RI's Education Funding Formula

Introduction and Its Impact on Cumberland Students

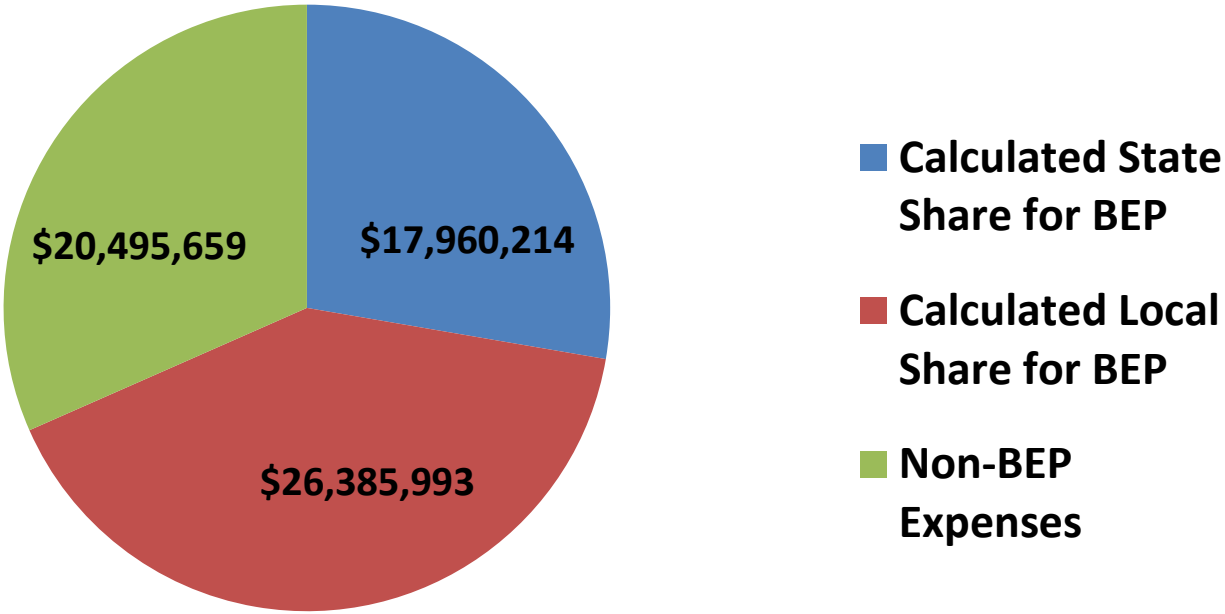
02/04/2014

Overview of the Funding Formula & Basic Education Plan (BEP)

- Enacted in June 2010
- Regulations developed by the Board of Regents establishing basic funding standards for the RI public education system
- Requires that student learning be the primary reference point for decision making, responsive policy development, resource allocation, and personnel assignment and evaluation
- Takes into consideration what is needed to educate a child effectively in Rhode Island
- Ensures funds are distributed in a way that is consistent and transparent

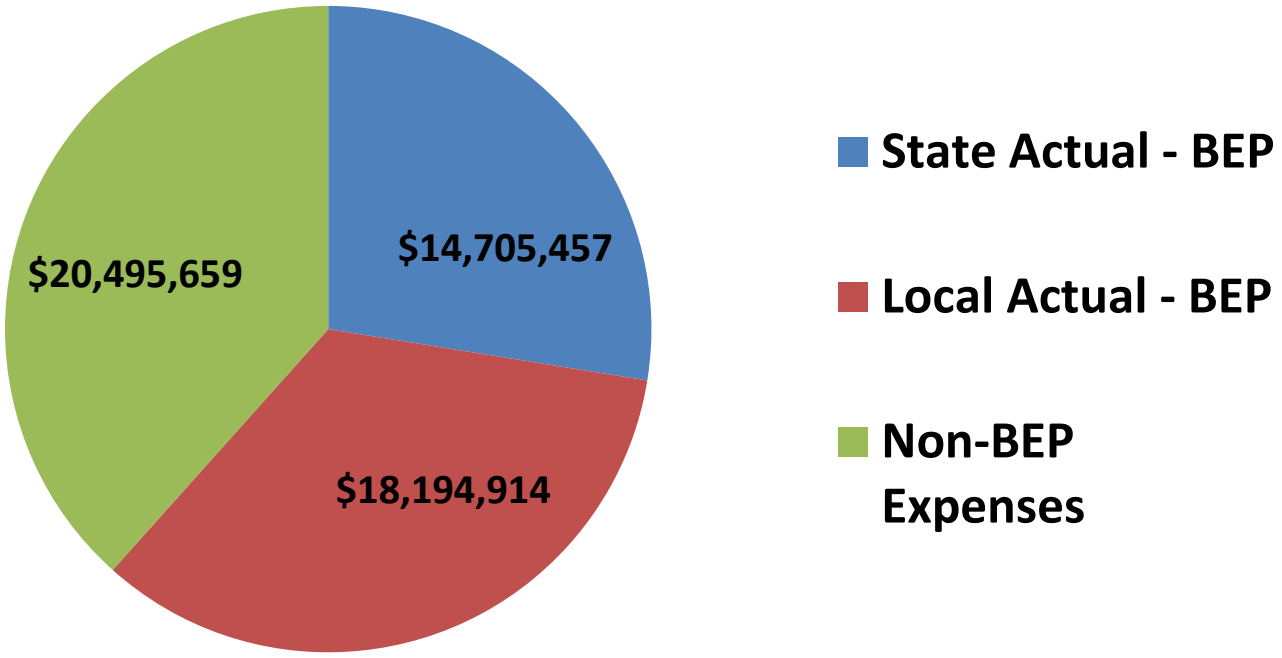
What if the State Funding Formula was Fully Funded in Cumberland?

Funding Formula State and Local Share Calculations + Non-BEP Expenses (If Fully Funded by both State and Town)



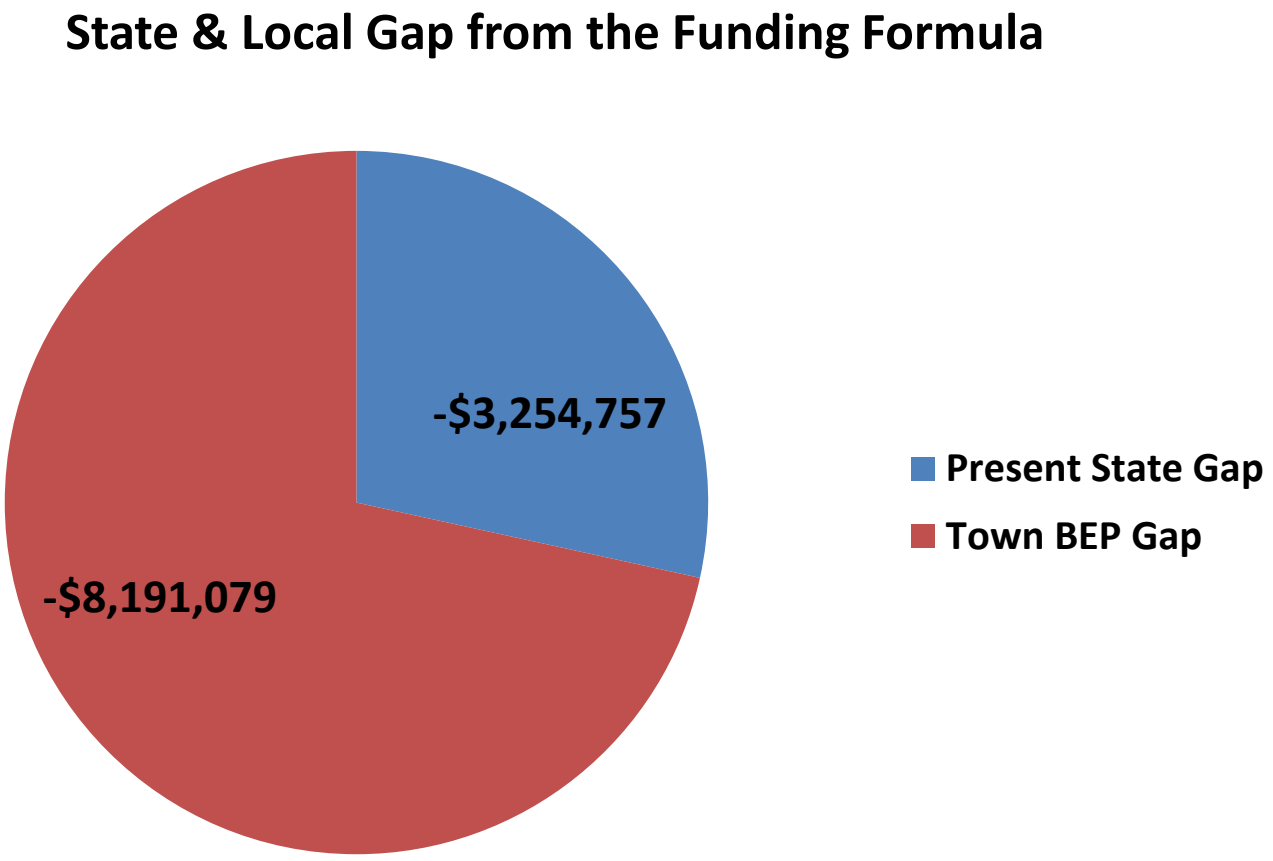
Total: $64,841,866

How is the State Funding Formula currently funded?



Total: $53,396,030

What is the FY14 BEP Funding Gap?



Total: $11,445,835

What are the Key Components of the State Funding Formula?

1. **Core Instruction** amount that funds student instructional needs as described in the BEP
2. **Student Success Factor (SSF)** that provides additional funding to support Free/Reduce Priced Lunch (FRPL) student needs; with the goal of closing achievement gaps
3. **State Share Ratio (SSR)** that considers a district's revenue generating capacity, taking into account property values, median family income, and the concentration of at-risk students

- Source http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FAQ-Updated-42011.pdf

1) Core Instruction Amount per State Formula

- *FY12 $8333 / student*
- *FY13 $8679 / student*
- *FY14* ***$8897 / student***

Number of Cumberland Students FY 14: ***4,562***

State Funding before Student Success Factor:

$8,897 x 4,562 = $40,588,114

2) Student Success Factor (SSF)

- Provides additional funding to support FRPL student needs

SSF = Core Instruction Amount * 40% * (#FRPL Students)

- Number of FRPL Students in Cumberland

FY12 = 948 Students

FY13= 1,007 Students

FY14= **1,056 Students**

SSF FY 14 = $8,897 * 40% * 1,056 = $3,758,093

Total Core Instruction Amount to Fund the FY14 BEP

BEP Funding = Core Amount + SSF

Core Amount: $40,588,114

+ SSF: $3,758,093

BEP Total: $44,346,207

Amount to fund Cumberland's Basic Education Program per State requirements

3) State Share Ratio

- State share ratio considers a district's revenue generating capacity
- Takes into account property values, median family income, and the concentration of at-risk students
- State's Share of BEP is 40.5%
- Cumberland's Share of BEP is 59.5%

State's Share of BEP for other Rhode Island towns for comparison

Cumberland	Woonsocket	Lincoln	N.K.
40.5%	~86.2%	39.2%	29.3%

3) State Share Ratio, con't

The State is supposed to provide 40.5%* of the funding formula money to Cumberland.

$44,346,207 x 40.5% =	**$17,960,214**
Actual FY14 State Aid :	**$14,705,457**
State Share of BEP Gap:	**$3,254,757**

**Cumberland is an underfunded district based on state analysis. A funding strategy has been established to fully fund the State Share over 7 years (by FY 2018).*

Annual State increase for Cumberland students to meet the BEP by 2018: ~$699,000

Cumberland's Current School Contribution

FY14 Town Contribution :	$38,690,573
Non BEP Obligations (FY14*)	$20,495,659
Amount remaining for BEP	**$18,194,914**

Note: FY2010 Non-BEP Expenses were $16,269,374, FY2013 Non-BEP Expenses were 18,730,232. Projected Non-BEP costs for FY2014 are* *~$20,495,659***

Cumberland's BEP Share per State

Cumberland is supposed to provide 59.5% of the funding formula money to Cumberland Students.

$44,346,207 x 59.5% =	**$26,385,993**
Effective Cumberland Share:	**$18,194,914**
Cumberland Share of BEP Gap:	**$8,191,079**

Total Funding Gap for FY 14

- Total Annual Per Student Gap:
  - *$11,445,835 / ~4,562 = $2,509/student*

- Apportioned Annual Per Student Gap :
  - *State: $3,254,757 or $713/student*
  - *Town $8,191,079 or $1,796/student*

Why are we having this conversation?

Need to Close the Total Funding Gap!

- State is addressing their share of BEP underfunding by increasing aid through 2018
- What can the Town and School Department do?
  - *Decrease Non-BEP costs*
  - *Increase Tax Revenue*

Need to Close the Total Funding Gap!

- Where can Non-BEP costs be reduced?
  - *Top-6 categories make up 98% of Non BEP budget:*
    - Charter Tuition, Special Ed Tuition, Out-of-District Transportation (24.4%)
    - Teacher Retirements (21.8%)
    - Utilities and Building Upkeep and Maintenance (21.2%)
    - Federally subsidized Expenditures (10.9%)
    - In-District Transportation (10.6%)
    - Food Service (8.8%)
- Can we increase Tax Revenue?
  - *2014 Town Budget is $86,039,434*
  - *State has set limit for year-over-year tax increase at 4%*
  - *Town also has lower limit for year-over-year tax increase*
  - *Even at state limit, additional tax revenue only $1.5M*

Strategies

- Develop long range funding strategy like State solution with planned increase to meet BEP obligations
- Prioritize funding toward BEP costs first, non-BEP costs second
- Plan for financial impact of charter school expansion
- Create a funding strategy (long range) that can equitably support two existing school districts
- Complete a gap analysis similar to N. Smithfield; identify measureable timelines and funding strategies to close gap with each budget cycle
- Evaluate state laws/regulations & town ordinances for cost saving opportunities

Next Steps

- Develop 10 year projections for:
  - *Top-6 Non-BEP budget items*
  - *District student and FRPL enrollments*
  - *Charter school enrollments*
  - *State funding based on funding formula*
  - *Town budget*
- Review Top-6 for ways to limit increases
  - *Contract reviews*
  - *State mandate reviews*
- Determine realistic plan to increase Tax revenue to close Town funding shortage
  - *Review existing tax caps at both state and local level*

Sources

- http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FY-2014-Calculations-for-the-Web.pdf
- http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FAQ-Updated-42011.pdf
- http://www.americanprogress.org/wp-content/uploads/issues/2011/08/pdf/rhode_island_reform.pdf
- http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/Core-Instruction-Supporting-Detail.pdf

Appendix

1) Core Instruction Amount

- Established annually as the amount that <u>adequately</u> funds the BEP
- Based on best practice cost studies from states deemed to have the best practice financial models
- Focused on student achievement
- Funded from state and local resources

What does the funding formula cover?

- Focused on student achievement
- Accounts for costs having the greatest impact on a child's ability to learn
  - *Instructional supplies*
  - *Textbooks and equipment*
  - *Curriculum development*
  - *Professional development*
  - *Salaries (teachers, aides, counselors, librarians)*
  - *Administration and administrative support*
  - *A portion of benefits*

What doesn't the funding formula cover?

- Costs determined to be controlled at the local level or funded by other means
  - *Retiree healthcare*
  - *Pension*
  - *Charter School Tuition*
  - *Transportation*
  - *Out of district transportation*
  - *Utilities*
  - *Building maintenance*
  - *Food Service*
  - *Capital projects*
  - *Non-public textbooks*
  - *Administrative office supplies*

***Total* $18,730,231** *using FY13 Non-BEP Actuals*

What's Not Covered by the Funding Formula in Cumberland (FY 13 Expenses)

Expenses not allowed in BEP calculation:	Cost
Bldg. Upkeep, Utilities, & Maintenance	-$4,079,015.64
Charter Tuition, Special Ed Tuition & Out of District Transportation	-$3,961,829.02
Total Cost of Teacher Retirement	-$3,934,908.33
Transportation In-District	-$2,270,487.05
Expenditures Funded by Federal Funds	-$2,232,117.68
Food Service	-$1,781,332.82
Retiree Benefits (Net of Cash Receipts)	-$217,381.65
Safety	-$203,209.66
Dues & Fees for Professional Organizations	-$37,051.85
Non-Public Textbooks	-$10,362.20
School Admin. Office Supplies , etc.	-$2,394.51
Miscellaneous Expense	-$141.11
Consultants	$0.00
Admin. Staff in Service training	$0.00
Group Home Aid	$0.00
Enterprise Fund Activity	$0.00
Unallowable Expenses in BEP calculation	-$18,730,231.52

For Reference: 2010 Non-BEP Expenses ***$16,269,374***

What if the Local Share is level funded for FY15?

- We remain out of compliance for the BEP.
- District will be forced to limit student achievement-focused programs.
- Charter school tuition increases ~$418 for every student presently attending (418 students) based on RIDE Transition Plan an additional $174,724 in FY15
- Projected enrollment increase of Charter School students additional cost of $278,920
- Projected increases in other non-BEP expenses
- Presently, expenses above (and all other non BEP expenses) are budgeted <u>first</u>. Remaining amount reconciled for instruction (BEP). This is backwards!

Impact of Ignoring the Local Funding Gap

- Increasing Non-BEP costs erode instructional $ (i.e., Transportation trumps instruction)
- Common Core priorities cannot be addressed
- Programs are stripped to bare bones
- Limits the RTI support for struggling students
- High-end learners remain largely underserved
- Out of date textbooks & technology remain
- Substantially limits program expansion such as music, arts & STEM
- Limits technology replacement & expansion
- Increasing ESL needs reprioritize spending
- Limited ability to address staffing issues
- Middle school librarian
- Middle school secretaries
- Technology assistants

Are there Communities that are Adequately Funded?

Lincoln
Local Appropriation
$39,663,090

~3300 RADM Students

Cumberland : $38,690,573

~4562 RADM Students

What Does RIGL Say?

- **§ 16-7-24 Minimum appropriation by a community for approved school expenses. –** Each community shall appropriate or otherwise make available to the school committee for approved school expenditures during each school year, to be expended under the direction and supervision of the school committee of that community, an amount, which, together with state education aid and federal aid: (1) shall be not less than the costs of the basic program during the reference year, (2) plus the costs in the reference year of all optional programs shared by the state; provided, however, that the state funds provided in accordance with § 16-5-31 shall not be used to supplant local funds. The board of regents for elementary and secondary education shall adopt regulations for determining the basic education program and the maintenance of local appropriation to support the basic education program. **A community that has a local appropriation insufficient to fund the basic education program pursuant to the regulations described in this section and all other approved programs shared by the state and required in law shall be required to increase its local appropriation in accordance with § 44-5-2 or find efficiencies in other non-education programs to provide sufficient funding to support the public schools.** The city of Central Falls annual local contribution to education shall be determined pursuant to subsection 16-7.2-6(d).

What Does RIGL Say? (con't)

- **§ 16-7.2-3 Permanent foundation education aid established. –** (a) Beginning in the 2012 fiscal year, the following foundation education aid formula shall take effect. The foundation education aid for each district shall be the sum of the core instruction amount in (a)(1) and the amount to support high need students in (a)(2), which shall be multiplied by the district state share ratio calculated pursuant to § 16-7.2-4 to determine the foundation aid.
- (1) The core instruction amount shall be an amount equal to a statewide per pupil core instruction amount as established by the department of elementary and secondary education, derived from the average of northeast regional expenditure data for the states of Rhode Island, Massachusetts, Connecticut, and New Hampshire from the National Center for Education Statistics (NCES) that will adequately fund the student instructional needs as described in the basic education program and multiplied by the district average daily membership as defined in § 16-7-22. Expenditure data in the following categories: instruction and support services for students, instruction, general administration, school administration and other support services from the National Public Education Financial Survey as published by NCES and enrollment data from the Common Core of Data also published by NCES will be used when determining the core instruction amount. The core instruction amount will be updated annually. For the purpose of calculating this formula, school districts' resident average daily membership shall exclude charter school and state-operated school students.
- (2) The amount to support high need students beyond the core instruction amount shall be determined by multiplying a student success factor of forty percent (40%) by the core instruction per pupil amount described in § 16-7.2-3(1) and applying that amount to all resident children eligible for USDA reimbursable school meals.
- (b) LEAs may set aside a portion of funds received under subsection (a) to expand learning opportunities such as after school and summer programs, full day kindergarten and/or multiple pathway programs provided that the basic education program and all other approved programs required in law are funded.