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Toward a Coherent System of Allocating State Aid to Public Schools

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Introduction and summary

Reforming the way a state distributes its funding to local school districts is clearly a challenging task. Even under the most favorable political and economic conditions, "losers"—those who see a decrease in their state aid as the result of a new funding formula—are going to block its passage. Because political risk is seen as too high, state leaders embrace major school funding reform only when they are directed by court decisions.

The Rhode Island General Assembly defied the odds—working in a recessionary climate and in the absence of judicial mandates—and enacted on June 10, 2010 its first major school funding reform in almost 20 years. Before the governor signed the legislation on June 23, 2010, Rhode Island had the dubious label of being the last state in the union without a state school funding formula. Lessons on how Rhode Island enacted the school funding reform are of national significance. Education reform has become increasingly polarized and established interests routinely block sound ideas. The Rhode Island legislative success suggests that highly politicized issues can be addressed with well-designed public policy.

This paper presents the Rhode Island story on school funding reform. First, the paper begins with a short history of Rhode Island's school finance system and the key factors that called for school funding reform. Second, the paper discusses the design, the rationale, and the evidence associated with the new funding formula. Several features of the state's formula are highlighted, including the cost of core instructional services that is grounded in school funding data in the New England region, the need to focus on students who come from low-income backgrounds, a consideration of local fiscal capacity in the context of concentrated poverty at the community level, and the effort to make sure that state funds follow the child when students leave a particular district or move to a charter school.

Needless to say, these issues are complex. Concerns voiced about any of these issues could have diverted the process of reforming the funding system. The process of enacting a funding formula goes beyond technical and substantive criteria.

There is the *additional* need for the formula to be implemented in a politically responsible way, an important issue that must be given attention in the design of the formula. For example, a multiyear, gradual phase-in process and the creation of several categorical programs helped ease the political tension in Rhode Island. The final section of the paper recaps how the key lessons learned may be applicable to other states that face the need for funding reform in the context of fiscal constraint. In the case of Rhode Island's experience, this paper finds that:

- **Effective leadership widens the policy window.** In the Rhode Island case, the state commissioner and the state board of education were able to gain gubernatorial, legislative, and stakeholder support for school funding reform when the state was prepared to compete for the federal Race to the Top funding. In most other states where funding reform occurred, court decisions and gubernatorial leadership often played the key role.

- **Independent analysis contributes to policy reform.** The Rhode Island school funding reform experience shows that sound policy, backed up by independent, empirical analysis, can reverse years of political cynicism. A partnership of trust, data transparency, and coordinated communication between the state commissioner and the independent design team overcame seemingly insurmountable political and economic challenges to enact fiscally responsible reform.

- **School funding formulas must first serve the student's education purpose and should not assume a need for additional funding.** Rhode Island's school funding formula offers a fundamental departure from the dominant paradigm that assumes that the state government must spend substantially more to fulfill its constitutional responsibility. The Rhode Island legislation offers a fiscally responsible approach that focuses on students and targets the most challenging conditions that affect student learning.

- **Accountability and transparency should be institutionalized in implementing the formula.** The Rhode Island formula ensures data transparency to meet public demand for school accountability. Implementing a uniform chart of accounts that details local spending practices will help monitor state taxpayers' money. Dollars are held accountable for meeting the expectations of the state's Basic Education Program. The public and stakeholders can access the spending data at the state department of education website.

A brief history of education funding reform in Rhode Island

Since the 1960s, much of the legislative activities in allocating state aid to public schools in Rhode Island have centered what's known as the "minimum guarantee," a process that specifies a required, minimum level the state provides for school revenue. In 1960, the Rhode Island General Assembly enacted the Foundation Level Support Act, with a minimum guarantee of state aid for 25 percent of the school revenue, and established the School Housing Act to support school construction. In 1964, the state increased the state's minimum guarantee to 30 percent of the district revenue. Further, the 1967 Thibeault Commission used median family income, rather than local property values, to adjust the district wealth in state aid calculation, which better reflected a district's current fiscal conditions.

In 1976, following the enactment of federal PL 94-142, the Education for All Handicapped Children Act, the state's special education program provided excess cost reimbursement that was related to handicapped children. In 1983, the General Assembly decreased the state's minimum guarantee from 30 percent to 28 percent. In 1985, the General Assembly passed the Omnibus Property Tax Relief and Replacement Act, with the goal of increasing the state share to 50 percent of district revenue.

The need for a funding formula

Over the last 20 years, even without a funding formula, public school spending in Rhode Island continued to exceed the national average. In 1990-91, Rhode Island was ranked eighth in per student spending. By the 2007-08 school year, per student current spending in Rhode Island was about one-third more than the national average—$14,459 as compared to $10,532. (see Table 1) In that year, Rhode Island was ranked the sixth highest in per student spending, following New Jersey, New York, Connecticut, Arkansas, and Washington D.C.

TABLE 1

Per pupil current expenditure at the state level, 1990-91 and 2007-08

State	1990-91 current dollars	2007-08 current dollars	State	1990-91 current dollars	2007-08 current dollars
National average	**4,849**	**10,532**			
AK	7,502	14,641	MS	3,007	7,890
AL	3,429	9,197	MT	4,706	9,786
AR	3,461	8,677	NC	4,237	7,798
AZ	3,860	7,727	ND	3,909	9,324
CA	4,595	9,706	NE	4,735	10,565
CO	4,603	9,152	NH	5,152	11,951
CT	7,547	14,610	NJ	8,166	17,620
DC	8,029	16,353	NM	3,757	9,291
DE	5,458	12,153	NV	4,294	8,187
FL	4,859	9,084	NY	7,510	16,794
GA	4,171	9,718	OH	4,747	10,340
HI	4,820	11,800	OK	3,639	7,683
IA	4,418	9,520	OR	5,195	9,565
ID	3,206	6,951	PA	6,048	11,741
IL	4,904	10,353	RI	5,934	14,459
IN	4,588	8,867	SC	4,009	9,060
KS	4,434	9,894	SD	3,726	8,535
KY	3,897	8,740	TN	3,521	7,820
LA	3,853	10,006	TX	4,048	8,350
MA	5,881	13,690	UT	2,767	5,978
MD	5,930	13,257	VA	4,965	10,664
ME	4,978	11,761	VT	6,255	14,421
MI	5,394	10,075	WA	4,652	9,058
MN	4,946	10,060	WI	5,382	10,791
MO	4,271	9,532	WV	4,571	10,059
MS	3,007	7,890	WY	5,310	13,856

Source: NCES, Common Core of Data (CCD), "National Public Education Financial Survey (State Fiscal)," 1990-91 (FY 1991) v.1b, 2000-01 (FY 2001) v.1b, 2007-08 (FY 2008) v.1b.

TABLE 2

Sources of school funding in the Northeastern states, 1990-91 and 2007-08

State	Local revenue–percent total revenue (1990-91)	State revenue–percent total revenue (1990-91)	Federal revenue–percent total revenue (1990-91)	Local revenue-percent total revenue (2007-08)	State revenue–percent total revenue (2007-08)	Federal revenue–percent total revenue (2007-08)
National average	**45.9**	**47.3**	**6.8**	**41.4**	**50.6**	**9.0**
CT	57.1	40	2.9	56	39.6	4.4
MA	57.7	37.2	5.1	52.3	42.0	5.7
ME	43.5	51.0	5.5	46.1	44.9	9.0
NH	89.4	7.8	2.8	56.2	38.6	5.2
RI	54.4	40.8	4.8	52.3	39.9	7.8
VT	63.1	32.1	4.9	7.9	85.9	6.3

Source: NCES, Common Core of Data (CCD), "National Public Education Financial Survey (State Fiscal)," 1990-91 (FY 1991) v.1b, 2000-01 (FY 2001) v.1b, 2007-08 (FY 2008) v.1b

And, there was relative stability in the sources of funding in public schools in Rhode Island over the years. As shown in Table 2, local revenues accounted for 54.4 percent of the school expenditure in 1990-91, as compared to 52.3 percent in 2007-08. State contribution remained fairly steady during this period, ranging from 40.8 percent in 1990-91 to 39.9 percent in 2007-08.

Despite high levels of spending and stable sources of funding, Rhode Island's system for funding its schools had a number of issues.

For example, during the state's fiscal crisis in the early 1990s, the General Assembly responded by delaying the allocation of school aid. In fiscal year 1991, the state deferred $84 million in teacher retirement payment that was to be spread over a 20-year period.

In FY 1992, the state reduced its minimum guarantee to 25 percent and deferred the allocation of $51 million in teacher retirement payment, and the governor proposed to eliminate the state's minimum guarantee in FY 1993 and in FY 1994. The General Assembly rejected these proposals, and instead adopted a lower minimum state guarantee of 9 percent by FY 1994. At the same time, the General Assembly expanded the state's fiscal commitment by creating special provisions for teacher retirement and special education.

Also during this period of fiscal crisis, the Central Falls school district petitioned the Rhode Island Department of Education, or RIDE, "to assume the supervision, control, and management of the public schools" due to severe financial problems. In July 1991, the General Assembly acted upon the authority granted in R.I. G.L. 16-1-10 and assumed complete fiscal responsibility for the district, which had practically no local fiscal capacity to support its schools. The city of Central Falls is only one square mile in size, and therefore has a very limited property tax base to support its schools and municipal services. The state assumed full fiscal responsibility for the operation of the district in FY 1993. Until 2003, the state commissioner appointed a special administrator to manage the district. Beginning in 2003, the district has been governed by a state-appointed seven-member school board.

Finally, the state came under fire for not adequately meeting the needs of communities that served high numbers of low-income students. In FY 1994, the City of Pawtucket and others filed a legal challenge to Rhode Island's education funding system, arguing that money was not equitably distributed in high-needs communities. Superior Court Justice Needham declared the state funding system in violation of Article XII of the state constitution.[1]

The Supreme Court overturned Justice Needham's decision in July 1995. This decision was based on the notion that the state does not have the sole constitutional authority over the creation of public education. The plaintiffs' concern for funding equity in high needs communities, however, prompted legislative actions. In an effort to promote equity, the General Assembly allowed districts that have more students who were eligible for the free and reduced price lunch program to receive more state aid. Recognizing interdistrict inequity in state aid, the assembly froze operations aid at the FY 1995 levels in FY 1996 and FY 1997, a solution that did nothing to address the underlying issue.

Movement toward a formula

The absence of a school funding formula had become a central concern among policymakers, practitioners, and reformers by the 1990s.

In 1999, Gov. Lincoln Almond issued Executive Order 99-11 to establish the Governor's Task Force on Elementary and Secondary Education Finance. The 15-member task force was charged to "formulate recommendations to establish a coherent, equitable, adequate and affordable system of financing" elementary

and secondary schools in Rhode Island. The Rhode Island Public Expenditure Council, among key stakeholder organizations, also advocated for reducing the burden on local property taxes in funding schools. In 2004 the General Assembly enacted the Education and Property Tax Relief Act, which stated that it "recognizes the need for an equitable distribution of resources among the state's school districts, property relief and a predictable method of distributing state aid."

During the 2006 session, the General Assembly created a joint committee to develop a new school aid formula. Chaired by Sen. Hanna Gallo (D-RI) and Rep. Edith Ajello (D-RI), the "Joint Committee to Establish a Permanent Education Foundation Aid Formula for Rhode Island" commissioned R.C. Wood & Associates, a Florida-based consulting company that specializes in school finance issues, to develop an estimate of what it would cost to support students in adequately meeting educational standards.

In proposing a "student need-based driven" cost model in Rhode Island public schools, R.C. Wood & Associates came up with an average base cost per student of $9,500.[2] Additional costs would be added to the base cost for students in poverty, English Language programs, and special education programs. The consulting team relied on four types of analysis:

- Successful Schools Model recommended a base cost of $9,200-$9,250 per student, with an increased spending of $56.7 million to $128.3 million. This model relied on the cost figures of schools that were considered as "successful" in meeting state proficiency standards.

- Advanced Statistical/Cost Function Model recommended a base cost of $9,150 to $9,200 per student, with an increased spending of $42.4 million to $46.4 million. This model was based on regression analysis of cost variables, including poverty, English language proficiency, disabilities, student population, and salaries.

- Professional Judgment Model recommended a base cost of $10,112 per student, with an increased spending of $204.8 million. This model solicited inputs from principals and other stakeholders on the cost figures that constituted different prototype schools, such as a large elementary or small middle school.

- Evidenced Based Model did not estimate the per student base cost but recommended an increased spending of $53.35 million to $58.35 million. This model focused on effective practices that improved student performance.

Meanwhile, representatives from professional associations, interest groups, and think tanks met to discuss a formula to support public education in Rhode Island. In April 2007, the group issued a report on their findings, "Funding Our Future: An Approach to Fund Education in Rhode Island." Participating organizations included:

- Rhode Island Public Expenditure Council
- Rhode Island Association of School Committees
- Rhode Island Federation of Teachers and Health Professionals
- The Education Partnership
- National Education Association Rhode Island
- Rhode Island League of Cities and Towns
- Rhode Island School Superintendent's Association

In response to the recommendations from various organizations, including the consortium on Funding Our Future, the Joint Committee established two broad-based technical advisory groups, with one focusing on tax issues and another one on school aid. The latter, known as the Foundation Aid Technical Advisory Group, received technical assistance from the Rhode Island Department of Education. The technical advisory group considered recommendations from both the R.C. Wood's study and the Funding Our Future group, and submitted its own recommendations to the General Assembly's joint committee.

These recommendations formed the basis for legislative proposals submitted by Sen. Gallo and Rep. Ajello. Consequently, the two legislators introduced H.B. 6539 and S.B. 1112 in the 2007 legislative session, but no actions were taken. Proposals for a new funding formula that dropped the minimum state share were again introduced in the 2008 legislative session as H.B. 7957 and S.B. 2650. But no legislative action was taken.

Finally, on June 26, 2009, S.B. 921 was passed. This bill guaranteed that state aid would account for at least 25 percent of the public school revenue, maintain the amount of state aid for each district at a level that was two years prior to the implementation of the new formula, and require district participation in statewide purchasing system and standardized accounting practices. Because this proposed formula would need additional state aid to temper the impact in districts that saw a drop in state aid, the bill called for a two-year delay in its implementation. The House, however, did not take action on this Senate bill.

Putting the funding formula together, 2009-10

Efforts to develop a school funding formula intensified as Rhode Island prepared for its application for the national competition for the federal Race to the Top funding. Demonstrated use of a funding formula for equitable distribution of state aid was a prerequisite for states competing for Race to the Top funds. At the urging of the state commissioner of education, Deborah Gist, the Board of Regents approved a set of principles in guiding the development of a new formula. While various groups were invited to provide inputs throughout the process, including those mentioned above, the commissioner began to take a stronger role in leading the reform process.

These principles included:

- Resources that follow the child. Because state dollars are allocated to the district, this principle ensures that when the student leaves the district for schooling elsewhere, the state aid will go to the receiving school or district during the academic year.

- A "market basket" approach based on "accurate per pupil cost formula" which aims to specify the key factors that are related to student learning.

- A system that specifies expenditures that should be assumed by the state or the local district. Since public school funding comes from different governmental levels, including federal, state, and local, this principle points to the need for clarifying the basis for state aid (or state share relative to local share).

To advance these principles into a new formula, the Board of Regents and the commissioner of education invited a research team led by Professor Kenneth Wong (the author of this paper) at Brown University to partner with the Rhode Island Department of Education to design a new school funding formula, a process that would require extensive data analysis. Professor Wong, who provided pro bono service to the state throughout the process, was assisted by Jason Becker and Mary Stuart Kilner, two graduate students in Brown's Urban Education Policy Program.

Trust in the partnership between the state commissioner and the Brown design team that provided critical technical support was crucial to the success of Rhode Island's funding reform process. Starting in the fall of 2009, the State

Commissioner of Education Deborah Gist granted full data access to all the variables that are relevant in constructing the key components of the formula to members of the design team. Her staff also gave undivided attention to meeting all the data requests.

Further, Commissioner Gist was able to buffer political intrusion throughout the critically important start-up phase of the research and development process. Once the design team presented the findings and recommendations to the Board of Regents in February 2010, the commissioner moved assertively in coordinating a well-thought-out communication strategy. She ensured that the data analyses were made available to all the stakeholders for an extended period of inputs. Extensive consultations were conducted with the State House and Senate leadership, the governor, legislative staff, agency administrators, statewide interest groups, such as the RI Association of School Communities and the RI Association of School Superintendents, and statewide advocacy groups, such as RI KidsCount, RI Public Expenditure Council, or RIPEC, and the RI League of Charter Schools.

Consequently, the design team was able to synthesize the findings and the methodologies of previous task force reports, legislative proposals, and studies conducted by RIPEC, Funding Our Future, and RI Mayoral Academy, among others. The design team conducted countless hours of simulation analysis to make sure that the proposed formula was grounded with data integrity.

During the spring of 2010, the commissioner of education and her staff organized dozens of public forums to gather inputs on the proposed formula. RIDE staff and the Brown design team worked collaboratively to address hundreds of questions that came from a wide range of stakeholders across all regions and communities throughout the state, and did so in a timely fashion.

RIDE also used its website to communicate with stakeholders about the proposed formula. Based on the research conducted by the design team, RIDE posted clarifications on various aspects of the new formula online, and created a frequently asked questions section on its site to ensure public access to the rationale, design, methodologies, and distributive consequences of the new funding formula. The FAQ was updated throughout the process and the most recent version contained 63 questions and answers that were updated as of April 2011. The posted questions suggested a serious effort on the part of RIDE to communicate to the public in a straightforward manner. Examples of the questions included:

- Why did Rhode Island need a funding formula?
- What does the funding formula achieve?
- What are the components of the enacted funding formula?
- Are there services that are not included in the core instruction amount?
- How is the state share ratio calculated?
- How will charter school students be funded?

The extensive consultation process led to the final hearings at the State Senate Finance Committee. Shortly after, the General Assembly adopted the new formula on June 10, 2010 and the governor signed the legislation into law in June 2010, thereby marking the end of a long period when Rhode Island was the only state without a school funding formula. Implementation of the new formula begins in FY 2012.

Some lingering issues remain regarding the new formula. On April 7, 2011, the City of Pawtucket and the City of Woonsocket, two of the poorest communities in the state, filed a lawsuit challenging the adequacy of the newly enacted school funding formula. The plaintiffs claimed that the school funding formula did not take into full account the additional costs associated with the needs of the special needs populations, especially disabled students.

State dollars account for more than 80 percent of the school funding for these two urban districts. Pawtucket and Woonsocket are scheduled to receive an additional $1.5 million and $1 million in state aid as a result of the new funding formula. The plaintiffs claim, however, that because of the districts' substantial number of English language learners and disabled student populations, the two urban districts ought to have received even more state aid. A ruling from the State Superior Court may be issued during the summer of 2011.

Key design features of the 2010 school funding formula

The key features of the Rhode Island funding formula include the following:

- A core instructional cost for each student
- A "student success factor" to support students who come from low-income, high-needs backgrounds
- State and local funding that follows the student
- Determinants of state aid to districts based on local fiscal capacity and concentrated poverty
- A gradual phase-in process
- A system that connects resource allocation with educational accountability

Let's now discuss each of these features in detail.

Core instructional cost for each student

The new funding formula proposes $8,295 as the per student cost for core instructional services in spring 2010. The per student cost will be adjusted annually based on the Consumer Price Index. This per pupil cost is grounded in an extensive analysis of disaggregated school spending data that are available for the New England states and other states in the National Center for Education Statistics, or NCES.

The formula starts with the concept of core instructional services. It is based on an analysis of NCES data on how much Rhode Island should spend to provide core instructional services to each public school student without special needs. The design team arrived at $8,295 after extensive examination of verifiable NCES data on salary and benefits of a wide range of instructional, administrative, and support staff. Specifically, the per student cost comes from averaging the core instructional costs of four New England states, namely Connecticut, Massachusetts, New Hampshire, and Rhode Island.

The team used 2005 spending data adjusted using a New England-based consumer price index in arriving at the core instructional cost for 2010. It used this method for several reasons. First, the period after 2005 marked the beginning of significant fluctuations in school spending due to unstable economic conditions. Secondly, NCES's 2005 data provided the most complete disaggregated data prior to the economic fluctuations. Third, 2005 preceded the most recent series of the General Assembly's budgetary freezes. In other words, the use of 2005 data with an adjusted CPI constitutes a fair approach to estimating the instructional cost.

TABLE 3

The core instructional cost is based on the NCES school spending data on the following aspects of instructional and administrative support services

Service category	Cost details	Percent funded in cost of core instruction
Instructional staff	Salaries for teachers (regular, part-time, substitute, hospital-based, sabbatical, home-bound), teacher aides	100%
Other instructional service	Salaries and contracts for technical and professional services, supplies, textbooks, professional dues and fees	100%
Student support	Salaries for social workers; guidance counselors; staff in health, psychology, speech pathology, and audiology; nurses, coaches, bus supervisors, summer school teachers, supervisors in extra-curricular activities	100%
Other student support	Salaries for supervisors of instruction, library, and media staff, computer lab staff, curriculum coordinators, in-service teacher training staff; salaries and contracts for professional services, supplies, textbooks, professional dues and fees	100%
General district administration	Salaries for school board members, school board staff, superintendent, central office staff, and purchased services and contracts	100%
School-level administration	Salaries for principals, department chairs, administrative staff; purchased services; supplies; and professional dues and fees	100%
Staff benefits	Fringe benefits for instructional, administrative, and support staff	60%

Student success factor

The design team recognized the importance of providing additional support for students who come from low-income, high-needs backgrounds. The design team reviewed the funding formulas of several other states and considered a range of additional weights assigned to students who need additional support in meeting their learning goals. To represent the additional support high-needs students require, the new formula includes a "student success factor."

This factor constitutes an additional 40 percent of the average pupil instructional cost and is allocated to children who are verified as eligible for the free and reduced-price school lunch program, or FRPL. Table 4 provides the percentage of students who are FRPL eligible by district as well as by charter schools in Rhode Island. For example, 82 percent and 80 percent of the students are FRPL eligible in Providence and Central Falls, respectively. Several charter schools also have high percentages of their students eligible for FRPL, such as Segue Institute for Learning, the Learning Community, and Trinity Academy for the Performing Arts.

While exceptionally high-needs special education students were given additional categorical money, the formula itself did not assign additional weights to special education students or English language learners to avoid the perverse incentive of overidentification and to create the positive incentive for local schools to integrate these students in their mainstream instructional system. It should be noted that the 2007 "Funding our Future" report also called attention to the problem of over-identification of potentially high-cost students. It observed, "[T]he formula must ensure there are not unintended "incentives" for overidentification of student need. For example, one would not want to design a weighted student count that encouraged school districts to increase student counts in certain higher cost areas in order to receive additional resources. Therefore, as the process moves forward, adequate controls will need to be in place."

Ensuring state and local dollars follow the student

Including the student success factor in the funding formula creates incentives for schools and districts that receive children who come from at-risk backgrounds. The formula allows both state and local dollars to follow the child, thereby providing the much-needed resources for the schools and districts these students attend to deliver instructional services. Additionally, an increasingly comprehensive data system on student information allows RIDE to identify which students transfer from one district to another or from a public school to a charter school. In either case, the state aid and local dollars follow the child to the receiving school and district.

The process of transferring resources across districts and school types has also been simplified. Previously, the charter schools that received the students had to invoice the sending districts for reimbursement. The new funding formula allows the state to use the enrollment data to process the payment directly without requiring the time-consuming invoicing process.

TABLE 4

Total enrollment and percent of students eligible for Free and Reduced Price Lunch, or FRPL, for each of the districts in Rhode Island, ranked by total enrollment, including individual charter schools, 2010

District	2010—FRPL (male)	2010—FRPL (female)	Total FRPL	Percent FRPL	2010—Total enrolled
Providence	9893	9519	19412	82%	23573
Cranston	2083	1959	4042	38%	10738
Warwick	1710	1460	3170	31%	10261
Pawtucket	3468	3242	6710	76%	8886
Woonsocket	2004	1778	3782	62%	6110
East Providence	1099	1117	2216	39%	5638
Coventry	720	638	1358	26%	5311
Cumberland	545	480	1025	21%	4846
North Kingstown	433	402	835	19%	4409
Chariho	397	374	771	22%	3528
South Kingstown	314	278	592	17%	3527
West Warwick	783	743	1526	43%	3520
Barrington	75	79	154	4%	3498
Bristol Warren	573	574	1147	33%	3474
Lincoln	391	411	802	24%	3301
North Providence	526	542	1068	33%	3278
Westerly	531	461	992	32%	3098
Johnston	607	586	1193	39%	3083
Central Falls	1169	1123	2292	80%	2848
Portsmouth	195	154	349	12%	2796
Smithfield	174	157	331	13%	2467
Burrillville	415	423	838	34%	2460
Middletown	332	285	617	26%	2407
East Greenwich	73	66	139	6%	2398
Newport	597	590	1187	58%	2037
Tiverton	239	199	438	23%	1906
Exeter-West Greenwich	116	113	229	13%	1805
North Smithfield	124	128	252	14%	1764
Scituate	130	103	233	14%	1628
Narragansett	140	102	242	16%	1479
Foster-Glocester	112	81	193	15%	1296
Davies Career and Tech	278	262	540	66%	816
MET Career and Tech	191	229	420	65%	650
Glocester	60	58	118	20%	584
Paul Cuffee Charter School	**212**	**215**	**427**	**76%**	**559**
Jamestown	14	12	26	5%	492
Learning Community	**203**	**214**	**417**	**89%**	**471**
International Charter	**92**	**92**	**184**	**59%**	**312**
Little Compton	23	27	50	16%	309
Highlander	**114**	**107**	**221**	**78%**	**282**
Foster	17	27	44	16%	274
Blackstone Valley Prep, A RI Mayoral Academy	**89**	**71**	**160**	**63%**	**256**
Beacon Charter School	**39**	**66**	**105**	**47%**	**224**
Kingston Hill Academy	**19**	**22**	**41**	**23%**	**179**
Blackstone Academy	**57**	**66**	**123**	**75%**	**164**
The Compass School	**7**	**7**	**14**	**9%**	**153**
Urban Collaborative	47	72	119	84%	142
Segue Institute for Learning	**65**	**75**	**140**	**100%**	**140**
New Shoreham	11	5	16	13%	128
DCYF	91	13	104	100%	104
The Greene School	**4**	**3**	**7**	**9%**	**81**
R.I. School for the Deaf	18	11	29	42%	69
Trinity Academy for the Performing Arts	**10**	**21**	**31**	**91%**	**34**

Note: Charter Schools are in bold.

Source: Rhode Island Department of Education, "Public School Enrollment" (2010), available at http://www.ride.ri.gov/Applications/fred.aspx.

Determinants of state aid to districts

Arguably the most controversial provision in the formula is the criteria used in determining the amount of state aid that goes to each district. The new formula uses a quadratic mean-based equation that simultaneously takes into account two factors:

- The concentration of at-risk students, namely poverty count at the community aggregate level of a particular district
- Revenue-raising capacity, namely median income at the community aggregate level of a particular district

The mathematical formula in cost calculation, as configured into a quadratic equation, would enable the larger value of the two components (concentration of poverty and fiscal capacity) to be recognized in the allocation of state aid. State agencies in Rhode Island have relied on a so-called "equalized weighted assessed value" for estimating local wealth for taxing and spending purposes since the 1960s. The design team decided to use this estimate in assessing local fiscal capacity.

In addition, the formula relies on FRPL for kindergarten through sixth grade to operationalize the notion of concentrated poverty as an estimate for local service demands. The mathematical squaring of the two factors then jointly determines the level of state aid for each district. Because these calculations resulted in winners and losers, political opposition was intensively focused on these mathematical specifications.[3] Both the state commissioner and the state legislative leadership endorsed these calculative mechanisms.

The design team was able to use these estimators in the formula to identify the amount of state aid that should have gone to communities with growing needs as measured by eligibility for the free and reduced-price lunch program in the aggregate. Equally important is the amount of state dollars that would not have gone to districts with declining enrollment. For example, while Newport has sound fiscal capacity, it also has a growing number of students eligible for FRPL. The quadratic mathematical value of the latter enables the formula to recognize the need for state aid, thereby resulting in an overall increase in state aid to the district under the new formula.

A gradual phase-in process

Elected state lawmakers have a responsibility to serve the interest of their constituencies. A technically sound policy design need not run into conflict with electoral

responsibilities, and the Rhode Island formula takes this into account. The Rhode Island school funding formula provides additional state aid to 70 percent of the students throughout the state. Districts that receive additional state aid as a result of the new formula will see a gradual increase of their aid over a period of seven years. Meanwhile, districts that receive less state aid as a result of the new formula will have a gradual, 10-year phase-in period before the lower amount takes effect.

Further, with guidance from the state legislative leadership, the legislation maintains categorical supports for early childhood education, transportation, school construction, career and technical programs, teacher pension, fiscal stabilization for local funding support for the schools in Central Falls, and high-cost special education programs (services that cost five times more than the average), among others. These categorical programs provide a buffer for districts and schools that may experience a decrease in the formula-based state allocation.

The phase-in is shaped by the overall state spending capacity as determined annually in early May by a five-day work session organized by the Revenue and Caseload Estimating Conference, led by the state budget officer and the key fiscal staff in the state House and the Senate. Given the current climate of fiscal retrenchment, the gradual phase-in process would ensure legislative and gubernatorial commitment to the implementation of the new funding formula.

Connecting resource allocation with educational accountability

The Rhode Island legislation requires districts to implement a uniform chart of accounts, or UCOA, that will enable the state to monitor how local districts are spending the state dollars. This reporting requirement—which requires all districts to use a common set of accounting codes—allows the state to make the connection between local allocative practices and educational performance. The new funding formula constitutes a major step in linking resource allocation to the state's standards on service delivery, schooling quality and opportunities, and the Basic Education Program, or BEP.

The BEP, adopted in 1989, has evolved as a policy framework on district commitment, responsibilities, and activities in delivering effective instructional programs and promoting student achievement. Key areas of focus include district and school leadership, instructional content, infrastructure, and community engagement. For example, on student learning and achievement, the 42-page 2010 BEP expects the districts to "articulate expectations about the roles and responsibilities of instruc-

tional leaders and school improvement," "establish policies that create favorable conditions under which learning can take place and performance goals can be measured," demonstrate "the principles and practices of distributed leadership as part of a shared governance," and engage "all stakeholders within the learning community" to share the vision and mission.

Similar policy expectations apply to staffing, curriculum, instruction, assessment, planning and accountability, family and community, safe learning environment, and fiscal and human resources.

To track the extent to which local districts are allocating state aid and local resources to support the BEP, the new funding formula requires the districts to submit quarterly reports on their allocative practices beginning in FY 2010, one year prior to the first year of implementing the new funding formula.

Consistent with the tradition of local control, most districts previously used their own coding practices to organize quarterly financial reports. By using a common coding scheme, the newly required UCOA reports will provide details on resource allocation by jurisdiction (district name), function (teaching staff or instructional materials), program (Title I or special education), subject (math or reading), spending object (textbooks), and the job assignment code for the staff in the specific activity (teachers in a classroom).

The UCOA data will be stored as part of RIDE's data warehouse for ongoing analysis in terms of district activities in meeting the BEP expectations. District and state policymakers will be able to compare, for example, how a particular district or school is spending their state and local dollars to support math or reading learning. UCOA data also allows policymakers and other stakeholders to compare spending practices across districts as well as to compare an individual district with the state aggregate. For example, resource allocation in instructional practices in a subject matter can be examined in terms of spending on face-to-face teaching, instructional paraprofessionals, and pupil-use software and technology, among others.

Most importantly, RIDE decided to make the UCOA data accessible to the public so that parents and other stakeholders can examine how their districts are spending relative to other communities and the state as a whole.

Policy implications and recommendations

Effective leadership widens the policy window

In the Rhode Island case, the state commissioner and the state board of education were able to gain gubernatorial, legislative, and stakeholder support for school funding reform when the state was prepared to compete for the federal Race to the Top funding. In most other states where funding reform occurred, court decisions and gubernatorial leadership often played the key role.[4]

In addition, the phasing-in feature and the categorical programs tended to ease political tension often associated with school funding reform. Equally important, the state commissioner strongly believed that the new formula, with up-to-date data on enrollment and other socioeconomic characteristics of the students and communities, would provide more equitable resources to students throughout the state. Indeed, the new formula, using recent student data on free and reduced price lunch (see Table 4), resulted in allocating more resources to more than 70 percent of the students in the state.

Independent analysis contributes to policy reform

As states gain prominence in an era of accountability-based reform, the Rhode Island school funding reform experience shows that sound policy, backed up by independent, empirical analysis, can reverse years of political cynicism. A partnership of trust, data transparency, and coordinated communication between the state commissioner and the independent design team overcame seemingly insurmountable political and economic challenges to enact fiscally responsible reform.

School funding formula must first serve the student's education purpose and should not assume a need for additional funding

Rhode Island's school funding formula offers a fundamental departure from the dominant paradigm that assumes that the state government must spend substantially more to fulfill its constitutional responsibility. The Rhode Island legislation offers a fiscally responsible approach that focuses on students and targets the most challenging conditions that affect student learning. State aid is allocated based on local fiscal capacity *and* concentrated poverty. When students leave the traditional public schools for charter schools or from one district to another, state and local resources follow them.

Accountability and transparency should be institutionalized in implementing the formula

The Rhode Island formula ensures data transparency to meet public demand for school accountability. Implementing a uniform chart of accounts that details local spending practices will help monitor state taxpayers' money. Dollars are held accountable for meeting the expectations of the state's Basic Education Program. The public and stakeholders can access the spending data at the state department of education website. Interested parties can compare spending decisions across schools and districts as well as examine differences between a given district and the state aggregate.

From a broader perspective, if all states and districts adopt a common accounting system, the public and policymakers can compare spending decisions across schools and districts of similar characteristics nationwide. This new policy paradigm will advance our 50 state systems of school funding toward a more coherent, unified system of transparent accountability.

Conclusion

Reforming a state's school funding system is clearly a difficult task, but the Rhode Island case demonstrates that such reform is possible even in a challenging fiscal climate. In the absence of additional funding, school finance reform creates winners and losers, but the Rhode Island legislative success suggests that highly politicized issues can be addressed with sound public policy.

The Rhode Island school funding formula incorporates key design features that other states can learn from. These include a core instructional cost for each student, a student success factor to support low-income students with high needs, funding that follows the student, determinants of state aid based on local fiscal capacity and concentrated poverty, a gradual phase-in process, and a new accounting system that connects resource allocation with educational accountability. The reform process itself was successful because of effective leadership and mutual trust, the prominent role played by independent expert analysis, a fiscally responsible approach that focuses on students and their needs, and a data system that is transparent and publicly available.

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Endnotes

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Acknowledgements

The Center for American Progress thanks the Ford Foundation for providing support for this paper.

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Made possible with support from FORDFOUNDATION

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