



House Commission to Study RI's Fair Funding Formula

January 15th, 2015

Our Commission's
mandate is found in
the language of H8359
(2014) which states:

The purpose of [the]commission shall be to make a comprehensive study and assessment of Rhode Island's "*Fair Funding Formula*," including, but not limited to:

- The type of expenses funded by the "local appropriation to education from property taxes" and the extent to which those expenses are fixed or variable;
- The type of expenses funded by the "state share of the permanent foundation education aid" and the extent to which those expenses are fixed or variable
- The extent to which the total per pupil charter funding obligation shared by the state and LEA is in line with the mandated FFF percentages
- Extent to which funding for expenses borne exclusively by sending districts is shifted to charters
- Extent to which charter tuition obligations differ between communities; and
- Extent to which provisions of the FFF impact LEA out-year sustainability.

Our mandate does **not** include an assessment of outcomes. That is the purview of the Rhode Island Council of Elementary and Secondary Education.

To use a quote from Council Chairwoman Eve-Marie Mancuso, offered when that body was recently asked to consider the financial impact of charter expansion on municipalities:

“We [the Council] are the *academic* people, **not** the state *budget* people.”

Providence Journal 10-14-14

The House of Representatives membership is “*the state budget people*”

- The role of this Commission is to inform / advise House membership in its budget-making capacity.

Commission has Balanced Membership:

- 3 House Members
- RIDE Representative
- League of Cities & Towns
- RI Association of School Committees
- RI Mayoral Academies
- RI League of Charter Schools
- The Met School
- RI Superintendents Association
- American Federation of Teachers
- National Education Association

Continual Improvement Process

- The core principle of CIP is the (self) reflection of and on implemented processes.
(Feedback)
- The purpose of CIP is the identification, reduction, and elimination of suboptimal processes and results

Continual Improvement Process
asks us to assess feedback
against a program's original
Goal or Goals

The goals of the Fair Funding Formula can be found in the language of its authorizing legislation (RIGL §16-7.2-1) which is titled:

- The Education Equity & Property Tax Relief Act

- The general assembly recognizes the need for an equitable distribution of resources among the state's school districts, **property tax relief** and a predicable method of distributing education aid.
- A school funding system should **treat property taxpayers equably**, limit the portion of school budgets financed by property taxes, and **establish sufficient cost controls on school spending**;
- The state should ensure that its school funding structure adequately **reflects the different needs of students**, and closes the educational inequities among the state's school districts; and
- The state education funding system should provide a predicable amount and source of funding to **ensure stability in the funding of schools**.
- to promote a school finance system in Rhode Island that is predicated on student need and taxpayer ability to pay.
- A new school funding system in the state should promote educational equity for all students and **reduce the reliance on the property tax** to fund public education.

Overall Commission Task

The task before this Commission is to examine the implementation of the Fair Funding Formula and to assess whether any unintended consequences have resulted which undermine the goals stated in its authorizing legislation.

Sub-Task 1: Property Tax Relief

- Commission shall examine the difference (if any) between what Sending Districts are required to remit in tuition payments to charters when a child chooses that option vs the savings to the Sending District attributable to the removal of that child.
- This is the difference between the “average local expenditure” remitted and the “marginal savings” realized by the removal of that student.

Sub-Task 1: Property Tax Relief

- Example: Cumberland has run a “reabsorption analysis” to quantify the difference between charter tuition payments for its 286 K-8 charter students and the savings attributable to the district by the removal of those students from Cumberland Public Schools.
- The analysis returned a difference of \$1,412,270 (2014) between the “average expenditure” and the “marginal savings.”

Sub-Task 1: Property Tax Relief

(Cumberland Example Cont.)

In other words, while Cumberland remitted \$1,874,730 in charter tuition payments for 286 students, it achieved only \$462,460 in savings attributable to the removal of those students.

- The \$1,412,270 difference could be characterized as *Property Tax Relief foregone*

Sub-Task 2: Sending District Obligations vs Charter Obligations

- Commission shall examine the extent to which the *local share of education funding* includes cost items borne only by the Sending Districts and not by the Charter Schools.
- H8023 (Serpa) in 2014 proposed to remove these expenses entirely from the FFF calculation for charter tuition payments

Sub-Task 2: Sending District Obligations vs Charter Obligations

These expenses include:

- Early Intervention (EI) services for 3 to 5 year-old children
- Post-Graduation services for Developmentally–Disabled young adults
- Transportation
- Out-of-District Placements
- Legacy Costs

Sub-Task 2: Sending District Obligations vs Charter Obligations

- Example: North Providence
- In the current school year the North Providence Public School Department is funding Out-of-District Placements for 63 students at significant expense reflected in, and inflating, NP's *local share of education funding*
- To what extent, if any, are the 14 Charter Schools that draw from NP obligated to fund similar expenses?

Sub Task 3- Funding Alignment With Differing Student Need

- Commission shall examine the extent to which the Special Education populations of receiving Charter Schools is reflective of the Special Education populations of their Sending Districts
- NOTE: FFF does not enhance state aid for Special Education populations

Sub Task 3- Funding Alignment With Differing Student Need

Example: ACHIEVEMENT FIRST

- ACHIEVEMENT FIRST Mayoral Academy reports a Special Ed population of 5%* ...
- Yet draws from Sending Districts reporting significantly higher Special Ed populations:
 - Cranston: 15%*
 - North Providence: 19%*
 - Pawtucket: 17%*
 - Providence: 19%*
 - Warwick: 20%*

Sub Task 3- Funding Alignment With Differing Student Need

- To what extent is this discrepancy between Special Education populations in Sending Districts and receiving Charter Schools pervasive?
- To what extent are the Sending Districts' *local share of education funding* inflated by Special Education expenses that are not borne by the receiving Charters?

*SOURCE: *RIDE 2014 Special Education Census & RIDE FY15 Final Formula Calculations*

Sub-Task 4: Taxpayer Equity / Cost Controls

- To what extent do tuition payments vary across Sending Districts which send students to the same Charter School?

EXAMPLE

Blackstone Valley Prep draws from 4 Sending Districts that each remit differing tuition payments for students receiving the same education, from the same teacher, in the same room

Sub-Task 4: Taxpayer Equity / Cost Controls

For each student choosing to attend BVP...

- Lincoln remits: \$15,343*
- Central Falls remits: \$14,290*
- Pawtucket remits: \$12,319*
- Cumberland remits: \$11,365*
- For an average tuition of: \$13,329*

*State and Local Share Combined

Sub-Task 4: Taxpayer Equity / Cost Controls

- Lincoln can be seen as subsidizing Cumberland students ~\$4,000 per student despite having a nearly identical community wealth rating per the FFF's *State Share Ratio*
- Both Central Falls and Pawtucket can also be seen as subsidizing Cumberland students despite dramatically lower community wealth ratings under the FFF's *State Share Ratio*

Sub-Task 4: Taxpayer Equity / Cost Controls

To what extent is this seeming inequity pervasive among other Sending Districts which send students to the same Charter Schools?

Sub-Task 4: Taxpayer Equity / Cost Controls

The above example raises questions as to what is the actual cost to educate a student at a Charter School and to what extent are the “cost controls” called for in the FFF authorizing statute implemented.

EXAMPLE:

Village Green Academy is a “virtual” school. While we know the tuition figure, the actual costs are not readily available or apparent as budgeting is not a public process as is the case for Sending Districts.

Conclusion

- In the coming Commission meetings we shall explore the following Sub-Tasks as detailed above:
 - Property Tax Relief
 - Sending District Obligations vs Charter Obligations
 - Funding Alignment With Differing Student Need
 - Taxpayer Equity / Cost Controls

Next meeting January 23rd at 3pm

Members are encouraged to invite witness (please confirm with Chairman ASAP)

