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Commissioner

State of Rhode Island and Providence Plantations
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Shepard Building
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Enclosure 6b
December 9, 2015

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TO: Members of the Council on Elementary and Secondary Education

FROM: Ken Wagner, Commissioner

SUBJECT: Update on Funding Formula Working Group

The attached briefs were developed to introduce and frame key issues under discussion by the Funding Formula Working Group.

These briefs do not address every issue that affects public education funding. By focusing on concise introductions to important and complicated topics, some detail and nuance has been intentionally omitted.

We welcome your feedback on these briefs or on any other topic related to Rhode Island's Funding Formula, which you may submit to edfundingri@ride.ri.gov.

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Quick Facts: Public Education in Rhode Island

Public School Enrollment Information

All Public School Enrollment, 2006 & 2015				
	October 2006		October 2015	
Student Demographics	**#**	**%**	**#**	**%**
Race/Ethnicity				
White	105,361	69.5%	84,851	59.7%
Non-White	46,258	30.5%	57,163	40.3%
Hispanic Only	27,238	18.0%	34,322	24.2%
Total	151,619	100.0%	142,014	100.0%
Program Status				
English Language Learners	7,645	5.0%	10,341	7.3%
Students with Disabilities	27,648	18.2%	21,714	15.3%
Free/reduced lunch eligible	49,992	33.0%	66,563	46.9%

Charter Public School Enrollment, 2006 & 2015				
	October 2006		October 2015	
Student Demographics	**#**	**%**	**#**	**%**
Race/Ethnicity				
White	840	29.9%	1,730	23.6%
Non-White	1,972	70.1%	5,586	76.4%
Hispanic only	1,221	43.4%	4,030	55.1%
Total	2,812	100%	7,316	100%
Program Status				
English Language Learners	261	9.3%	823	11.2%
Students with Disabilities	343	12.2%	903	12.3%
Free/reduced lunch eligible	1,629	57.9%	5,143	70.3%

- Total public schools 300
  - October 2015 public school enrollment 142,014
- Total traditional school districts 32
  - October 2015 traditional district enrollment 123,452
- Total regional school districts.....4
  - October 2015 regional district enrollment.....9,358
- Total state schools/other 5
  - October 2015 state/other school enrollment 1,888
- Total charter schools 22
  - October 2015 charter school enrollment 7,316

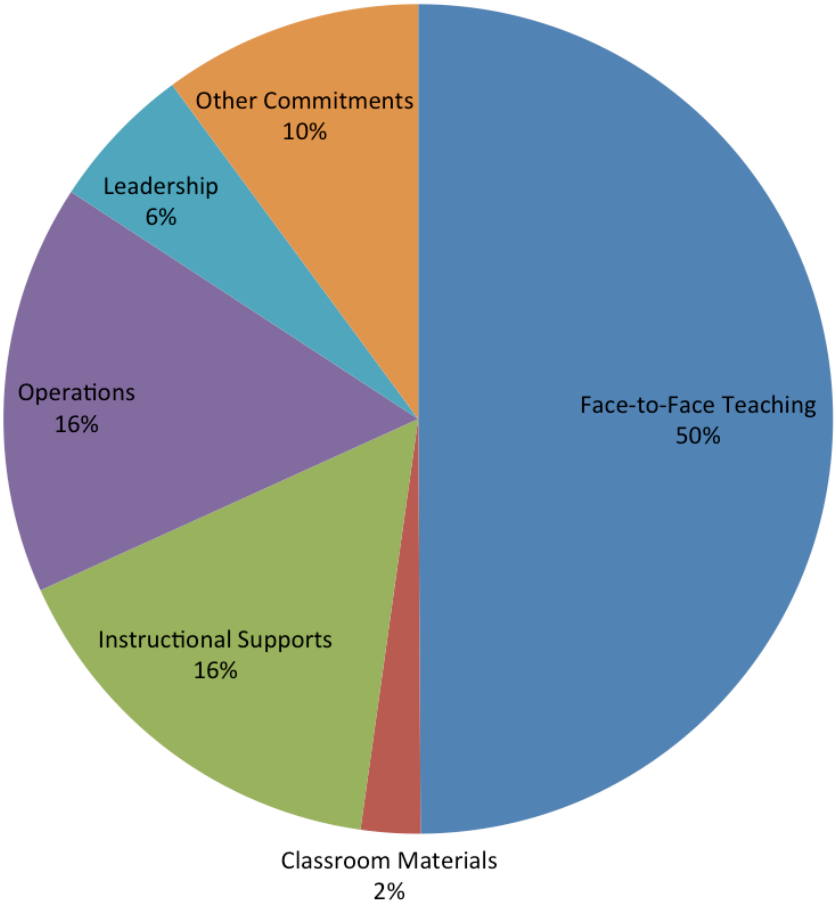
Funding Formula Data

- Total increase in education aid since 2011 ..... $179.4M
- Districts with net state gains under the FFF 26
- Total districts with net state loss under the FFF.....10

2013-2014 State and Local Education Contributions and Expenses

- State education aid distributed through formula* $850M
- Total local appropriation..... $1.2B
- Rhode Island average per pupil spending $15,808

FY14 Statewide Expenditures Based on $1 of Spending



Four Important Concepts for the Funding Formula Working Group

Concept 1: The "core instructional amount" ($8,928 in FY16) includes most basic instructional costs but it is not the state "per pupil amount".

The core instructional amount is the per pupil New England average of many (but not all) educational expenses from the previous year. Some important items like transportation and out of-district tuition are not included.

- **Therefore, a key takeaway** is that the core instructional amount is ***not*** the complete per pupil cost for educating Rhode Island students. It is a regional per pupil average of ***most*** costs.

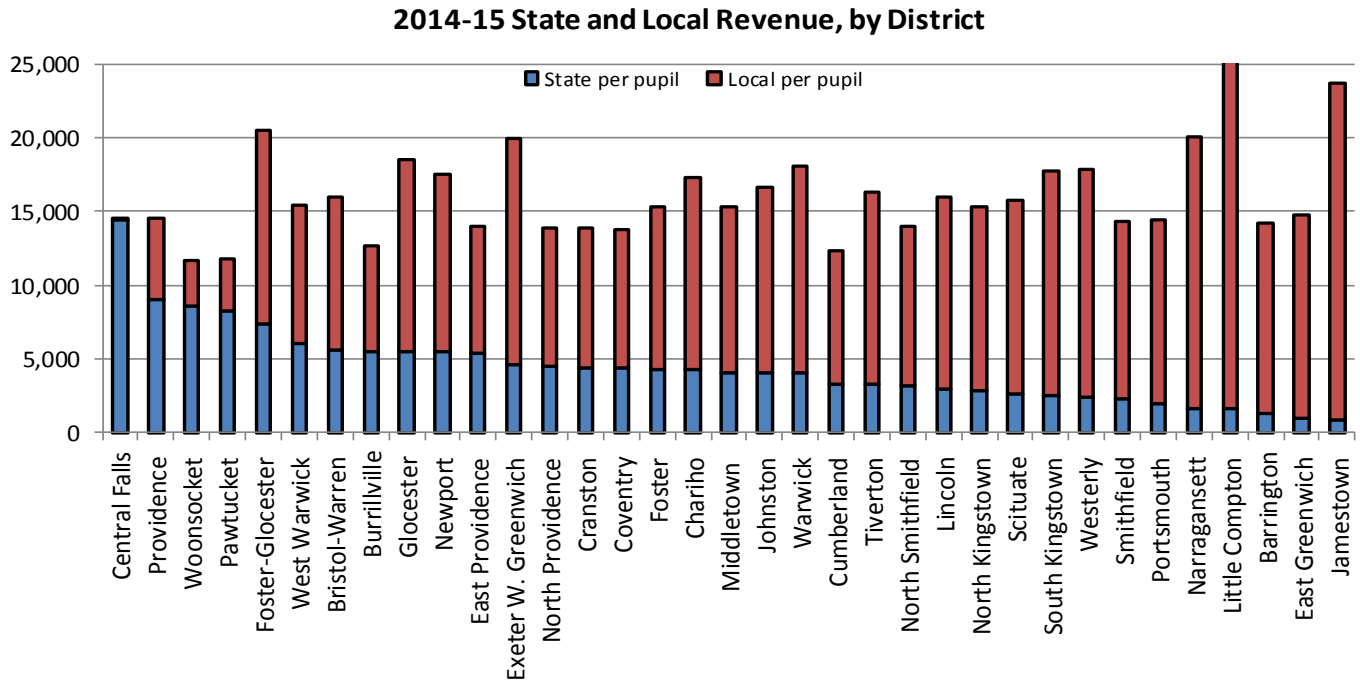
Concept 2: The state doesn't pay the core instructional amount for each student. The state pays its share (calculated by the share ratio) of the core instructional amount.

- **Therefore, a key takeaway** is that a one-dollar increase (or decrease) in the core instructional amount does not increase (or decrease) the state contribution by one dollar; rather, the adjustment is fractional based on the state share ratio.

Concept 3: Most of the differences in Rhode Island's per pupil amounts are the result of differences in local contributions, not differences in the state contribution.

The state contribution is based on the "state share ratio", which combines median family income and property value. Because of differences amongst Rhode Island communities, the state share ratio ranges from an FY16 high of the state paying 93.5% of the core instructional amount (Central Falls) to a low of the state paying 8.7% of the core instructional amount (Jamestown).

- **Therefore, a key takeaway** is that discussions about the adequacy of educational funding require an examination of both state and local contributions.



Concept 4: District and school funding is affected by all changes in enrollment, regardless of why students enter or exit.

When a student leaves her resident district and enrolls in a public school of choice, the state and local share follow her. When a student moves out of the state or enrolls in a private school, the resident district loses the state but not the local share for the student.

- **Therefore, a key takeaway** is that all enrollment decline results in a decrease in state aid; student movement to public schools of choice also results in a transfer of local share.

Issue Brief Introduction

The attached brief was developed to introduce and frame key issues under discussion by the Funding Formula Working Group.

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Issue Summary

This brief addresses the relationship between the cost of running districts and schools and the funding received from enrollment. Under Rhode Island's "funding-follows-the-student" formula design, state (and in some cases, local) share is a function of enrollment: the state contributes toward every full seat and contributes nothing toward empty seats. This raises two important issues: (1) fixed costs, and (2) marginal costs/savings. Both of these issues affect traditional school districts and public schools of choice.

Fixed costs: Districts and schools have some financial obligations that are "fixed" and do not vary much by small changes in enrollment. Common examples include heating, lights, grounds maintenance, and accounting services. Under the current formula, when a student leaves a school, the district loses the state (and, in the case of public schools of choice, local) share of funding for that student. For fixed costs, the loss of revenue doesn't result in any appreciable decrease in expenses.

Marginal cost/savings: While fixed costs can't be adjusted to match changes in revenue, marginal costs can be adjusted. However, not all marginal costs can be adjusted at the same rate. Some marginal costs can be managed to match enrollment (like consumable workbooks and meals). However, some cannot be managed to match enrollment changes (like teachers and building administrators).

Unlike fixed costs, marginal costs can work to the advantage and disadvantage of schools and districts. In some cases, the loss in revenue associated with the loss of a student cannot be met by an equivalent reduction in expenses; this produces a (marginal) loss. However, in other cases, the revenue gained through the addition of a student is greater than the costs of serving that student; this produces a (marginal) gain.

Rhode Island Context and Data

Fixed costs: One of the most common and well-established ways to quantify fixed costs is through a federal method of defining and combining them and expressing them as a percentage. Based on this method, it is reasonable to estimate that districts' fixed costs range from approximately 3% – 10%. This method includes an array of expenses including utilities, maintenance, retiree health and other legacy costs, etc.

Marginal costs: It is difficult to precisely calculate the marginal costs or savings on student seats. Calculation of this value is clouded by three issues: (1) the rate and urgency with which schools and districts respond to enrollment changes, and (2) the fact that empty seats can appear and disappear at any time (and sometimes multiple times) during the school year, and (3) marginal "cost" is not the same as lost revenue.

National Practice and Examples

Several other states use a "funding follows the student" approach to their formula; across these states, there are two primary adjustments made to address fixed and marginal costs/savings:

1. States reimburse districts for a portion of the lost revenue when students move to public schools of choice.

2. States allow districts to withhold a flat percentage from their per-pupil "tuition" to public schools of choice.

State Reimbursement Example: Massachusetts:
Massachusetts reimburses the sending district 100% of per pupil revenue the first year and 25% of the per pupil revenue every year for five years for each additional charter student. This transition support is triggered by increase in charter school enrollment.

Withheld Flat Percentage Example: New Jersey
New Jersey law requires that the per-pupil amount paid to charter schools, from districts, not exceed the program budget per pupil for the specific grade level in the district in which the charter school is located. Charters are required to at least receive 90% of the traditional school district per-pupil funding.

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Issue Brief #2: Differences in financial obligations: traditional school districts and public schools of choice

Issue Summary

Rhode Island's funding formula requires that state and local funds follow the student from their resident district to their public school of choice. This brief focuses on the issue of fundamental differences in expense obligations between charter schools and traditional school districts.[1]

Traditional districts are required to send a local per pupil share to public schools of choice that is calculated based on (nearly) all their local revenue, including revenue used for expenses that charter schools do not typically bear. Conversely, charter schools must fund their educational program based largely on state and local per pupil funding, even though they bear expenses that traditional districts do not. It is therefore important to understand the unique expenses for both school types to estimate their net impact.

This brief focuses only on unique expenses that can be defined by two criteria: **Criteria 1** are differences in regulatory or statutory requirements; or **Criteria 2** are overwhelming differences in practice.

Districts tend to have expenses that charter schools do not in the following areas:

(1) *Pre-school screening, intervention, and targeted educational services:* These are costs associated with the federal requirement that districts identify resident 3-5 year olds, screen them for potential disabilities, and provide services to qualifying students.
   - **This meets criteria 1**. Because charter schools do not have "resident" 3-5 year old students, they have no regulatory responsibility in this area.

(2) *Private school obligations*: Rhode Island General Law requires that districts pay for the transportation and some textbooks for resident students attending private schools.[2]
   - **This meets criteria 1.** Charter schools are not required to provide this benefit.

(3) *Career and technical tuition costs*: These are the tuition costs associated with students enrolling in career and technical education programs outside their resident district.
   - **This meets criteria 2**. If a charter student requested access to a career and technical education program outside their school, the charter would be required to provide it. However, historically, charter school students do not request tuition-based placement outside their school.

(4) *Out of district special education costs and transportation*: Some students with disabilities have needs that cannot be met within the district and require placement in a specialized program. In these instances, the district must pay the student's tuition.
   - This expense meets **criteria 2**. It is possible that charter schools could enroll and would need to serve students through out-of-district-placement; historically, charter school students tend to not require out-of-district placement.

(5) *Retiree health benefits:* These are the legacy costs of continuing to pay for health benefits that were guaranteed to prior staff and persist through their retirement.
   - This expense meets **criteria 2**. In time, some charter schools may have some retiree benefit expenses but due to management of benefit packages and relative youth of the workforce and sector, they have virtually no expenses in this area.

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[1] This brief does not address Davies and the Met, two state-operated public schools of choice.

[2] A portion of non-public transportation and high-cost special education expenses are offset by a state-funded categorical.

(6) *18-21 year old services:* These are costs associated with providing education and transition services to youth with disabilities up to the age of 21.
   - This expense meets **criteria 2**. If a charter enrolled a student that was legally entitled to services through the age of 21, they would be obligated to provide them; historically, very few 18-21 year olds receive these services in charter schools.

Charter schools tend to have unique expenses that meet the above criteria in the following areas:

(1) *Debt service*: The cost of repaying debt is nearly exclusively associated with facilities purchase, construction, or renovation. For traditional districts, this expense is covered by the city/town and is not encompassed by their per pupil funding. Conversely, charter schools must pay for all housing costs from per pupil funding.
   - **This meets criteria 1**. With the exception of regional districts, virtually no traditional districts incur this expense and charters currently incur it as a result of both budget and statute.

(2) *Rental*: These are the costs of renting schools and facilities. Charter schools very frequently rent (rather than buy) their schools.
   - **This meets criteria 2**. Although some traditional districts incur rental expenses, they are negligible and tend to be associated with the cost of small ancillary space, storage, and access to athletic facilities. Charter schools are incurring rental expenses for the school buildings.

Rhode Island Context and Data

The House Study Commission dedicated significant time to the discussion and study of this issue. Based on FY14 expenditure data, rounded average costs for expenses incurred by traditional districts (and not charter schools) are presented in table 1, below. Rounded average costs incurred by charter schools are presented in table 2, below.

Table 1: Rounded average FY14 Costs Incurred By Traditional Districts, Per Pupil

Out of district special ed.	***Retiree Health Benefits***	***18-21 Services***	***Pre-School Screening /Costs***	***Non-Public obligations***	***Career and Tech Tuition***
$560	$250	$280	$115	$30	$60

Table 2: Rounded Average FY14 Costs Incurred by Charters, Per Pupil

Debt Service	***Rental Costs***
$510	$430

National Practice and Examples

This issue is not unique to Rhode Island. At least five other states' funding formulas allow for itemized adjustments to account for differences in expenses. These states include Massachusetts, Connecticut, Delaware, Ohio, and Pennsylvania. In these states, charter school funding adjustments for high cost special education and other extraordinary expenses were common.

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Issue Summary

School housing costs are a complicated and important issue that affects both the deliberations of the funding formula working group and public education more generally. This issue includes two major components: (1) state support for school housing through state school construction aid; (2) the method by which traditional districts and public schools of choice pay for school housing.

In Rhode Island, land purchase, building renovation, and construction are typically funded through a combination of state construction funding (separate from the Funding Formula), local bond funding, and/or financial support from the city or town in which the school is located. Public charter schools cannot issue public bonds and (typically) do not have a city or town that provides financial support for the purchase, construction, or renovation of school housing.[1]

State school construction funding is allocated to districts based on a scale: wealthier communities are eligible for a lower state contribution and poorer communities are eligible for a higher state contribution. In FY 2016, these range from 35% to 96.1%. By statute, the charter school construction state reimbursement is set at 30%, below the district minimum of 35%.

National Practice and Examples

A summary of state mechanisms for funding public school housing is complex and beyond the scope of this brief. However, national approaches to handling charter school housing merit summary. Across the nation, there are four primary ways that charter school housing costs are supported:

1. An Annual Set-Aside for Application-Based Aid and/or Matching Funds for Construction/Renovation
2. Right of First Refusal/Increased Access to Existing Public Facilities
3. Tax-Exempt Financing and/or Bond Application
4. Per Pupil Facilities Aid

The majority of states provide a combination of at least two of the forms of support listed above. Over 30 states with charter laws provide some form of financial support for the charter sector. 14 states provide no financial support for charter school housing.

[1] While charter schools cannot issue public bonds, they have other methods of entering into similar long-term debt to fund facilities purchase, construction, and renovation.

Issue Brief 4: English Language Learners

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Issue Summary

English language learners (ELLs) are students who are actively learning English and are entitled to language support services. As a group, ELLs are complex and heterogeneous, ranging from students who have had formal education in their home country to students with little-to-no experience with literacy or numeracy in any language. Contrary to popular opinion, ELLs are not uniformly students of color, immigrants, living in our core urban cities, or living in poverty.

Federal requirements heavily influence ELL instruction and include:

(1) Pro-active identification of potential ELLs as early as possible;
(2) Providing a sound educational program led by a qualified teacher that supports language and academic content acquisition;
(3) Regular monitoring and the ability to exit s upon demonstration of English proficiency; and
(4) 2 years of monitoring after exit to ensure that they are making expected academic gains.

High quality ELL services can take many forms including dual language programs, supported inclusion of ELLs in general education classrooms, and targeted interventions. Regardless of their form, high-quality programs offer:

(1) A joint focus on content knowledge **and** language acquisition;
(2) Approaches that use students' native language as a strength;
(3) Provide students a strong foundation in conversational and academic vocabulary;
(4) High expectations and challenging, age-appropriate academic content; and
(5) Qualified and well-trained educators.

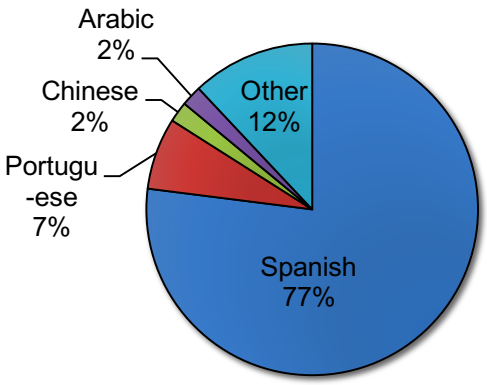
Rhode Island Context and Data

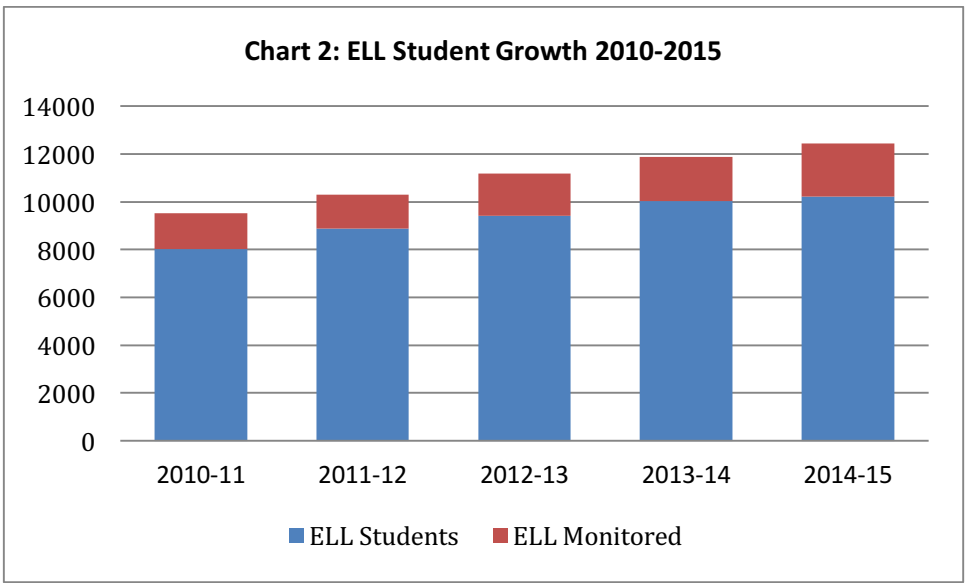
In the 2014-2015 school year in Rhode Island, ELLs were 7% of total students (10,229). Of these students, 88% were enrolled in free or reduced-price lunch programs and 75% lived in the four core cities.

ELL students in Rhode Island speak over 90 different languages, the most prevalent of which are presented in Chart 1.

While ELLs represent a relatively small percentage of our overall school-age population, they are one of the fastest-growing demographic groups. Chart 2 provides a five-year view of ELL student growth. The students represented in blue in the chart are ELLs current in program; they are complemented by the students represented in red, who have recently exited and are in monitoring status.

Chart 1: Language Distribution of English learners, 2015





In addition to examining the statewide growth in English language learners, it is helpful to better understand their concentrated growth in the core urban communities, which is presented in Table 2, below.

Change in ELL Population		
	2010	2015
Statewide	5.7%	7.3%
Providence	16.6%	23.1%
Pawtucket	12.2%	10.3%
Woonsocket	7.2%	8.8%
Central Falls	22.2%	25.6%

National Practice and Examples

Currently, Rhode Island is one of only four states that do not have an ELL- specific state funding mechanism for ELLs. Of the states that do have one, there are primarily three mechanisms used:

1. **Categorical funding**: Nine states disperse funding for ELLs through a categorical fund;
2. **Reimbursement**: Three states reimburse districts for a portion costs of specific ELL programs
3. **Formula funding**: Thirty-four states fund through their funding formula, the majority through student weights that fall between .1 and .25 per student.

Most states' ELL funding is discretionary once passed on to districts so there is no requirement that districts will use those extra dollars for ELL services.

Issue Brief 5: Special Education

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Issue Summary

Students with disabilities (SWD) are being served in every school and district in Rhode Island. Students who are evaluated and determined to have a disability that requires additional support are provided individualized educational plan (IEP). The IEP is developed by a team of professionals and describes the services and supports to which the student has a legal right. Students with disabilities are regularly evaluated to determine whether they are making progress.

High-quality special education services:

1. Are responsive to the changing needs of the students;
2. Define special education as a service, *not a place* and keep students with disabilities with their classmates and peers;
3. Use a team approach to educating and monitoring student progress;
4. Treat parents as partners in the educational process; and
5. Are delivered by qualified and well-trained educators.

Rhode Island Context and Data

Rhode Island has an average special education identification rate of 15.9%, which has fallen over the past five years. Table 1 summarizes the change in special education rates in Rhode Island's three largest districts which, together, serve almost 30% of the state.

Table 1: Five Year Change in Special Education Rates

	2010 Special Education %	2015 Special Education %	Change
Statewide	16.5%	15.9%	-0.6%
Providence	18.1%	16.7%	-1.4%
Cranston	14.9%	13.8%	-1.1%
Warwick	18.7%	18.1%	-0.6%

SWD have highly variable need based on the nature of their disability. Some students received services and quickly exit, while others receive services throughout their K-12 education. Some students require individualized supports until the age of 21, while others need to be placed in a non-public school equipped to meet their unique needs.

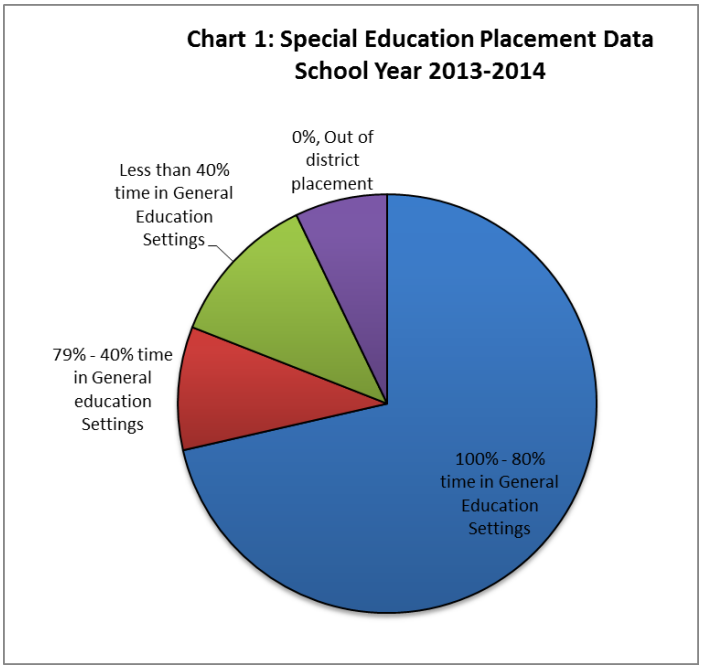

Chart 1 provides a high-level view of the proportions of special education service, which is presented as the percentage of time that students spend in general education settings. The vast majority of students with disabilities are spending the vast majority of their school day in general education settings. At the same time, it is critical to more fully understand the differences in cost between levels of supports in the various settings.

Table 2 displays the range in costs between levels of disability. Levels are displayed as the percentage of time students are in the regular classroom settings.

Table 2: Special Education Per-Pupil Expenditures					
School Type	**Range**	**80%>**	**79-40%**	**<40%**	**OOD**
Traditional Districts	Min	$1,897	$1,403	$1,645	$18,624
	Max	$27,957	$90,994	$90,572	$131,400
	Avg	$11,327	$30,928	$22,932	$63,236
State Schools	Min	$4,169	$0	$0	$0
	Max	$50,014	$0	$0	$0
	Avg	$20,462	$0	$0	$0
Charter Schools	Min	$2,977	$1,025	$0	$12,342
	Max	$10,298	$1,025	$0	$54,600
	Avg	$6,073	$1,025	$0	$33,293

The cost of special education is funded primarily by local education aid. In FY 2014, federal funding covered 16 percent of the estimated cost and the state funded $2.5 million in reimbursement for our highest-cost students. The remainder of special education costs are funded through general state and local education aid.

National Practice and Examples

47 states have a funding mechanism specifically for SWD.

- **Formula funding**: 31 states adjust the distribution of their funding formula for SWD
  - 10 states use a single weight
  - 10 states use multiple weights (to account for the degree of need)
  - 5 states use flat dollar allocations
  - 6 states use staff allotments
- **Categorical funding**: 12 states disperse funds for SWD through a state budget item
- **Reimbursements**: 4 states reimburse districts for expenses on SWD

Rhode Island's model is not represented in the categories above and contains two mechanisms:

(1) Approximately $700 of the $8979 instructional core reflect special education expenses. This means a portion of special education costs are already included in the formula.
(2) In fiscal year 2014, Rhode Island provided a total of $2.5 million in reimbursement for its highest cost students through a categorical fund.

Like most states, Rhode Island treats state special education funding as discretionary; once passed on to districts, they are not required to use the funds for special education.

Issue Brief 6: Career and Technical Education

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Issue Summary

Career and technical education (CTE) presents unique funding challenges. There are claims that CTE is both over and underfunded through the funding formula. Currently, districts receive funding for career and technical education from two state/local sources: (1) reimbursement from the funding formula career and technical education categorical fund, and (2) out-of-district tuition.

Rhode Island Context and Data

CTE in Rhode Island is delivered through three primary mechanisms.

Type 1: Centers that offer many CTE programs in a single, freestanding school (Davies Career Center and the Met[1])

Unique characteristics: These schools are their own districts and do not have a "resident" population but rather, serve students regionally and statewide.

Cost drivers: This is the most expensive model because it combines full technical and academic programs of study. Unique cost drivers include enrollment attrition in the upper grades; the cost of transportation to school and for required workplace internships; the requirement to offer a full complement of student support services (guidance, social workers); smaller class size to ensure student safety; and expensive consumable materials.

Funding: These centers are funded like charter schools (state and local share) and receive reimbursement for some expenses through the CTE categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was $405,000.

Type 2: Centers that offer many CTE programs in a technical center that operates as a satellite to a high school (Woonsocket, E. Providence, Newport, Chariho, Cranston, Warwick, and Coventry)

Unique characteristics: These schools are part of a district and serve resident students and out-of-district students on both full and part-time bases.

Cost drivers: This is the second most expensive model. Unique cost drivers include enrollment attrition in the upper grades; smaller class size to ensure student safety; and the higher material and expensive consumable materials.

Funding: Out-of-district students pay for access through a tuition model that includes the technical training costs, transportation, and any other incremental cost associated with the student's experience in the career preparation program. In-district student costs are partially reimbursed to the district through the funding formula career and technical education categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was $182,000.

Type 3: Comprehensive high schools that operate one or two career preparation programs as part of their programs of study (highs schools statewide)

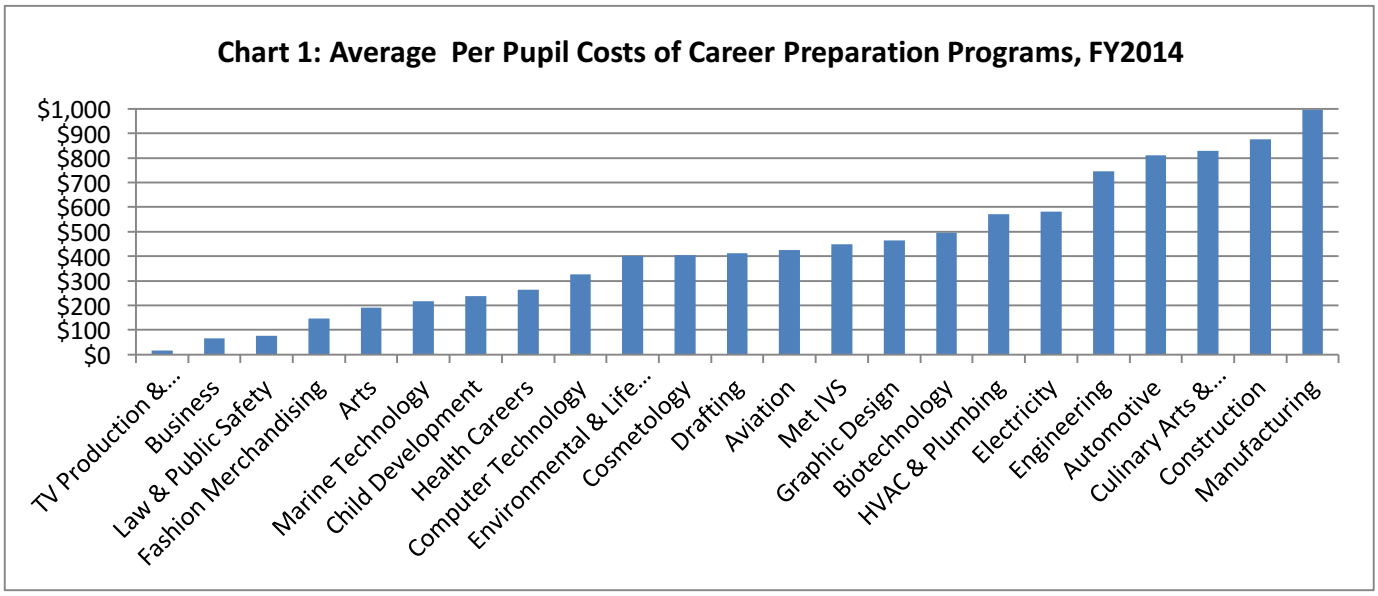
Unique characteristics: This tends to be the lowest-cost model. These programs are part of a district and serve resident and out-of-district students.

[1] There are two additional free-standing schools that combine career and academic programming: (1) Providence Career and Technical Academy, which serves only Providence students and is a school within Providence, and (2) New England Laborers Academy, which is a charter school in Cranston. The characteristics and cost drivers for these schools are somewhat different than those presented here.

Cost drivers: The cost drivers in this area relate to start-up costs and the cost of consumable materials that are part of the program.

Funding: Out-of-district students are served through a tuition model: sending districts are required to pay for the technical training costs, transportation, and any other incremental cost associated with the student's experience in the career preparation program. In-district student costs are reimbursed to the district through the funding formula career and technical education categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was $25,000.

Chart 1 provides the average, above and beyond, per pupil costs of CTE by program type.



National Practice and Examples

Across the nation, there are many different approaches to funding career and technical education. These approaches fall into five general categories, which are presented in Table 1, below.

Table 1: Summary of National Approaches to CTE

State Funding Approach	Description	# of States
1. Weighted Funding	States that establish a single weight for CTE programs without differentiation	12
2. Categorical Funding	Supporting CTE programs with categorical funding	8
3. Proportional Allocation	LEAs are funded proportionate to its share of the state's CTE population	9
4. Unit Based Funding	Unit- or program-based formulas allocate funds based on a set of educational inputs used to deliver CTE services.	7
5. Cost Reimbursement	Districts are reimbursed for all or a portion of CTE expenses, as determined by state policies.	9

Rhode Island's funding formula approach is a combination of method 2 and 5 and provides direct state reimbursement for over half of all extraordinary CTE expenses statewide. Federal funding and out-of-district tuition cover the remaining costs.

Issue Brief 7: Funding Formula Categorical Funds

The attached brief was developed to introduce and frame key issues under discussion by the Funding Formula Working Group.

These briefs do not address every issue that affects public education funding. By focusing on concise introductions to important and complicated topics, some detail and nuance has been intentionally omitted.

We welcome your feedback on these briefs or on any other topic related to Rhode Island's Funding Formula, which you may submit to edfundingri@ride.ri.gov

Issue Brief 7: Categorical Aid

Issue Summary

This brief describes the purpose of the categorical funds in Rhode Island's Funding Formula. The categoricals[1] are primarily for:

1. High Cost Special Education Students
2. Early Childhood Education
3. Student Transportation
4. Career and Technical Education

Categorical funds are essential components to the structure of the entire funding system and address expenses that are outside the core instructional amount. Failure to fund the categorical aid without offsetting formula adjustments will shift the financial burden from the state to districts.

High-Cost Special Education

The high cost special education categorical provides financial support to districts that are serving students with extraordinary needs. From this $2.5 million fiscal year 2016 fund, districts received a partial reimbursement for students with expenses at or above $62,496 per pupil.

Rhode Island Context and Data

In fiscal year 2016, districts received approximately 20% reimbursement for the 551 eligible students. Providence has the largest share at 21%, followed by Cranston at 10% and East Providence at 7.6%. The costs associated with these programs are included in the core instructional amount.

National Practice and Examples

States across the country use high cost special education categorical funds to assist districts with these types of costs. It is common to have both student weights and a high cost categorical fund. At five times the per-pupil cost Rhode Island has one of the higher thresholds to receive reimbursement in the country.

Early Childhood Education

The early childhood education categorical is used to increase access to high quality pre-kindergarten programs.

Rhode Island Context and Data

Early childhood categorical funds are distributed through a competitive process for high-quality programs serving our lowest-income communities, including Central Falls, East Providence, Newport, Pawtucket, Providence, West Warwick, and Woonsocket.

Rhode Island is maximizing the use of these funds by using them as a state match with a $19 million federal grant. The FY 2016 Budget includes a $3.95 million appropriation the early childhood categorical.

Student Transportation

The transportation categorical is used to reimburse districts for a portion of the cost of transporting students outside their districts. Districts must participate in the statewide transportation system to be eligible. Reimbursement for regional district transportation accounts for half of the categorical.

Rhode Island Context and Data

The FY 2016 Budget includes $4.4 million and this is divided nearly evenly between the non-public and regional components. The department estimates full funding for this category of aid to be approximately $10 million.

[1] There is also a Central Falls stabilization fund and a provision for regionalization support.

Career and Technical Education

The purpose of the career and technical categorical fund is to support start-up for new programs and to offset the higher than average per pupil costs associated with existing programs.

Rhode Island Context and Data

Twenty-one LEAs receive funding from this categorical in varying amounts ranging from an annual average of $405,000 for free-standing centers to an annual average of $25,000 for single programs embedded in comprehensive high schools. The FY 2016 budget is $3.5 million. RIDE estimates $10 million is needed to fully fund the program.

National Practice and Examples:

Table 1: Summary of National Approaches to CTE

State Funding Approach	Description	# of States
1. Weighted Funding	States that establish a single weight for CTE programs without differentiation	12
2. Categorical Funding	Supporting CTE in centers with categorical funding	8
3. Proportional Allocation	LEAs are funded in a manner proportionate to its share of the state's total CTE population	9
4. Unit Based Funding	Unit- or program-based formulas allocate funds based on a set of educational inputs used to deliver CTE services.	7
5. Cost Reimbursement	Districts are reimbursed for all or a portion of CTE expenses, as determined by state policies.	9

Rhode Island's funding formula approach is a combination of method 2 and 5 and provides direct state reimbursement for over half of all CTE expenses statewide. Federal funding and out-of-district tuition cover the remaining costs.