Identifying and Addressing The Fundamental Gaps in Rhode Island's Education Aid Funding Formula

In 2010, Rhode Island enacted an education aid funding formula that has a similar structure to other "foundation" formulas across the country. With that said, several features of Rhode Island's formula as enacted and implemented result in significant gaps that prevent it from achieving its stated purpose. These gaps cannot be closed with incremental adjustments through the political process; instead, such adjustments are likely to trade one set of problems for another. Instead, Rhode Island can tackle these issues more effectively through the enactment of a Constitutional right to education that can be enforced through the courts. This initiative would bring Rhode Island into the national civil rights mainstream, and provide elected officials with the political cover needed to address these fundamental inadequacies in the best interests of Rhode Island's children.

This background paper contains three parts. The first offers an overview of the three major components of the 2010 funding formula. The second identifies major gaps present within each of these three components. The third provides source materials that document those gaps and support the case for a Constitutional amendment.

This paper is 11 pages long, and is followed by Exhibits A-M. The exhibits have page numbers at the bottom beginning with the prefix "FF" (for "Funding Formula"). I refer to exhibits both by letter and page number.

I. An Overview of the 2010 Funding Formula

The 2010 formula is a "foundation" type of formula that calculates aid for districts in three steps. The first two steps develop a "foundation budget" that is enough to support a

program that meets State standards set forth in the Basic Education Plan. The third step allocates that "foundation budget" between the State and local communities based on ability to pay.

In Step 1, the formula develops the "core instruction budget" that represents the per child cost of basic education programs times the number of children in the district. The current "core instruction budget" amount is $8,922.

In Step 2, the formula adjusts the "core instruction budget" to account for the greater costs involved with educating children with above-average needs. In the case of the 2010 formula, there is a "student success factor" of 0.4 (or 40%) for children who quality for free or reduced lunch. Thus, for each child qualifying for free or reduced lunch, the district's budget is increased by 40% x $8,922 or $3,569. This produces the total foundation budget or total "core instruction budget."

In Step 3, the formula allocates that basic cost between the school district's budget and the State's budget. This allocation is made based on ability to pay, which is generally measured by each district's value of taxable real and tangible property per student. The basic concept is to construct a "pot" of money equal to what would be raised if a uniform Statewide property tax were assessed against all of the property in the State, and then to allocate the "pot" based on each community's relative wealth (as measured by tax base per student).

To create a comparison across local tax bases, the formula uses the following process:

a. The tax bases for all cities and towns are "equalized" by bringing them up to 100% valuation and verified by the Department of Revenue's Division of Municipal Finance. For each city and town, the Department of Revenue calculates a normalized tax base, called the "equalized weighted assessed valuation" or EWAV. The State's total EWAV tax base is

approximately $120 billion, or approximately $861,000 per student. *See* Exhibit A, Page FF2. (Column A divided by Column C).

b. The State makes a second adjustment for median family income. If a community has more affluent residents, then it is possible to pay more in tax for a given level of assessed property value and vice versa. To recognize this reality, the Department of Revenue prepares a second calculation for each city and town called "adjusted EWAV." The adjustment is made in a way to retain the same overall total Statewide tax base, so the State's total adjusted EWAV tax based is also approximately $120 billion, or approximately $861,000 per student. Exhibit A, Page FF2 (Column B divided by Column C).

c. This calculation helps indicate each community's relative ability to pay. There is a wide range across the State, from more than $22 million in property value per student in New Shoreham to $214,500 per student in Woonsocket and $244,000 per student in Pawtucket, a range of more than 90:1. *See* Exhibit A, Page FF2.

d. The State began using the EWAV and AEWAV principle in funding formulas dating back to 1960. In the late 1980's, the State used AEWAV to calculate the state share for charter school aid as follows:

1. Calculate the community's AEWAV/Student, call it r1
2. Calculate State's AEWAV/Student, call it r2
3. State Share (SSRC) = 1 - .5 (r1/r2)

If, for example, a community's wealth per student equaled the State average, it would receive a State share of 1-.5, or 50%. If a community's wealth per student equaled ½ the State average, it would receive 1-.25 or 75%. If a community's wealth per student equaled twice the

State average, it would receive 1-1 = 0 under the formula. If a community's wealth per student exceeded twice the State average, it would receive zero under the formula. At this time, the State formula had a minimum share of 25% for these property-rich communities.

e. The State share calculation in the 2010 Formula begins with a similar format, making the calculation of an initial share ratio equal to

SSRC = 1 - .475(r1/r2)

This is similar to the previous example, except the "average" community receives a State share of 52.5%, rather than 50%. If a community's property wealth per student is more than 2.1 times the State average, its share is zero.

f. The 2010 formula makes an adjustment called the "quadratic mean." It is based on a second ratio, namely the percentage of children qualifying for free/reduced lunch, or FRPL%. The new ratio is calculated as the square root of half the sum of the squares of SSRC and FRPL%. Call this number "State Share Quadratic Mean". *See* Exhibit B, Page FF3 (state aid formula calculation including adjustment for quadratic mean). The quadratic mean is the gray column. The SSRC calculation is the column immediately to the left.

g. State aid equals the total core instruction budget times State Share Quadratic Mean.

II. A Critique of the 2010 Funding Formula

1. The 2010 Formula's "core instruction amount" of $8,922 is inadequate because it does not include, among other things, operating and "other" expense. These costs amount to approximately 20% of the typical school district's budget. *See* Exhibit C, Page FF4 (breakdown

of costs by category). As a result, these costs must be paid for with 100% local funds, with none of the cost-sharing of Step 3 of the formula. In contrast, the 2007 Working Group report recommended a base amount of $10,607, which would be higher today after accounting for increases in the cost of living over the past eight years. *See* Exhibit D, Pages FF5-21 (2007 Task Force Report), esp. p. FF15.

2. The 2010 Formula's single adjustment of 40% for children who qualify for free or reduced price lunch (FRPL) does not account for the extra needs of children learning the English language. RIDE justified this at the time by saying that the two populations (FRPL children and ELL children) are closely correlated. This is not the case in Rhode Island. For example, in 2012, the relative populations in selected communities was as follows:

Community	FRPL %	Hispanic	ESL/Bilingual
Burrillville	25%	1%	0%
Central Falls	75%	70%	22%
Cranston	26%	13%	4%
East Providence	37%	5%	3%
Johnston	31%	9%	2%
Newport	50%	16%	3%
North Providence	29%	12%	2%
Pawtucket	67%	30%	10%
Providence	82%	59%	15%
West Warwick	40%	9%	2%
Woonsocket	64%	24%	4%

For this reason, the 2007 Task Force developed a formula with an additional 0.2 weight for ELL students based on its consultant's research. This weight was additive to a poverty weight of 0.25 for reduced price lunch and .5 for free lunch. *See* Exhibit D, Pages FF5-21, esp. p. FF13.

3. As shown in Exhibit B, Page FF3, the quadratic mean transfers state aid from some of the State's poorest communities to its wealthiest ones. *Compare* Quadratic Mean (gray column) *with* SSRC column (immediately to the left).

4. The following table highlights some of those transfers.

Community	Adjusted EWAV Share % (SSRC)	FY 2015 State Share %	Quadratic Mean % Impact	FY 2015 Formula Aid	Quadratic Mean $ Impact
Charlestown	0.0	18.7	18.7	1,708,666	1,708,666
Jamestown	0.0	8.6	8.6	399,684	399,684
Little Compton	0.0	13.7	13.7	401,928	401,928
Narragansett	0.0	16.9	16.9	1,987,115	1,987,115
Newport	0.0	46.7	46.7	10,368,288	10,368,288
New Shoreham	0.0	9.5	9.5	82,308	82,308
Westerly	0.0	28.7	28.7	7,620,088	7,620,088
Shore Communities	0.0			22,568,077	22,568,077
Pawtucket	85.8	83.3	-2.5	74,103,107	-2,223,983
Providence	85.5	88	2.5	213,028,339	6,051,941
West Warwick	70.9	62.7	-8.2	20,973,995	-2,743,011
Woonsocket	88.5	84.2	-4.3	50,568,580	-2,582,481

The authors of the 2010 funding formula presented the quadratic mean as a way to help all communities afford the extra cost of educating children in poverty. In fact, however, the quadratic mean's aid per student in poverty increases as the community's wealth per student increases, as this chart shows:

A	B	C	D	E	F	G	H	I	J
Community	Adjusted EWAV per Student ($000)	AEWAV Base Ratio	Adjusted EWAV Share %	FY 2015 State Share %	Quadratic Mean % Impact	FY 2015 Formula Aid	Quadratic Mean $ Impact	FY2015 FRPL	Quadratic Mean Aid Per Child In Poverty
Charlestown	2339.6	2.6	0.0	18.7	18.7	1,708,666	1,708,666	250	6835
Jamestown	3768.2	4.2	0.0	8.6	8.6	399,684	399,684	67	5965
Little Compton	6011.6	6.8	0.0	13.7	13.7	401,928	401,928	58	6930
Narragansett	4081.5	4.6	0.0	16.9	16.9	1,987,115	1,987,115	313	6349
Newport	2737.6	3.1	0.0	46.7	46.7	10,368,288	10,368,288	1212	8555
New Shoreham	22083.8	24.8	0.0	9.5	9.5	82,308	82,308	16	5144
Westerly	2018.4	2.3	0.0	28.7	28.7	7,620,088	7,620,088	1172	6502
Shore Communities	3122.5	3.5	0.0			22,568,077	22,568,077	3088	7308
State	888.9	1.0							
Pawtucket	265.2	0.3	85.8	83.3	-2.5	74,103,107	-2,223,983	6555	-339
Providence	271.1	0.3	85.5	88	2.5	213,028,339	6,051,941	19791	306
West Warwick	544.3	0.6	70.9	62.7	-8.2	20,973,995	-2,743,011	1816	-1510
Woonsocket	214.5	0.2	88.5	84.2	-4.3	50,568,580	-2,582,481	4565	-566

III. Why Incremental Change Is Not Enough

A. The Gap Between The Funding Formula's Stated Goals And Its Implementation

When presenting the 2010 Funding Formula, RIDE described it as implementing five guiding principles, namely:

(1) Build a strong foundation for all children;
(2) Improve equity among districts;
(3) Be transparent and consistent;
(4) Be financially responsible;
(5) Use New England and RI data and empirical research.

See Exhibit E, Pages FF22-33 (RIDE Power Point), esp. p. FF24.

In practice, the current formula as enacted and implemented has major shortcomings at each of these stages.

(1) The formula does not provide a strong foundation, as demonstrated by the fact that two of the highest-need communities (Pawtucket and Woonsocket) have per-pupil expenditures more than $2,000 below the State average. *See* Exhibit F, p. FF34. (State per pupil average at bottom of page is $15,808, while Pawtucket is $13,487 and Woonsocket is $12,948). This is not because Pawtucket and Woonsocket residents are under-taxed. Statewide, the average local contribution is $8,200 per student based on an average tax base per student of $861,000, or $9.54 per thousand dollars of assessed tax value. Using the AEWAV data in Exhibit A, above, these two communities are contributing local funds per student of approximately $3,000 and $3,4000 respectively, or between $12 and $15 per thousand of AEWAV tax base per student each. *See also* Exhibit G, pp. FF35-36 (op-ed describing funding formula's inadequate core instruction amount).

(2) The current formula does not provide sufficient equity, as it does not provide additional formula funding for ELL or special education students. In contrast, the 2007 formula had weights of 0.2 and 0.5 for these two categories, respectively. *See also* Exhibit H, p. FF37 (op ed by Mayor Elorza on ELL issue). As a result, Rhode Island is at the bottom nationally in Hispanic achievement as measured by the Nation's Report Card. *See, e.g.,* Exhibit I, p. FF38 (8th grade English achievement).

(3) The current formula is not transparent. Instead of a straightforward minimum State share for all communities, the quadratic mean alters each community's state share in unpredictable ways, as the following examples demonstrate:

Community	State Share Based on AEWAV	State Share With Quadratic Mean
East Greenwich	20.6%	15.9%
Jamestown	0.0%	8.7%
Newport	0.0%	46.0%
Pawtucket	85.8%	83.3%
Portsmouth	15.3%	16.3%
Westerly	0.0%	28.7%
Woonsocket	89.1%	85.0%

(4) The current formula is not fiscally responsible because it causes local communities to shoulder a disproportionate share of the expense of school funding. As indicated in Exhibit J (Page FF39), the national norm is for school budgets to be funded 9.1% from federal funds, 45.6% from state funds and 45.3% with local funds. In contrast, Rhode Island funds its education program with 8.6% federal funds, 37.2% state funds and 54.2% local funds, placing Rhode Island in the bottom quartile nationally in terms of smallest state contribution and largest local burden.

(5) The current formula does not incorporate Rhode Island data concerning the cost of education, excluding operating and other expense from its foundation budget per pupil.

B. Lessons From The Massachusetts Experience

In the early 1990's, Massachusetts had a public education system that was close to Rhode Island and the national average in student achievement. This changed due to two major events in 1993. Early that year, the state's Supreme Judicial Court announced its decision in *McDuffy v. Secretary of the Executive Office of Education*, 415 Mass. 545, 615 N.E.2d 516 (1993), in which it held that the Massachusetts Constitution contained a judicially enforceable right to education. Later that year, the Massachusetts Legislature passed the Education Reform Act of 1993, which

constituted a "grand bargain" combining greater State resources with new accountability standards, providing a foundation that has produced one of the nation's highest performing public school systems, as measured by the NAEP (or "Nation's Report Card") tests.

At the same time, lawyers for Pawtucket and Woonsocket brought a similar case in Rhode Island, and in 1994 the Superior Court interpreted Rhode Island's Constitution to contain a similar right. The next year, however, the Rhode Island Supreme Court reversed, saying that our State's Constitution did not contain such a right. Since that time, Rhode Island's student achievement has remained around the national average, as noted in Exhibit K (Page FF40), which compares 8th grade mathematics achievement for Massachusetts, Rhode Island and the national average.

The Massachusetts court decision provided the Bay State's elected officials with the "political cover" to make the necessary, but difficult decisions needed to support a student-centered public education system that combined strong accountability measures with adequate resources to achieve them.

In recent years, Rhode Island has attempted to enforce the accountability measures without providing the necessary State resources. On this basis, Pawtucket and Woonsocket returned to court in 2010. Last year, the Rhode Island Supreme Court decided this second case. *See* Exhibit L (pp. FF41-51). The Court stated (at p. FF49) it was "deeply concerned by the conditions of the schools in Pawtucket and Woonsocket as alleged by plaintiffs, as well as by the alleged predicaments of those municipalities regarding their inability to allocate the funding required to meet state mandates." With that said, the Court concluded that the plaintiffs should

address their complaint to the General Assembly, "which has been charged with both the power and the duty to address their concerns." Exhibit L, p. FF50.

Looking to our north, we can see in Massachusetts the power of a strong government commitment to public education, as inspired by a Constitutional mandate. Within the national civil rights community, Rhode Island is part of a distinctive (and undistinguished) minority in its lack of an enforceable Constitutional right to education.

For these reasons, the Providence City Council unanimously approved a resolution urging this working group to consider more comprehensive changes to the funding formula, including a recommendation of a Constitutional right to education. *See* Exhibit M, pp. FF52-53. (City Council resolution).

I am part of a larger group that would appreciate the opportunity to present on this issue in person to the working group. If we could have 20 minutes of time at a future meeting, we would appreciate the opportunity.

Thank you for your consideration.

Sincerely,

/s/ Samuel D. Zurier