

Introduction to the Draft Recommendations

The Funding Formula Working Group (FFWG) met six times between November 8, 2015 and December 21, 2015 for a total of almost 13 hours of discussion and presentations by experts and key stakeholders. During this period, the group heard over 2 hours of public comment and received over a thousand letters and a number of prepared statements.

This document presents draft recommendations covering the major topics discussed in the Final Report of the House of Representatives Study Commission on the Fair Funding Formula and topics of study required by Executive Order, including:

- (1) Fixed and marginal costs for school operation;
- (2) The differences in expense profiles between traditional school districts and public charter schools;
- (3) School housing aid in Rhode Island;
- (4) English language learners and the funding formula;
- (5) Special education and the funding formula;
- (6) Career and technical education and the funding formula;
- (7) The categorical funds within Rhode Island's funding formula;¹
- (8) Local education aid and the local share; and
- (9) Improving school finance and efficiency.

In addition, this document contains a set of draft overall recommendations for improvement and management of the funding formula that have emerged as part of the deliberations of the Working Group.

These draft recommendations are not being issued by or written on behalf of the RI Department of Education. Rather, they are written by the staff to the Funding Formula Working Group based upon the meeting materials, public comment, and discussion of the Working Group. They do not yet reflect feedback from or agreement by the members of the FFWG or feedback from the public. Revisions are expected.

¹ Categorical fund recommendations are integrated into the other briefs.

DRAFT RECOMMENDATIONS
General Findings of the Group

1. The focus and grounding principles of our deliberations were three-fold:
 - Equitable:** Do our recommendations advance equity, especially for students with unique learning needs?
 - Fair:** Do our recommendations improve the fundamental fairness of the funding formula?
 - Data-driven:** Are our recommendations based on empirical data?
2. The funding formula should maintain a focus on students, their needs, and the verifiable costs of those needs.
3. Any adjustment to the funding formula should rely on audit-quality data. It should not be arbitrary, nor should it be a method for adding or eliminating funding based exclusively on school type.
4. The funding formula must continue to focus on simplicity, stability, and predictability over time.
5. Adding more money, in and of itself, is not the solution to our state’s educational problems. High-quality, research-based programs are a necessary complement to additional money.
6. Our state is in the fifth year of a seven-year transition period for districts gaining state funding and the fifth year of a ten-year transition period for districts losing funding. Any revision to the funding formula should recognize this transition period and should avoid the introduction of large-scale disruptions to this transition.
7. The funding formula and all public education expenses should be transparent and accessible to and by elected officials, policy-makers, educators, and the general public.
8. The categorical funds are essential to – not a secondary or disposable part – of the funding formula. They need to be treated as an equal to all other parts of the funding formula.

DRAFT RECOMMENDATIONS

Fixed and 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.
2. Student movement to public schools of choice has a more significant effect on the budget of traditional districts than other kinds of enrollment decline. 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.*
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.
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.
5. The state should explore an approach for quantifying and compensating districts for fixed or marginal costs resulting from enrollment decline due to school choice. This approach should provide an 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.

*In this summary, the term “public school of choice” refers to both public charter schools and state career and technical education centers (Davies and the Met School).

DRAFT RECOMMENDATIONS

Differences in Expense Profiles, Traditional Districts and Public Charter Schools

To date, the Working Group has not reached initial consensus in this area. The Department of Education staff offer the following recommendations for further discussion and action.

1. Through the Uniform Chart of Accounts, Rhode Island has significantly more high quality data on the differences in expense profiles between traditional districts and public charter schools than was available when the formula was first enacted.
2. There are verifiable differences in expense profiles between traditional districts and public charters schools. These differences are not the result of bad behavior and most are due to differences in statutory or regulatory obligations.
3. Any change to the funding formula relating to these differences must be limited to clear and evident groups of expenses that are the result of differences in statute/regulation or overwhelming differences in practice. The categories first identified by the House Study Commission and later presented by RIDE staff should be considered for adjustment.
4. Based on FY14 data, traditional districts have more expenses than public charter schools (based on the expenditure areas presented by RIDE staff).
5. Funding formula adjustments that account for this difference in expenses need to be balanced: it cannot consider expenses on only the side of charters or traditional districts.
6. Expenditure data is dynamic. It will change a little from year to year and within those changes, new trends may emerge. Adjustments should be subject to regular review and recalculation.

DRAFT RECOMMENDATIONS

English Language Learners

1. English language learners are a growing portion of our student population and they have unique needs.
2. If the state were to contribute new funding for English language learners, it should:
 - include reasonable restrictions to ensure that the money is used to benefit English language learners;
 - demand research-based, proven effective strategies; and
 - support the appropriate exiting of ELL students from services and avoid creating any financial incentives to over-identify students for services.
3. If the state is unable to identify new funds, any fund redistribution must be explicit about the anticipated impact of any redirected funds to support these students. To the extent possible, this redistribution should avoid adversely impacting any one community or other education priority.

DRAFT RECOMMENDATIONS

Special Education

1. Any changes to the funding formula need to maintain a clear distinction between funding and student need. The formula should neither reward the over-identification of special education students nor should it drive or limit the provision of student supports.
2. The funding formula should recognize the wide differences in students' special education need and the associated variability in the cost. A funding formula that gives the same flat amount for all students with disabilities, regardless of the services being provided, may under or overcompensate schools and districts.
3. The funding formula and all aspects of its management should rely on high-quality data and should recognize that special education data must be updated regularly for resource allocation.
4. Changes to the funding formula related to special education should support students wherever they are, irrespective of school type.
5. Increasing funding for the high cost special education categorical fund should be a state priority. In addition to a potential increase in state funding, the 500% eligibility threshold should be reviewed with the goal of expanding reimbursement eligibility.
6. Special education responsibilities can arise suddenly and in some cases, they have a significant impact on already-approved budgets. The state and schools of all types should work together to minimize the impact of sudden and expensive special education responsibilities.

DRAFT RECOMMENDATIONS

Career and Technical Education

1. The funding formula needs to respond to the natural variability in the cost of delivering career and technical education. Per-pupil funding for career and technical education should be anchored in real expenses and not driven by the local need for revenue.
2. Rhode Island's current approach to career and technical education should be reviewed to ensure that it maintains a joint focus on quality programming and cost-effectiveness without compromising students' right to access career and technical education.
3. Expenditure data indicates that free-standing career and technical education centers that are unaffiliated with a district and offer both academic and technical education are one of the most expensive delivery models. The funding for schools operating this model should be reviewed and adjusted to ensure that schools can continue to provide high quality career and technical education.
4. RIDE should thoroughly review the current methods for calculating career and technical education tuition and ensure clarity, consistency, and fairness.

DRAFT RECOMMENDATIONS

Local Education Aid and Local Share

1. Rhode Island's cities and towns face a challenging fiscal environment. In the last five years, some communities have maintained low levels of investment in public education; this is the same period during which the state has increased its investment by almost \$180M.
2. The Funding Formula maintenance of effort language should be reviewed and strengthened to escalate based on inflation and enrollment increase.
3. Cities, towns, school committees and the Rhode Island Department of Education should improve communication of education funding, funding adequacy, and the need for high-quality, reliable multi-year planning.
4. The revisions to the funding formula should clarify the method for calculating local tuition for the purposes of public schools of choice. The method of calculating tuition must be rational, transparent, fair, and well-understood by all.

DRAFT RECOMMENDATIONS

Increasing Efficiency and Innovation

1. The Rhode Island Department of Education should make the Uniform Chart of Accounts (UCOA) more useful to all educational stakeholders and the public at large by more easily allowing all Rhode Islanders to access and understand the data at a state, district, and building level.
2. Funding formula revisions should introduce a standard interval for review based upon national best practices.
3. The state should promote partnerships between public charter schools and districts that prioritize efficiency and the spread of best practices that benefit all students.
4. Rhode Island should investigate the use of state funding to promote innovation that encourages autonomy. Any targeted funding should be well-developed, communicated, and include thorough oversight.
5. Efficiency could be increased through a careful review of state educational requirements and, to the degree possible, the offering of increased fiscal and programmatic flexibility and/or local mandate relief.

DRAFT RECOMMENDATIONS

Public Charter School Housing

1. Rhode Island school housing aid for public charter schools is set below the state minimum for traditional districts. This inequity is exacerbated by the difficulty of identifying, purchasing, and renovating suitable school housing. Taken together, these factors create extremely challenging conditions for public charter schools in Rhode Island.
2. Public charter schools should be eligible for a housing aid reimbursement that is associated with the socio-economic status of the communities served by the school. However, any adjustment that increases state investment in charter school housing must be accompanied by safeguards that ensure prudence and the security of the investment. To the extent possible, any property invested in by a public charter school using public funds should remain public property in the event that the school ceases use of the building.
3. Rhode Island should continue to pursue school housing solutions that promote the full and effective use of publicly-owned buildings, thereby minimizing under-utilized space and maintaining the investment of public funding in public buildings.