, must be based on
8 available data, and must have the flexibility to allow for mid-course corrections over a period of
9 years. The successful implementation of this comprehensive funding system will require the full
10 implementation of the uniform system of accounting and accountability established by section 16-
11 2-9.4, as well as incorporation of fiscal oversight into the state system of accountability—
12 progressive support and intervention—as set forth in chapter 16-7.1. Funding shall be allocated
13 on an annual basis to the department of elementary and secondary education for the purpose of
14 implementing an accountability framework designed to ensure fiscal efficiency and program
15 effectiveness.

16 (c)(1) ~~(1) A state education funding formula that is~~ The permanent education foundation
17 aid formula is based upon distribution of both student population and ~~needs driven~~ student need.
18 Student counts ~~should~~ shall include enrollments, students eligible for free and reduced lunch,
19 those participating in English language ~~assistance~~ programs, career and technical education and
20 special education. ~~Provisions should be made for those school districts that experience declining~~
21 enrollments.

22 ~~(2) The accounting for "extraordinary special education expenditures" in special~~
23 ~~education spending for one child in a given fiscal year~~ There shall be a separate accounting for
24 "extraordinary special education expenditures" on a per child basis in a given fiscal year. Costs
25 associated with expenses greater than four (4) times the per pupil foundation level shall be
26 provided by the state.

27 (2)~~(3)~~ A statewide per pupil foundation amount ~~to~~ shall be used in the calculation of
28 school funding. The per pupil foundation amount ~~should~~ shall be based on what the department of
29 elementary and secondary education in collaboration with the general assembly and the
30 governor’s office determines to be the reference year cost ~~is~~ to provide an equitable and adequate
31 education; to one student with no special needs. ~~and consider various cost factors, such as pupil-~~
32 ~~teacher ratios, teacher and staff compensation, technology investments, educational supplies,~~
33 ~~teacher training and professional development, student performance assessments, curriculum-~~
34 ~~offerings and support services and other costs associated with the delivery of educational~~

1 ~~services.~~

2 ~~(3)(4)~~ Per pupil cost, based on a least cost option plan to provide purchase of service
3 contracts in areas such as equipment, repair, benefits, transportation, general purchasing, capital
4 construction, data processing and health and other insurance programs. In addition, the
5 department of elementary and secondary education ~~should~~ shall assist regional collaboratives in
6 identifying opportunities to maximize multiple school district participation for "high cost"
7 programs.

8 ~~(4)(5) Various methods of funding the system.~~ Due to their supplemental nature, federal
9 monies shall be accounted for separately and apart from the state/local permanent education
10 foundation aid formula.

11 ~~(5)(6) A transition education funding plan.~~ The permanent education foundation aid
12 formula shall be seen as one element of a more comprehensive system of funding public
13 education. The four (4) primary categories of expenditures that must be accounted for in an
14 overall state/local funding strategy are as follows:

15 (i) The foundation formula, which sets parameters of local/state cost sharing for most
16 educational expenses.

17 (ii) Costs for which there are potential efficiencies only at the state level;

18 (iii) Expenses that are state program responsibilities and therefore not included in the
19 foundation itself; and

20 (iv) Costs controlled at the local level which could be treated as purely local
21 responsibilities.

22 (6) Distribution of allowable expenses across these four (4) categories, expressed as (i)
23 through (iv) above, shall be examined on an annual basis as part of the transition education
24 funding plan, which shall explore various methods of funding the system. Based on availability
25 of revenues, a key element of transition planning shall be the prioritization of increasing the state
26 share of certain identified expenditures that logically should be borne by the state based on
27 criteria of efficiency and accountability. For example, the costs associated for extraordinary
28 special education students shall be the responsibility of the state once expenditures surpass four
29 (4) times the per pupil foundation level. State funding of these new aid categories will become a
30 direct source of local property tax relief.

31 ~~(b) The speaker of the house and president of the senate, in consultation with the~~
32 ~~committee co chairs, are hereby directed to appoint a foundation aid technical advisory group,~~
33 ~~and a property tax relief technical advisory group.~~

34 ~~(c) The foundation aid technical advisory group shall advise and assist the committee in~~

1 ~~recommending foundation aid amounts by:~~

2 ~~(1) Identifying specific resources and least cost options to provide every child the~~
3 ~~opportunity to necessary educational opportunities to meet education performance standards; and~~

4 ~~(2) Systematically calculating the amount of per pupil funding necessary to support an~~
5 ~~effective and efficient educational system. The group may create task forces to consider the needs~~
6 ~~of special populations, comprehensive education programs, and noneducational support activities,~~
7 ~~composed of experts in these areas. In developing a foundation aid amount, the group shall~~
8 ~~consider, among other factors, pupil teacher ratios, compensation, collective bargaining practices,~~
9 ~~technology investments, educational supplies, teacher training and professional development,~~
10 ~~student performance assessments, curriculum offerings and support services and all other costs~~
11 ~~and needs associated with the delivery of educational services.~~

12 ~~(d) The property tax relief technical advisory group shall advise and assist the committee~~
13 ~~in identifying the options and the impact of replacing existing local education property tax levies~~
14 ~~that support the funding of elementary and secondary education with other resources.~~

15 ~~(e) The joint committee shall issue a report outlining its findings and recommendations~~
16 ~~no later than May 15, 2007.~~

17 ~~All state agencies and departments shall be directed to cooperate with and provide all~~
18 ~~necessary information to the joint legislative committee.~~

19 SECTION 4. Chapter 16-7.2 of the General Laws entitled "The Education Equity and
20 Property Tax Relief Act" is hereby amended by adding thereto the following section:

21 **16-7.2-3. Permanent education foundation aid formula.** -- (a) The annual cost of
22 educating students in Rhode Island shall be based on a statewide per pupil foundation amount,
23 which is defined as that level of expenditure for each student that represents the cost of providing
24 adequate and lawfully compliant educational opportunities to one student with no special needs.
25 Such per pupil foundation amount shall be determined by actual expenditures reported by school
26 districts for the reference year pursuant to subdivision 16-7-16(11). The department of
27 elementary and secondary education shall verify expenditures collected in accordance with the
28 provisions of section 16-7.1-3 via the use of a uniform chart of accounts, and the department shall
29 base the per pupil calculation upon those expenses determined to be allowable shared education
30 costs between the state and school districts in accordance with applicable law.

31 (b) The per pupil foundation amount shall be multiplied by the resident average daily
32 membership (RADM) pursuant to section 16-7-22 and further multiplied by the state share ratio.
33 The state share ratio shall be computed in accordance with the formula contained in section 16-7-
34 20.

1 (c) The per pupil foundation amount shall also be multiplied by certain student
2 populations multiplied by a weight that equals the proportional additional instructional costs
3 incurred in educating those students as follows:

	<u>Weight</u>
4	
5 <u>Special education students</u>	<u>.50</u>
6 <u>Students eligible for free school lunch</u>	<u>.50</u>
7 <u>Students eligible for reduced school lunch</u>	<u>.25</u>
8 <u>Students participating in English language acquisition programs</u>	<u>.20</u>
9 <u>Vocational education students</u>	<u>.25</u>

10 (d) Foundation aid for a district shall be the sum of aid calculated pursuant to subsections
11 (b) and (c) above, which results in a state share ratio applied to a student population derived from
12 the sum of RADM and weighted students—subject to the transition plan set forth in section 16-
13 7.2-9 of this chapter.

14 (e) Provided, that the formulas provided for in this chapter shall be used in full for the
15 fiscal year commencing July 1, 2012. For the school years occurring between July 1, 2010, and
16 July 1, 2011, the provisions of this chapter shall be used to allocate a portion, but not all, of
17 school aid, in conjunction with the formulas set forth in chapter 16-7 (“Foundation Level School
18 Support”)

19 Such pupil foundation for the 2010-2011 school year shall be determined by the total
20 resources provided by the state and localities for the 2009-2010 school year. In coming years the
21 total funding can be increased based on the overall economic well-being of the state.

22 (f) Districts may set aside a portion of the funds received for free and reduced lunch
23 weighted students for expanded learning opportunities such as afterschool and summer programs,
24 pre-kindergarten education, full day kindergarten and/or career and technical programs.

25 (g) As part of its monitoring responsibilities as set forth in section 16-7.2-2, the joint
26 legislative committee may make recommendations on possible additional weights for expanded
27 learning opportunities such as afterschool and summer programs, pre-kindergarten education, full
28 day kindergarten and/or career and technical programs.

29 **16-7.2-4. Locally funded expenses.** -- The calculation of the annual foundation
30 education per pupil amount shall not include those costs determined to be entirely controlled at
31 the local level, and therefore supported entirely by local funds. Such locally controlled and
32 supported costs include retiree health benefits.

33 **16-7.2-5. State funded expenses.** -- (a) In addition to the foundation aid provided
34 pursuant to 16-7.2-3, the permanent foundation aid program will provide direct state funding for

1 areas of expenditures in which districts incur extraordinary costs; where the state is able to
2 provide the service in a more efficient and cost-effective manner; and/or where the state
3 determines that the program or initiative is a priority for direct state oversight or control. Such
4 funding shall be provided in the areas of group home aid, out-of-district transportation,
5 extraordinary costs associated with individual special education students, and non-public school
6 textbooks. Assumption of one-hundred percent (100%) of these costs will result in property tax
7 relief for taxpayers and will enable municipalities to stay within statutory tax cap increases.
8 Provided, that such additional funding beyond foundation aid as set forth in this chapter shall be a
9 goal, and not an unfunded mandate, so that such funding shall be provided as revenues and needs
10 allow, as determined annually by the general assembly.

11 (b) Costs associated with an individual special education student shall be deemed to be
12 “extraordinary” when they exceed four (4) times the current fiscal year’s statewide per pupil
13 foundation amount as determined pursuant to subsection 16-7.2-3(a) of this chapter.

14 **16-7.2-6. Accountability. --** (a) Pursuant to sections 16-7.1-3 and 16-7.1-5, the
15 department of elementary and secondary education shall use the uniform chart of accounts to
16 maintain fiscal accountability for education expenditures that comply with applicable laws and
17 regulations. This data shall be used to develop criteria and priorities for cost controls, efficiencies,
18 and program effectiveness.

19 (b) The department of elementary and secondary education shall establish and/or
20 implement program standards to be used in the oversight of foundation aid calculated pursuant to
21 subsection 16-7.23(c). The intent is to ensure that state aid for targeted, weighted populations
22 results in improved student performance, and that such funds be used in accordance with state
23 standards for curricula, student proficiency and performance-based graduation requirements.
24 Such oversight will be carried out in accordance with the progressive support and intervention
25 protocols established in chapter 7.1 of title 16.

26 **16-7.2-7. Transition plan. --** (a) Funding for the foundation aid program including
27 increases in aid to districts and state assumption of costs, shall be phased in over a period of years
28 in three (3) year increments. The transition will increase a combination of direct aid to districts
29 and district savings through state-assumed costs at an overall rate of three percent (3%) to six
30 percent (6%) per year, as determined by the general assembly on an annual basis, based on
31 available revenues. Provided, that for the fiscal years occurring prior to July 1, 2010, the
32 foundation aid program shall be used to distribute funds in conjunction with the provisions for
33 foundation level school support as set forth in subsection 16-7-20(f).

34 (b) The senate and house committees on finance are hereby jointly charged with the

1 responsibility of creating a systemic, permanent formula for the distribution of state aid in
2 compliance with the dictates of chapter 7.2 of title 16, as amended. Said formula shall be
3 projected on a three (3) year basis, and shall be updated annually at least sixty (60) days prior to
4 the enactment of each fiscal year budget by the general assembly. It shall be explicitly understood
5 that said three (3) year projections shall be subject to available revenues in each ensuing fiscal
6 year, and that the general assembly reserves all rights to revise chapter 7.2 of title 16 at any time
7 as needed to reflect the availability of revenues to fund the permanent foundation aid formula and
8 related public education expenses. The first three (3) year projection of transition funding for the
9 permanent foundation aid formula, as set forth in chapter 7.2 of title 16, shall be presented to the
10 full general assembly no later than April 1, 2010 and thereafter February 1 of every year in order
11 to allow for sufficient time to distribute FY 2010 funds in accordance with the dictates contained
12 therein.

13 **16-7.2-8. Applicability.** -- This chapter applies to education aid for any city, town or
14 regional school district including the Central Falls state operated school district. Calculation and
15 distribution of aid under sections 16-7-20, 16-7.1-6, 16-7.1-8, 16-7.1-9, 16-7.1-10, 16-7.1-11, 16-
16 7.11.1, 16-7.1-12, 16-7.1-15, 16-7.1-16 and 16-7.1-19 is hereby suspended until further action by
17 the general assembly. Aid under this chapter will be paid pursuant to section 16-7-17, except that
18 aid to the Central Falls state operated school district shall be paid in twelve (12) equal
19 installments.

20 **16-7.2-9. Severability.** -- If any provision of this chapter or any rule or regulation made
21 hereunder, or the application thereof to any person or circumstance, is held invalid by a court of
22 competent jurisdiction, the remainder of the chapter, rule or regulation and the application of that
23 provision to other persons or circumstances shall not be affected thereby. The invalidity of any
24 section or sections shall not affect the validity of the remainder of the chapter.

25 SECTION 5. The title of Chapter 16-7.2 of the General Laws entitled "The Education
26 Equity and Property Tax Relief Act" is hereby amended to read as follows:

27 ~~CHAPTER 7.2~~

28 ~~THE EDUCATION EQUITY AND PROPERTY TAX RELIEF ACT~~

29 CHAPTER 7.2

30 THE EDUCATION FUNDING FORMULA AND PROPERTY TAX EQUITY ACT

31 SECTION 6. This act shall be construed liberally in aid of its declared purposes.

32 SECTION 7. This act shall take effect upon passage.

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T
RELATING TO EDUCATION -- THE EDUCATION FUNDING FORMULA AND
PROPERTY TAX EQUITY ACT

1 This act would establish a new system for the support of public education in Rhode
2 Island, based upon an objective assessment of student needs and designed to assure predictability
3 and accountability in the funding and delivery of meaningful educational opportunity to all
4 students in all communities throughout the state.

5 This act would take effect upon passage.

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