



State of Rhode Island and Providence Plantations  
**DEPARTMENT OF EDUCATION**  
Shepard Building  
255 Westminster Street  
Providence, Rhode Island 02903-3400

Ken Wagner, Ph.D.  
Commissioner

**November 14, 2016**

**The Honorable Donald R. Grebien  
Mayor, City of Pawtucket  
President, Rhode Island League of Cities and Towns  
1 State St.  
Suite 502  
Providence, R.I. 02908**

**Dear Mayor Grebien,**

We would like to update you and all members of the Rhode Island League of Cities and Towns on two matters of concern to your communities: first, how communities can budget for the purchase of laptops and computers for students while meeting the requirements for maintenance of effort in education budgets and, second, the status of the transition plan in the Funding Formula for aid to education.

### **Maintenance of Effort**

We have received inquiries from school districts regarding the purchase or lease of laptops, computers, and other electronic devices for students. The questions concern whether these purchases or leases should be considered as part of the basic education budget, which must be maintained from year to year except in special circumstances, as specified in RIGL § 16-7-23(a): Community requirements - Adequate minimum budget provision. This issue has risen to the fore as a result of current initiatives (e.g., personalization, computer-science instruction, career-technical education, Science Technology Engineering Arts Mathematics instruction) to support and improve digital access, digital literacy, and computer-science skills for all students in all Rhode Island schools.

The general rule set forth in RIGL section 16-7-23 creates a presumption that all items in a school district's operating budget for the prior fiscal year are recurring expenses and that the municipal tax authority must fund the school district at an amount equal to or higher than the prior year's appropriation. There are, however, a complex set of overlapping exceptions to this general rule.

Whether a particular expense is recurring or non-recurring is determined by the nature of the expense rather than by the thing being purchased or leased.

For example, a one-time expenditure of funds through a capital lease could arguably be a non-recurring expense. Conversely, a school district may lease laptops or other devices on an annualized basis, thereby accounting for new students, breakage, expansion into additional grades, or other factors. If budgeted in this way, a capital lease for such devices could be considered to be a recurring capital-lease payment that would be included in both the school-district budget and in the maintenance-of-effort calculation. As a third possibility, a district might purchase devices outright and then budget annually in subsequent years only a portion of that initial expense for maintenance and replacement purposes.

Budget preparations with both recurring and nonrecurring costs through purchases or leases involve complex determinations about the initial fund outlay, planned maintenance funds, and budgeting for a planned replacement cycle, but in the end we want to support local, collaborative decision-making that is designed to produce the most favorable outcomes for students at the lowest cost to taxpayers.

Insofar as possible, therefore, we strive to give communities the autonomy to make decisions that are best for their students, schools, and community members. Consequently, from this time forward, if the local school board or school committee and the local town or city council concur and submit a written attestation that all or a portion of the purchase or lease of devices in any given year is a nonrecurring expenditure, the Commissioner will grant approval of the nonrecurring status and thereby exclusion of the amount of this expenditure from the municipality's maintenance-of-effort calculation.

In cases where the local school board or school committee and the local town or city council disagree as to whether all or a portion of the purchase or lease of these devices is a nonrecurring expenditure, the school board or school committee (or the city or town council) may submit a request for consideration to my office and the Commissioner will make a determination on the matter on behalf of the municipality.

In instances where the Commissioner has already made a decision on this matter on behalf of a municipality, the prior decision shall stand and we will not recalculate current local contribution levels; however, any community may seek approval from the Commissioner regarding maintenance of effort and nonrecurring expenses going forward from this date.

## **Funding Formula**

We want to remind you that the next fiscal year (Fiscal Year 2018), Year 7 of the Funding Formula, will be the final year of the 7-year transition plan for those school districts that have been receiving above-average annual aid increases. During these seven years, those school districts have received above-average increases in state aid so as to bring them up, in annual increments, to a level of funding that the Funding Formula statute deemed to be equitable. We anticipate that annual increases for *all* school districts will continue to be included in the annual budget, but we do not expect, nor was it planned, that those increases will be as substantial as those over the 7-year transition period. On average, the increases during the 7-year transition

period were four times greater than the increase that a school district should expect to receive in the eighth year of the Funding Formula (Fiscal Year 2019). These districts that had been receiving above-average annual increases can still expect an annual increase in *total* state education aid; however, the increase will not be as steep as in previous years, and district and municipal leaders should take this change into account as cities and towns prepare fiscal plans and projections.

Those districts that have been receiving *annual reductions* in state aid to education should anticipate that those reductions will remain substantially unchanged through Year 10 of the Funding Formula transition, that is, through Fiscal Year 2021.

When the 10-year transition period ends (Fiscal Year 2021), we will fully implement revised funding (increases and decreases), subject to budget submission by the Governor and approval by the General Assembly, to account for all formula-relevant district data updates in the year that these updates occur. These annual data updates are based on a number of factors in the Funding Formula, including student enrollment, the number of economically disadvantaged students, changes in per-pupil costs, and changes in municipal property values and in median family income (the state-share ratio).

We encourage you to share this message with your membership, and please feel free to contact my office (222-8700) if you have any questions about these matters.

Sincerely,

Ken Wagner, Ph.D.  
Commissioner of Elementary and Secondary Education

cc: Tim Duffy, Executive Director, Rhode Island Association of School Committees  
Tim Ryan, Executive Director, Rhode Island School Superintendents' Association