A Fairer Way to Fund Our Schools

In early March, the Board of Regents for Elementary and Secondary Education voted to approve a funding formula developed by the Rhode Island Department of Education (RIDE). In my opinion, the RIDE formula contains many improvements over the state's current distribution of school aid. I also believe it needs improvement as it goes through the legislative process, as its current formulation could present difficulties for the children in Providence and other communities over time.

Referring to the elements described in my April column, the RIDE formula has three essential components. First, it calculates a "foundation amount" of $8,295 per student. Second, it incorporates a 40% "student success factor," scaling up the "foundation amount" by 40% (or $3,318) for each student in poverty. Based on these two numbers, the formula calculates the "foundation budget" for each school district or charter school. Third, the RIDE formula calculates a "state share ratio" by which the "foundation budget" is divided between the municipal budget and state aid. The RIDE formula calculates this ratio by considering three factors for each district: 1) relative property tax wealth per student, 2) relative median family income and 3) proportion of children in poverty. The first two components are combined in a calculation called "adjusted equalized weighted assessed valuation" or "EWAV." EWAV is then combined with the proportion through a "quadratic mean" average.

The RIDE formula brings several improvements over the current distribution of state aid. The formula ties aid to enrollment, so that districts with increasing needs receive additional aid and vice versa. When children enroll in a charter school, the "foundation aid" goes to that school, a feature known as "money follows the child." Second, the RIDE formula, through its "student success factor," makes some adjustment for the additional supports needed to educate children from disadvantaged backgrounds. Third, the RIDE formula recognizes the need to consider relative local ability to pay in apportioning state aid, so that it can adjust to each community's wealth or income.

The RIDE formula calls for significant changes from the historical levels of distributed aid. The RIDE formula proposes a transition to reconcile these differences – communities that are currently underfunded would be brought up to the formula's level in three to five years, while overfunded communities would be reduced to their proper level in up to ten years. To accomplish this, the RIDE formula calls for a modest increase of state funds of around $9 million, or between one and two percent.

Many of the features of the RIDE formula represent an improvement over the current non-formula we have in Rhode Island, in which state aid to local communities has been essentially frozen for the past three years, and in which, for the decade preceding that, local aid was increased on an across-the-board basis independent of local changes in enrollment or ability to pay.

With that said, in my opinion each of the three components of the RIDE formula contain shortcomings in need of improvement, some of which could be increasingly harmful to children over time.

The "foundation amount" of $8,295 represents RIDE's cost estimate for a "market basket" of components of a school budget. The "market basket" includes a certain amount per child for instruction (teachers, professional development), leadership (principals, district leadership) and support (professional development), while excluding other items, such as utilities, maintenance, transportation and retirement costs. The omissions from the "market basket" explain the gap between its calculated value of $8,295 and the state's average cost of $13,600 per student. The RIDE formula, which in total equals the current amount the state spends on school aid, assumes that each district will pay 100% of the cost of items that are not in the "market basket." This leads to some confusion, because RIDE is saying that its formula is based on the full cost of instruction, but excludes certain costs (lighting, heating, transportation, etc.) that most of us would consider just as important in running a school. If a district is unable to raise sufficient local funds to pay to heat the school, then it is not realistic to assume that they will spend the full amount on instruction-related items in the "market basket."

This flaw in the RIDE formula is best demonstrated in the case of Central Falls, which lacks local resources to pay for items outside of the "market basket." As a result, RIDE modified its formula to include an extra amount of money as a "patch" for Central Falls to pay for these items, but this does not solve the greater problem with the formula for other districts.

In the most recent year of data available (2007), the state governments across the country paid an average of education costs, with the balance shared between local and federal governments. (In Massachusetts, the state's share was 47.7%). In contrast, in Rhode Island, the state's share was 36.2%, the seventh lowest in the country. Rhode Island's state share is more than $1,500 per student less than in Massachusetts, and $4,000 per student less than in Vermont. Rhode Island's state aid per $1,000 of taxpayer income is 30th in the country.

With all of the other fiscal challenges our state has this year, we may not be able to address this issue in the current budget, but RIDE's formula locks in the current state aid level for the next 10 years without regard to inflation, never mind Rhode Island's subpar national level. Central Falls will never advance with "level funding" contemplated by the RIDE patch, and Providence's portion, which allows for four years of increases at around two percent per year, followed by six years of level funding, will not produce improvements either. Even if we have an excuse for not doing better this year, we should not allow our General Assembly to excuse itself from aiming for a better result in the future.

With regard to the adjustments for students with needs, the RIDE formula makes none for children who are English language learners. These children need specially trained teachers and smaller class size, a point which is agreed upon by educators and is intuitively obvious. The RIDE formula does not include an extra increment for this group on the theory that it will cause school districts to over-identify these children in search of extra state money. This is not likely, however, because there are several legal requirements concerning the official identification of English language learners that prevent this type of distortion.

In sum, the RIDE formula's proposal contains some valid concepts that properly belong in a funding formula. Also, its redistribution of the current aid, which would increase Providence's school aid by 2.5% in the coming year, is preferable to the status quo, under which it would receive no increase or perhaps a decrease. On the other hand, the RIDE formula must be changed for future years to reflect the fact that it does not provide sufficient state aid to less affluent communities, and a better formula would address this gap over time. Also, the RIDE formula can be improved to reflect the needs of English language learners and to redirect funds currently targeted towards wealthy communities.