

# The Funding Formula Debate

**It is no secret** that our current recession has created stress in many areas, both in business and in government. Rhode Island school districts are feeling that stress, but for many communities (including Providence), the issues have been difficult for many years, and the current economic climate has only made them more challenging. Rhode Island is the only state in the country without a school funding formula that bases state aid on such considerations as each district's enrollment, students with additional needs and ability to pay. For that reason, a new grassroots campaign named *Rhode Island is Ready*, organized by East Siders Maryellen Butke and Karina Wood, is active this year to encourage the General Assembly to develop a reasonable solution in this session. (The East Side Public Education Coalition is a member of this campaign, and I have been an active participant.)

This month, I would like to explain some of the key concepts and issues present in the school aid debate, so that readers will be able to follow it when it surfaces in the General Assembly this spring.

We can gain perspective on these issues by reviewing Rhode Island's past and the programs enacted in other states. In our state's history, from 1960 to 1990, we had a school aid funding formula that was a leading model for the rest of the country. School districts set their own budgets and applied to the state to reimburse a percentage of the total. The percentage, also known as the "share ratio," varied depending upon the district's ability to pay. The state measured ability to pay by comparing each city and town's tax base and median family income against the state average, generating higher "share ratios" of state funds for less affluent districts and lower ratios for more affluent ones. This program prevailed until the 1991 credit union crisis, at which time the state imposed drastic cuts.

When the economy recovered, the state did not return to the 1960-90 formula. Instead, it created some "categorical grants" that directed funds towards specific areas (such as professional development), and created a smaller pool of funds that was distributed under the principles of the 1960-90 formula. Around 1997, the General Assembly abandoned even this portion of a formula, replacing it with a system of increasing the prior year's allocations by a fixed percentage across the board, followed by across-the-board freezes for the most recent three years. While this program has been politically expedient, it produces allo-

cations that have no correspondence to the number of students (as relative enrollments statewide have changed significantly) or the needs of each community. These inequities have compounded over time, producing distributions that direct excessive funds to districts that have lost considerable population or benefitted disproportionately from prior categorical grants. Conversely, there are underfunded districts, and Providence is prominent on that list, with a deficit in the tens of millions of dollars, even when one holds constant the current overall level of state school aid.

On two occasions during the past 15 years, the General Assembly has studied the issue, and proposed a formula. The first time was in 1994, when the "Guaranteed Student Entitlement" group, led by Commissioner McWalters, produced a report. The second time was in 2007, when a General Assembly study commission engaged a consultant (R.C. Wood and Associates), who produced a preliminary report ("the Wood Report") which a technical advisory work group adapted into a funding formula, also in 2007.

Both of these study groups produced funding formulas that not only were similar to each other, but also had common features with most funding formulas in place elsewhere in the country. In each formula, the state developed a baseline cost per student, with adjustments (or "weights") for students with special needs, such as poverty, English language learners and special education students. For example, the 2007 formula included a baseline per student cost of \$10,607, with "weights" of +25% for each child in poverty, +20% for each child who is learning English as a second language, and +50% for each special education child. Once the total "foundation cost" is calculated, the formulas called for the state to pay a "share ratio" using the same principles as those applied in 1960-90.

When the General Assembly considered each of these "funding formulas," the education community showed strong support, stating that these principles were used nationally because they were a fair way to share the costs of education. Unfortunately, these arguments did not succeed because some communities had become the beneficiaries of excessive funding during the recent years of policy drift. When the General Assembly designed the "categorical grants" that replaced the funding formula, legislators with strong support skewed those

grants to benefit their home districts at the expense of sound statewide public policy. Also, some districts that lost population during 1997-2007 were receiving the same proportion as before, increased by across-the-board percentages. These districts were receiving excessive amounts per student, but they resisted a return to a more fair or equitable alternative.

Those problems carry forward to today. In recent years, some legislators have stated that any new "funding formula" must contain a "hold harmless" provision that prevents any current allocations from being reduced. Senator Gallo sponsored a "hold harmless" bill last year, adding another provision that prevented the total pool of state aid from increasing until there was a demonstrated increase in revenues over a two-year period. The net result of the Gallo bill would be to ensure that the current inequities would be "locked in" for the next several years, and then addressed in the future on at most an incremental basis. The Rhode Island Senate passed the Gallo Bill, but the House did not.

In contrast, Representative Ajello proposed a bill in the Rhode Island House last year that included a significant redistribution of existing funds (including almost \$50 million more for Providence) over a period of three years without any "hold harmless" protection for overfunded districts. This Ajello bill did not even receive a hearing.

In short, the General Assembly's inability to enact a funding formula is not due to a lack of knowledge – we have known the correct public policy solution for at least 15 years. The problem, instead, is a lack of political will. Any funding formula that produces meaningful additional aid to underfunded districts (such as Providence) must obtain those funds from one of two sources: either from current allocations to overfunded districts (i.e., no "hold harmless" provision) or from additional state aid. Rhode Island's current financial difficulties make the second alternative unlikely; therefore, it is necessary to have a redistributive (or "Robin Hood") solution, which would be a "heavy lift" for our General Assembly.

As of press time, our new Speaker of the House has announced that he aims to address school funding this term. When the snow melts and the Red Sox begin their new season, we will learn if the Rhode Island General Assembly is able to solve a problem that has been held hostage to gridlock for the past 20 years, compromising the education of thousands of children in the process.

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