NOTES/FEEDBACK ON DRAFT RECOMMENDATIONS

Fixed & Marginal Costs

1. Fixed and marginal costs are real issues for all Rhode Island Schools. Enrollment change affects fixed and marginal costs and precipitous and/or sustained enrollment decline can make them significant.

Clarification: Enrollment changes do not affect fixed costs (see #3 below: fixed costs "do not vary by enrollment"). Precipitous and/or sustained enrollment decline reduce overall/per pupil funding, which impacts a district/school's capacity to cover all of its expenses, including its fixed costs.

2. Student movement to public schools of choice has a more significant effect on the budget of traditional schools than other kinds of enrollment decline...

This is potentially misleading, because:

14 RI districts have lost at least 5% of their student populations over the past five years. Of the 3,557 students those districts have lost, only 178 went to charter schools. The state funding those districts lost due to non-charter-related attrition of 3,379 students far surpasses the combined state and local funding they lost due to the 178 students who enrolled in charter schools.

...When students move to public schools of choice, it results in the transfer of both the state and local share from the resident district to the school of choice.

This is potentially misleading, because:

In practice, RIDE essentially ***refunds*** prior local share payments that districts have made to charter schools ***back to those districts***. For example, in calculating District A's local share for FY 15, RIDE nets out the total local shares that District A sent to schools of choice in FY 13, so that FY 13 expenditure is effectively returned to District A in FY 15.

3. Fixed costs (costs that do not vary by enrollment) can be quantified and there are well-recognized approaches for doing so. Both traditional districts and public schools of choice have fixed costs.

In a student-centered funding formula, a district or charter public school's fixed costs can only be fairly captured and compared as a percentage of per-pupil funding. Particularly in a scenario where charter public schools educate roughly 5% of public school students, aggregate spending totals do not accurately reflect the relative fixed cost burdens borne by traditional districts and public schools of choice, respectively, in any way that is useful for comparison.

4. Marginal costs (costs that vary by enrollment but cannot always be adjusted at a rate that matches enrollment change) are difficult to quantify and are based in part on the efforts taken by schools and districts to manage their budgets to enrollment. Both traditional districts and public schools of choice have marginal costs.

The "General Findings" section notes that "Any adjustment to the funding formula should rely on audit-quality data." It is unclear at this point whether such data exists re: marginal costs.

5. The state should explore an approach for quantifying and compensating districts for fixed and marginal costs resulting from enrollment decline due to school choice. This approach should provide and austere buffer against the impact of enrollment decline, but should not eliminate the need to control and reduce costs in the face of declining enrollment.

As noted above, RIDE has been refunding to districts the local shares that they previously paid to charter schools in a reference year (two years prior). This is extremely problematic, because:

a) The practice is contrary to the plain language of the law (RIGL § 16-7.2-5);
b) It significantly cuts the funding that is meant to flow to charter schools by law. As a result, charter schools are being shortchanged by $361 per pupil in FY 15.

Some compensation of traditional districts with declining enrollments to assist with their fixed and marginal costs may well be warranted, but as it stands, every traditional district that has students in charter schools is being compensated with funds that are being withheld from charter schools in a manner that is not provided for in the funding formula. This is neither equitable nor lawful.