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Rhode Island's Education Funding Formula Revised:
RIPEC Analyzes Changes to State Education Aid in the Enacted Fiscal Year 2024 Budget

Introduction

Public elementary and secondary education is a central state and local government function in Rhode Island and the United States more broadly—it is not only pivotal to the wellbeing and future of most American children and their families, but also foundational to the economy and democratic institutions. As such, state and local governments commit a large proportion of resources to elementary and secondary education; in Rhode Island, over a quarter of state general revenue dollars and over half of local dollars are allocated to K-12 education.[1] Most local governments take on the primary responsibility for funding their schools in the Ocean State, and schools are primarily administered at the local level, but the General Assembly has ultimate authority over the provision of public education under the state constitution and over a third of public school funding comes from the state.[2]

State education aid in Rhode Island has special importance in providing adequate and equitable funding. The local share of education costs is funded primarily by property tax revenues in the Ocean State. However, in Rhode Island there are several communities with property wealth much lower than the state overall and dramatically lower than more affluent communities.[3] Many of these municipalities with the least ability to raise property tax revenues for education also have much higher concentrations of economically disadvantaged and multilingual students—who require greater educational resources.[4] Consequently, these communities rely heavily on state funding to provide an adequate education for their students. Given the essential role that state

[1] In the state's FY 2024 budget, 27.6 percent of general revenue spending is dedicated to elementary and secondary education. R.I. House Fiscal Advisory Staff, 2023-5200, Substitute A as Recommended by the House Finance Committee, June 2023. In FY 2019, 60.1 percent of municipal expenditures were attributable to education expenditures. RIPEC, "An Introduction to Municipal Finance in Rhode Island," April 2021.
[2] As depicted in Figure 3 on page seven of this brief, 37.8 percent of education revenues were derived from state sources in FY 2021. The General Assembly's constitutional authority was affirmed in the landmark 1995 Rhode Island State Supreme Court case *City of Pawtucket v. Sundlun*, *City of Pawtucket v. Sundlun*, 662 A.2d 40 (R.I. 1995).
[3] RIPEC has previously found wide discrepancies in per capita taxable property value across Rhode Island cities and towns, ranging from approximately $26,000 in Central Falls to over $250,000 in seven communities in FY 2019. Other communities with low property wealth per capita include Woonsocket, Pawtucket, Providence, and West Warwick. RIPEC, "A System Out of Balance: Property Taxation Across Rhode Island," January 2022.
[4] RIPEC showed the stark concentration of economically disadvantaged and multilingual students in a report published last year. Only five districts had multilingual learner populations exceeding 10.0 percent in 2021: Woonsocket, Newport, Pawtucket, Providence, and Central Falls. In Central Falls and Providence, a third or more students were multilingual learners. Similarly, fewer than a quarter of students were economically disadvantaged in about half of districts, while over three-in-four students were economically disadvantaged in Woonsocket, Providence, and Central Falls in 2019. RIPEC, "Improving Rhode Island's K-12 Schools: Where Do We Go From Here?," October 2022.

education aid plays in providing adequate and equitable funding for public schools, the school funding changes included in Rhode Island's state budget for FY 2024 deserve critical analysis.

First implemented in FY 2012 and fully phased in over ten years, Rhode Island's education funding formula is the primary mechanism through which the state distributes funds to local education agencies (LEAs), including traditional public school districts, state-run schools, and charter schools. Rhode Island's enacted budget for FY 2024 allocates $1.15 billion in state formula aid to LEAs, amounting to 78.7 percent of total state education aid of $1.46 billion.[5] The formula reflects the state's effort to bring greater predictability and equity to its system of education finance; it was developed both to insulate LEAs from shortfalls in funding they had experienced during previous periods of economic contraction and to address the stark differences across Rhode Island communities in student demographics and in the ability to raise local revenues through property taxation.[6]

Ironically, the first year in which the Rhode Island funding formula became fully phased-in—FY 2021—was the last year in which the formula operated as intended. Responding to large enrollment declines during the COVID-19 pandemic, and the prospect of significant losses in state funding for LEAs under the formula, the General Assembly determined to hold LEAs harmless from enrollment losses in the FY 2022 budget. The following year, when enrollment did not rebound but rather fell further, the Assembly again used a hold harmless policy to prevent reduction in education aid for FY 2023. For the FY 2024 budget, recently enacted on June 16, 2023, the Assembly moved away from a broad-based hold harmless approach and adopted several significant changes to the funding formula. However, some of these changes continued the policy of protecting LEAs from reductions in state aid connected with enrollment declines. The Assembly also enacted major increases in state categorical funding that supplement formula aid allocations to LEAs.

This policy brief provides an analysis of Rhode Island state education aid as enacted in the FY 2024 budget, analyzing the ways in which it departs from the funding formula as designed, as well as its effect on public schools overall and across Rhode Island school districts. Based on its analysis, RIPEC offers recommendations to policymakers. This brief builds upon RIPEC's comprehensive April 2022 report, "Rhode Island's Funding Formula After Ten Years: Education Finance in the Ocean State."[7]

Methodology

Of final introductory note, brief explanation is required for two methodological choices made by RIPEC in its analysis. First, to better understand the extent to which the funding formula has (or has not) produced a more equitable allocation of state resources during its phased-in implementation period and for the most recent three years thereafter, RIPEC's analysis employs a grouping of five districts described as urban core districts: Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. These districts were chosen because they have the

[5] Additional state education aid includes $132.8 million for the state's share of teacher retirement costs, $104.2 million for school housing aid, $72.4 million in categorical funds, and $1.0 million in other aid for distribution by RIDE. R.I. House Fiscal Advisory Staff, 2023-5200, Substitute A as Recommended by the House Finance Committee, June 2023.
[6] Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.
[7] RIPEC, "Rhode Island's Funding Formula After Ten Years: Education Finance in the Ocean State," April 2022.

state's five lowest levels of property wealth per student, and they rank among the top six communities for highest proportion of students in poverty.[8]

Second, RIPEC's analysis of the funding formula's effect on school funding during its phased-in implementation period (FY 2012-FY 2021) on pages 7-8 utilizes an accounting of total state revenue by LEA as reported in the state's Uniform Chart of Accounts (UCOA). Under UCOA, state revenues are all revenues received by LEAs from state agencies exclusive of school housing aid, the state's contribution to teacher retirement, restricted and unrestricted grants, and food service state matching and school breakfast reimbursement funds.[9] Since UCOA data is not available beginning in FY 2022, RIPEC's analysis of the effect of the formula on school funding from FY 2021 to FY 2024 on pages 14-17 compares what RIPEC has termed "state aid" across LEAs—a figure compiled by RIPEC that includes three major sources of state funding: formula, categorical, and group home aid.[10] These measures of educational revenues are consistent for comparative purposes within each period of analysis but differ somewhat when comparing values from one period to the other.

The Funding Formula: Design and Implementation

History and Design Principles

While implementation of Rhode Island's funding formula began in FY 2012, the formula's history extends back to the early 2000s, when lawmakers conducted various studies on the creation and implementation of a permanent education funding formula. At the time, state aid was distributed by way of a statutory formula that applied "poverty weight" aid to apportion greater aid to districts with larger proportions of economically disadvantaged students. However, it was acknowledged that a fairer funding mechanism should account for a community's relative property wealth and provide for a greater degree of year-over-year predictability for LEAs.[11]

Incentivized by the federal Race to the Top initiative, Rhode Island's education commissioner and Board of Regents convened a study and design team tasked with developing recommendations for a new funding structure in 2009.[12] The design team was tasked with proposing a funding structure that met a set of pre-approved principles. These included that: (1) education resources should follow the student across different LEAs, (2) the state should identify a target level of per pupil cost, and (3) the formula should determine how much of that

[8] The City of Newport often has been categorized as an urban core community for purposes of K-12 education and other purposes, and West Warwick often has not been included in this category. For example, see R.I. Division of Municipal Finance, Municipal Transparency Portal program. While the City of Newport ranks in the top five for proportion of students in poverty, Newport is not included among the urban core communities for the purposes of this analysis because it also has the state's fifth highest level of per student property wealth. RIDE, FY 2024 Formula Calculation, FY 2024 State Share Ratio.

[9] R.I. Board of Regents for Elementary and Secondary Education, UCOA Accounting Manual, March 2022. Teacher retirement costs and school housing aid represent large investments by the state, totaling a respective $132.8 million and $104.2 million in the FY 2024 budget as enacted. R.I. House Fiscal Advisory Staff, 2023-5200, Substitute A as Recommended by the House Finance Committee, June 2023.

[10] RIDE, Funding Formula Supporting Calculations and Documents.

[11] Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.

[12] The initiative included large federal funding for K-12 education allocated through a competitive grant process that favored states which, among other criteria, demonstrated increased attention to education funding, particularly for low-achieving LEAs. William G. Howell, "Results of President Obama's Race to the Top," *Education Next*, 2015; Lesli A. Maxwell, "R.I. Aims at Equity in Funding Formula," *EducationWeek*, 2010.

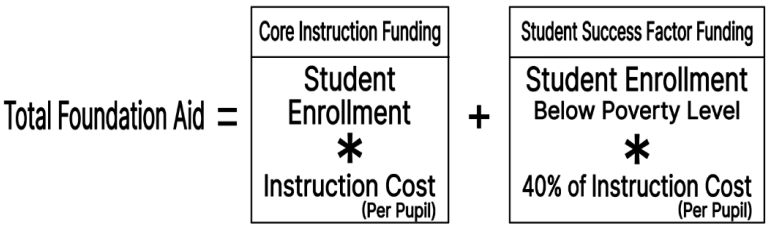
per pupil cost should be respectively provided by the state and by local government.[13] Legislation reflecting the design team's recommendations was ultimately signed into law in June 2010, with the new funding formula to be phased in over ten years, beginning in FY 2012. Rhode Island was the last state in the U.S. to implement a funding formula.[14]

Key Design Elements

Foundation Aid

The central concept of Rhode Island's funding formula is the determination of an LEA's foundation aid. As illustrated in Figure 1, foundation aid is the core instructional cost multiplied by student enrollment, plus an additional weight for students living in poverty (the student success factor).[15]

Figure 1
Foundation Aid Calculation



The first part of foundation aid, the core instructional cost, is calculated by first determining the average cost of core services for seven categories of expenses across four states: Connecticut, Massachusetts, New Hampshire, and Rhode Island.[16] Categories of core services include items like instruction staff and student support, but do not include both legally mandated and necessary costs, such as transportation or food services.[17] For FY 2024, the per pupil core instructional amount has been determined to be $11,876.[18]

The second piece of foundation aid, the student success factor, is a funding mechanism which accounts for students in poverty and the greater cost of educating such students. The student

[13] Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.
[14] Ibid. The decision to phase-in the formula was in part due to the redistribution of aid away from certain communities that qualified for lower levels of state support under the new formula. For these communities, reductions were phased in over ten years. For districts receiving more state aid under the new formula, increases were phased in over seven years. R.I. House Fiscal Advisory Staff, Rhode Island Education Aid, September 2021.
[15] Student enrollment is measured by average daily membership, which accounts for annual enrollment fluctuations by dividing the aggregate number of days of school enrollment of all pupils residing within a district by the number of days school was in session. Data for the fiscal year beginning July 1 is calculated in March of the current school year. R.I. Gen. Laws § 16-7-22.
[16] This mix of New England states was chosen to account for region-specific costs. R.I. Senate, "Special Legislative Task Force to Study Rhode Island's Education Funding Formula: Findings and Recommendations," January 28, 2020.
[17] The other categories used are district-level administration, school-level administration, other instruction services, other student support instructional services, and staff benefits. R.I. Board of Education, 200-R.I. Code of Regulations-20-10-1. Categories were chosen to align with Rhode Island's Basic Education Plan (BEP), a set of regulations that identify academic standards which all public schools are required to meet. At the time of the formula's adoption, the design team determined the 2010 core instructional amount by taking 2005 spending data from the National Center for Education Statistics and adjusting by a regional consumer price index. This process is repeated annually to verify the accuracy of spending data. For FY 2024, the core instructional amount reflected spending data from FY 2018, adjusted upward for consumer inflation between 2019-2022. Data from 2005 was chosen because economic instability between 2005-2010 caused education spending fluctuations in the sample states, including Rhode Island, where the General Assembly enacted budget freezes. Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.
[18] The per pupil instructional amount is up from $8,333 in FY 2012, an average annual increase of 3.5 percent. R.I. House Fiscal Advisory Staff, FY 2024 Proposed Budget Analysis, Section VI: Special Reports.

success factor is equal to 40.0 percent of the core instructional amount, or $4,750 per eligible student in FY 2024. A student in poverty is defined as a student from a household with income at or below 185.0 percent of the federal poverty line, the same cutoff used for the federal free and reduced-price lunch (FRPL) program.[19]

The funding formula's framers recognized that there are student groups in addition to economically disadvantaged students who require greater educational resources—particularly multilingual learners and students with special needs. However, citing concern that LEAs may be incentivized to overidentify students if given financial advantage, these students were not factored into the foundation aid calculation.[20] Instead, additional funds were provided for high-cost special education students—defined as exceeding an LEA's total per pupil foundation aid by five times—through separate categorical aid. No additional funding for multilingual learners was appropriated until FY 2017, when categorical funds were provided to support funding students in the most intensive English language learner programs.[21] Notably, the number of multilingual learners in the state has increased substantially since the formula went into effect; multilingual student enrollment has grown from 8,913 representing 6.3 percent of all students in October 2012, to enrollment of 17,100, 12.4 percent of all students, in October 2023.[22]

State Share Ratio

While the total foundation cost attempts to quantify the core instructional cost of educating every K-12 student within a given district, the formula uses a separate calculation to determine the State Share Ratio, or the share of the foundation aid to be covered by the state for each community. The State Share Ratio accounts for differences in a municipality's ability to raise property tax revenue and its proportion of students in poverty.

The first factor in the State Share Ratio, referred to as the State Share Ratio for the Community, quantifies a municipality's ability to raise local revenues through a calculation of relative property wealth per student.[23] The second component used in calculating the State Share Ratio is a community's concentration of child poverty, measured by the percentage of students in poverty in grades prekindergarten through six.[24]

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[19] The U.S. Department of Agriculture issued guidance in 2016 to states clarifying that FRPL data was not intended to be used to determine student poverty. R.I. House Fiscal Advisory Staff Presentation, House Committee on Finance, March 31, 2016. Notably, when the formula was enacted, a student in poverty was defined strictly through FRPL eligibility, but this eligibility definition was changed in FY 2017 pursuant to federal guidance; references to FRPL status were replaced with references to income at or below 185.0 percent of the federal poverty line. However, despite this statutory change, FRPL forms, along with other data, continued to be used in the counting of students in poverty. According to RIDE, LEAs receive information about Student Success Factor-eligible students based on state data on participation in the Supplemental Nutrition Assistance Program (SNAP), but rely on income verification forms, including applications for FRPL, to confirm eligibility for students from families not enrolled in SNAP.

[20] Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.

[21] The calculation is based on 10.0 percent of the core instructional cost and is ratably reduced. R.I. House Fiscal Advisory Staff, FY 2024 Proposed Budget Analysis, Section VI: Special Reports. In statute, the term English learners is used rather than multilingual learners. RIPEC has adopted the term multilingual learners here because it is the term used by RIDE in materials related to the fund.

[22] Enrollment includes PreK. RIDE, October Enrollment; RIPEC calculations.

[23] The State Share Ratio for the Community relies on adjusted equalized weighted assessed value (AEWAV), a measure of the value of all real and tangible personal property in each municipality, along with enrollment data. R.I. Gen Laws § 16-7-21. AEWAV is calculated annually by the R.I. Division of Municipal Finance. R.I. Division of Municipal Finance.

[24] The designers of the funding formula chose to measure child poverty for PreK through sixth grade because data showed that students in this age group are more likely to participate in the FRPL program if eligible than students in

To determine the State Share Ratio, the funding formula uses a quadradic mean to give greater weight to the larger of the two factors—the State Share Ratio for the Community and the concentration of student poverty—rather than a standard mean, which would give equal weight to each factor.[25] Consequently, the use of a quadratic mean benefits those communities in Rhode Island that have either, but not necessarily both, high proportions of student poverty or low levels of property wealth per student. Figure 2 depicts the State Share Ratio calculation.

Figure 2
State Share Ratio Calculation

$$\text{State Share Ratio} = \sqrt{\frac{\left(\text{State Share Ratio for the Community}\right)^2 + \left(\text{\% Poverty PreK - 6th}\right)^2}{2}}$$

Maintenance of Effort

While the State Share Ratio determines both a state and local share, local governments are not required under the formula to supply the local share portion of foundation aid. Local governments do have a maintenance of effort requirement under the funding formula; districts are required to maintain education funding at least at the same level from year-to-year. Unlike the state, local governments are not required to increase funds year-over-year to account for increased enrollment or inflation. Municipalities may reduce local funding proportionally to account for decreased enrollment, however.[26]

Funding Follows the Student

The principle that funding follows the student is central to the design of the funding formula. In practice, this means that state aid is allocated on a per student basis, and that funds follow the student across LEAs, regardless of whether a student physically moves residence to a new district or retains residency in a district but enrolls in a charter school, state school, or other LEA. The same principle generally applies to the local share of education funding—school districts are required to allocate the local payment rate to the district, charter, or state school to which their resident student is enrolled. Since 2016, districts have been able to hold back a proportion of their local share (7.0 percent for most districts) from charter schools to account for the unique financial obligations of school districts.[27]

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grades seven through twelve. R.I. Senate, "Special Legislative Task Force to Study Rhode Island's Education Funding Formula: Findings and Recommendations," January 28, 2020.

[25] Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," August 2011.

[26] R.I. Gen. Laws §16-7-23. Additionally, districts identified as "high local contribution communities"—defined as those districts that fund at least 85.0 percent of the BEP with local funds—or those identified as "high per pupil expenditure communities"—defined as those meeting the BEP and state benchmarks for expenses outside the BEP—may reduce their local appropriation by up to 10.0 percent of any increase in state education aid received. R.I. Gen. Laws § 16-7-23.1.

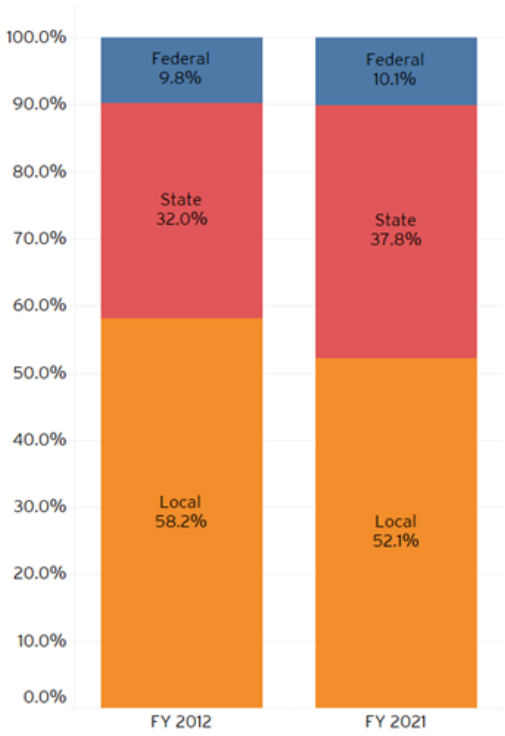
[27] Unique costs include "non-public textbook and transportation, retiree health benefits, out-of-district special education tuition and transportation, services for students ages 18-21, pre-school screening and intervention, career and technical education tuition and transportation, debt service, and rent." Districts can reduce their contribution by the greater of two figures: (1) seven percent of the local payment rate or (2) the per pupil value of certain expenses incurred by sending districts minus the average per pupil cost for such expenses incurred by all public charter schools. RIDE, Funding Formula Reference Guide - Spring 2018. While most districts hold back 7.0 percent, RIPEC found that some districts held back much more (as much as 25.8 percent) in FY 2021. Rhode Island Public Expenditure Council, "An Analysis of Charter Public Schools in Rhode Island," June 2021.

Effect on State Funding Over Phase-In (FY 2012 – FY 2021)

Over the course of its ten-year phase-in, the funding formula was effective in increasing the state's contribution to public education. For LEAs collectively, total state funding grew from $699.4 million in FY 2012 to $1.07 billion in FY 2021, a nine-year increase of 52.7 percent, and an average annual increase of 5.9 percent.[28] Over the same nine-year period, total student enrollment increased at a far lower rate of 1.0 percent (1,448 students).[29] The rate of growth of state education aid over this period was significantly greater than that of state general revenues overall, which grew 35.5 percent—an average annual increase of 3.9 percent.[30]

The proportion of education revenues attributed to state funds also grew relative to the local share. As shown in Figure 3, the state's share of total K-12 education revenues grew from 32.0 percent to 37.8 percent between FY 2012 and FY 2021, while the local share shrank from 58.2 percent to 52.1 percent. Despite this progress in growing the state share, Rhode Island remains significantly more reliant on local sources relative to state sources than the nation overall, where reliance between state and local sources was roughly equal in FY 2021.[31]

Figure 3
Rhode Island K-12 Education Revenues by Source



Note: State revenue includes all state revenue exclusive of the state's contribution to teacher retirement, restricted and unrestricted state grants, school housing aid, state matching funds for school nutrition, and school breakfast reimbursement funds.
Source: RIDE, UCOA data.

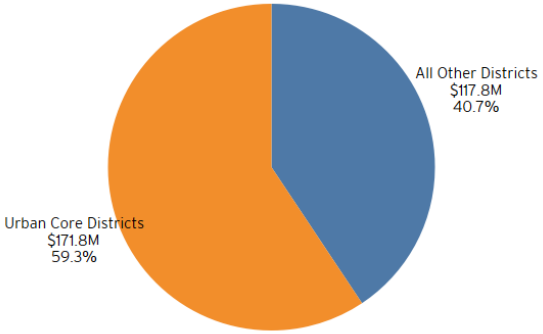
In terms of total dollars, the greatest beneficiaries of more abundant state aid were Rhode Island's five urban core districts—Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. Total state funding (primarily formula aid) to districts increased by $289.6 million between FY 2012 and FY 2021. As shown in Figure 4, the urban core districts—representing about a third of all district students—received 59.3 percent ($171.8 million) of the increase in funding, while the remaining $117.8 million was distributed to all other districts.[32]

Urban districts also received more on a nominal basis when taking student enrollment into account; as

[28] RIDE, UCOA data; RIPEC calculations. While charting the ten-year increase between FY 2011 and FY 2021 would be ideal, RIPEC uses FY 2012 and FY 2021 to analyze a nine-year increase because these are the years for which UCOA data are available.
[29] RIDE documents, R.I. House Fiscal Advisory Staff, Rhode Island Education Aid 2011-2019; RIPEC calculations. While total enrollment increased in this period, district enrollment decreased by 3.5 percent (4,645 students).
[30] R.I. Office of the Auditor General, Single Audit Report, Fiscal Year Ended June 30, 2012; Single Audit Report, Fiscal Year Ended June 30, 2021; RIPEC calculations.
[31] According to the U.S. Census Bureau's Annual Survey of School System Finances, 45.3 percent of total revenues for the U.S. overall were attributable to state sources and 44.1 percent from local sources in FY 2021. For Rhode Island, the data reported in this survey is inconsistent to what is reported through UCOA, with 40.4 percent attributed to the state share and 50.1 percent attributed to the local share. Relatively heavy reliance on local education revenues is characteristic of New England region states, except for Vermont. U.S. Census Bureau, 2021 Annual Survey of School System Finances; RIPEC calculations.
[32] In FY 2012 and FY 2021 respectively, 32.5 percent and 33.6 percent of district students attended one of the urban core districts. RIDE, UCOA data; RIPEC calculations.

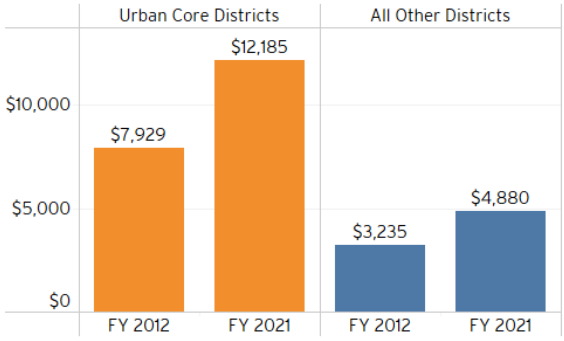
depicted in Figure 5, per pupil state funding grew by $4,256 to $12,185 in urban core districts between FY 2012 and FY 2021, and by $1,645 to $4,880 in all other districts.

Figure 4
Share of Increase in State Revenues to Districts for Urban Core vs. All Other Districts FY 2012 - FY 2021



Note: The urban core is defined by RIPEC as including Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. State revenue includes all state revenue exclusive of the state's contribution to teacher retirement, restricted and unrestricted state grants, school housing aid, state matching funds for school nutrition, and school breakfast reimbursement funds.
Source: RIDE, UCOA data; RIPEC calculations.

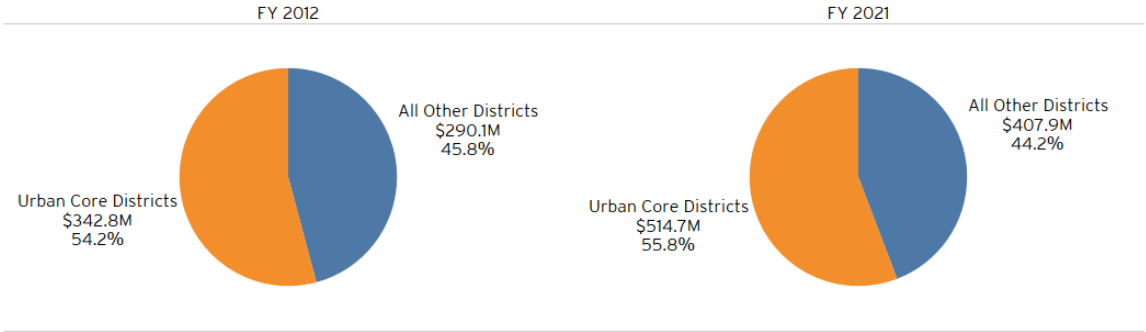
Figure 5
Per Pupil State Revenues for Urban Core and All Other Districts, FY 2012 vs. FY 2021



Note: The urban core is defined by RIPEC as including Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. State revenue includes all state revenue exclusive of the state's contribution to teacher retirement, restricted and unrestricted state grants, school housing aid, state matching funds for school nutrition, and school breakfast reimbursement funds.
Source: RIDE, UCOA data; RIPEC calculations.

Urban core districts saw the greatest nominal increase in state aid during the formula's phase-in period, but because they already received a greater proportion of state funding when the formula was adopted, the nine-year growth rate in state revenue for urban core districts (53.7 percent) was only marginally greater than the growth rate for all other districts (50.9 percent). Consequently, while the formula significantly increased state funding for K-12 schools, at least during its phase-in period, the apportionment of aid between urban core and other districts remained essentially the same. As shown in Figure 6, the share of total state revenue across districts attributable to the five urban core districts increased by only 1.6 percentage points between FY 2012 and FY 2021. This minimal shift over nine years is even less meaningful given that the share of district student enrollment in urban core districts increased during this period by 1.1 percentage points as compared to student enrollment in other districts.[33]

Figure 6
Total State Revenues to Districts in Urban Core and All Other Districts FY 2012 vs. FY 2021

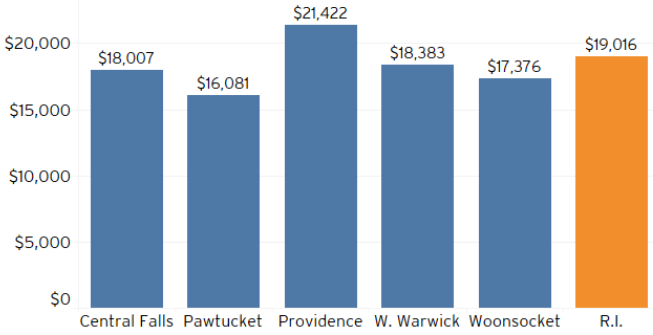


Note: The urban core is defined as RIPEC as including Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. State revenue includes all state revenue exclusive of the state's contribution to teacher retirement, restricted and unrestricted state grants, school housing aid, state matching funds for school nutrition, and school breakfast reimbursement funds.
Source: RIDE, UCOA data; RIPEC calculations.

[33] Ibid.

Of course, the measure of the adequacy and equity of school funding must take account of all available resources and not just the state's share of funding. In this regard, despite receiving substantial increases in state aid, most of Rhode Island's urban core districts continued to have relatively low total spending levels at the end of the formula's phase-in. Figure 7 illustrates that, of the five urban core districts, only Providence had per pupil expenditures greater than the statewide benchmark ($19,016) in FY 2021. Pawtucket, Woonsocket, and Central Falls ranked among the bottom ten districts.[34]

Figure 7
Net Per Pupil Expenditures for Urban Core Districts FY 2021



Note: Expenditures are net of debt service, capital projects, and tuition to other public schools.
Source; RIDE, FY 2021 Per Pupil Expenditure Chart

Student Enrollment and The Funding Formula During the Pandemic

Figure 8 depicts Rhode Island public school enrollment data for districts, charters, and other LEAs from March 2011 through March 2023 (March enrollment data determines formula aid for the subsequent fiscal year, beginning July 1). Figure 8 shows that public school enrollment was relatively stable during the phase-in period of the funding formula but has decreased substantially (by 4.0 percent overall) since 2020. As further highlighted, enrollment losses were not spread evenly across LEAs—charters and other non-district LEAs gained 2,563 students between 2020 and 2023, in large part due to charter expansion, while districts lost 8,225 students (6.3 percent). The greatest drop in enrollment occurred between 2020 and 2021, when districts shed over 5,000 students (4.0 percent). Enrollment in 2023, which serves as the basis for FY 2024 formula aid, was down 1,514 students (1.2 percent) from the year before.

Figure 8
Rhode Island Public School Enrollment, March 2011 - March 2023

Note: Other LEAs include Davies Career & Tech, the MET center, the Urban Collaboraitve, and Youth Build Academy. Enrollment data reflects average daily membership data from March of the given year.
Source: RIDE documents; House Fiscal Advisory Staff, Rhode Island Education Aid 2011-2019.

[34] The relatively low total spending by urban core districts is the consequence of those communities—which in many cases have the lowest levels of property wealth in the state—contributing relatively small increases in local educational funding. RIPEC, "Rhode Island's Funding Formula After Ten Years: Education Finance in the Ocean State," April 2022.

While districts overall experienced significant enrollment declines between 2020 and 2023, there was a wide variance in enrollment losses across districts, as shown in Figure 9. Seven districts experienced enrollment drops of more than 10.0 percent over this period, while five districts experienced enrollment gains: Cumberland, East Providence, Lincoln, Smithfield, and Glocester. Notably, those districts experiencing larger enrollment losses than districts overall include some of the state's most advantaged districts (in terms of both property wealth and student poverty)—including Little Compton (19.8%), Narragansett (14.5%), and South Kingstown (11.6%)—as well as three of five urban core districts: Providence (13.6%), Central Falls (9.6%), and Pawtucket (8.4%).

In response to the initial enrollment decline experienced by districts, and with the expectation that enrollment would rebound when the COVID-19 pandemic subsided, the 2021 General Assembly enacted changes to the funding formula for FY 2022 to hold LEAs harmless for enrollment losses and prevent decreases in state funding. For FY 2022, the formula utilized the greater of each district's enrollment for either 2020 or 2021. Additionally, the formula used the higher percentage of students in poverty for either year to determine the student success factor bonus for districts.[35] These hold harmless measures resulted in $38.9 million in additional formula aid for districts as compared to the formula without these adjustments.[36]

Figure 9
Enrollment by District, March 2020 vs. March 2023

District	March Enrollment		2020-2023 Change	
	2020	2023	Nominal	Percent
Barrington	3,416	3,379	-37	-1.1%
Bristol-Warren	3,163	2,914	-249	-7.9%
Burrillville	2,238	2,057	-181	-8.1%
Central Falls	2,812	2,541	-271	-9.6%
Chariho	3,012	2,900	-112	-3.7%
Coventry	4,502	4,229	-273	-6.1%
Cranston	10,189	9,941	-248	-2.4%
Cumberland	4,617	4,685	68	1.5%
East Greenwich	2,572	2,543	-29	-1.1%
East Providence	5,036	5,066	30	0.6%
Exeter-W. Greenwich	1,643	1,536	-107	-6.5%
Foster	227	213	-14	-6.2%
Foster-Glocester	1,149	1,104	-45	-3.9%
Glocester	553	576	23	4.2%
Jamestown	655	586	-69	-10.5%
Johnston	3,288	3,235	-53	-1.6%
Lincoln	3,171	3,262	91	2.9%
Little Compton	344	276	-68	-19.8%
Middletown	2,175	1,994	-181	-8.3%
Narragansett	1,211	1,036	-175	-14.5%
New Shoreham	134	132	-2	-1.5%
Newport	2,088	1,845	-243	-11.6%
North Kingstown	3,747	3,555	-192	-5.1%
North Providence	3,561	3,495	-66	-1.9%
North Smithfield	1,655	1,603	-52	-3.1%
Pawtucket	8,641	7,913	-728	-8.4%
Portsmouth	2,295	2,075	-220	-9.6%
Providence	22,719	19,625	-3,094	-13.6%
Scituate	1,269	1,180	-89	-7.0%
Smithfield	2,378	2,444	66	2.8%
South Kingstown	2,918	2,580	-338	-11.6%
Tiverton	1,758	1,658	-100	-5.7%
Warwick	8,619	8,097	-522	-6.1%
West Warwick	3,607	3,495	-112	-3.1%
Westerly	2,683	2,344	-339	-12.6%
Woonsocket	5,933	5,639	-294	-5.0%
District Total	**129,978**	**121,753**	**-8,225**	**-6.3%**

Source: RIDE documents; RIPEC calculations.

Facing further enrollment declines in 2022, the Assembly adopted a continuation of hold harmless policies for FY 2023; the FY 2023 enacted budget used, for the purposes of formula aid, the larger of district enrollment and percentage of students in poverty from 2020, 2021, or 2022. The Assembly also decided to utilize a district's prior year (FY 2022) state share ratio due to difficulties experienced by districts—especially poorer districts—in collecting poverty data

[35] For FY 2022, the number of students determined to be in poverty was calculated by taking the higher of March 2020 or 2021 enrollment and multiplying it by the higher percentage of students qualifying as being in poverty in 2020 or 2021. The product of those calculations produced the student count that qualified for the bonus. R.I. House Fiscal Advisory Staff, FY 2022: Budget as Enacted.
[36] RI. House Fiscal Advisory Staff, Rhode Island Education Aid, September 2021.

during the pandemic.[37] In total, the hold harmless measures adopted by the Assembly for FY 2023 resulted in $68.6 million in additional formula aid than districts would have received without adjustment.[38]

FY 2024 as Enacted

For the FY 2024 enacted budget, the General Assembly moved away from broad-based hold harmless adjustments to the funding formula, and instead adopted several statutory changes to the formula. However, some of these modifications continue to shield districts from the full fiscal impact of enrollment losses. In a departure from the principle that money follows the student, the Assembly established a transition fund to compensate districts that had enrollment losses. Additionally, the Assembly adopted a new method for measuring poverty, a new poverty stabilization fund, and changes to the state share ratio calculation. The Assembly also adopted significant changes to the allocation of categorical aid. Finally, the Assembly directed the Rhode Island Department of Education (RIDE) to examine potential changes to education funding in future fiscal years.

Enrollment Loss Transition Fund

Facing a third consecutive year of enrollment declines, the Assembly created an enrollment transition fund that provides aid to districts experiencing a net decline in enrollment from the previous fiscal year.[39] For each student lost as compared to the prior fiscal year, the fund provides districts with 40.0 percent of the state share of the core foundational amount in the first year and 25.0 percent of this amount in the second year. Across districts, the fund allocates $20.0 million in FY 2024 and $12.5 million in FY 2025.[40]

The legislative language that calls for enrollment losses to be calculated from the previous fiscal year incorporates hold harmless policies from FY 2023 to determine additional aid for FY 2024 and FY 2025 only. In FY 2023, districts were held harmless for enrollment losses using the highest level of district enrollment from 2020, 2021, or 2022 as the base reference year. The Assembly utilized this higher base reference year in calculating enrollment losses for the transition fund in FY 2024 and FY 2025, rather than actual enrollment from the previous year. Under this approach, the FY 2024 transition fund allocations are based on a net loss of 6,245 students instead of a year-over-year decline of 1,514 students. This more expansive calculation overstates losses by 4,731 students as compared to the year-over-year decline, collectively providing districts an additional $13.7 million in transition aid in FY 2024 and 10.4 million in FY 2025.[41] One consequence of the use of this higher enrollment base to measure net decline is that some districts receive transition funding in FY 2024 for enrollment losses despite having enrollment gains in the most recent year. For example, Woonsocket is set to receive $1.2 million

[37] R.I. House Fiscal Advisory Staff, FY 2023: Budget as Enacted. For those communities where the unaltered formula would have produced more funding than the amended formula, the Assembly provided for 20.0 percent of the difference.
[38] R.I. House Fiscal Advisory Staff, Rhode Island Education Aid, September 2022.
[39] The governor's budget contained similar transition fund proposals: school of choice density aid and a school of choice transition fund. The school of choice transition fund would have provided aid to districts that saw enrollment decreases because of resident student charter enrollment, whereas the enrollment loss transition fund would have provided aid regardless of the reason for enrollment decrease. House Fiscal Advisory Staff, 2023: Floor Book. For information on the governor's proposal, see; R.I. OMB, FY 2024 Governor's Proposed Budget: Executive Summary.
[40] RIDE, FY 2024: Formula Calculations.
[41] If losses were calculated based on actual enrollment decline from 2022 to 2023, the level of funding would be $6.2 million in year one and $2.1 million in year two. RIDE, FY 2024: Formula Calculations. RIPEC calculations.

in transition funding for a loss of 204 students while experiencing a year-over-year net gain of 39 students.[42] Every district except Cumberland, East Providence, Glocester, Lincoln, and Smithfield is set to receive enrollment loss transition aid for FY 2024.[43] Absent further legislative adjustment, actual year-to-year enrollment counts will be used to calculate transition fund aid beginning in the next fiscal year.[44]

Poverty Measure

The General Assembly's FY 2023 budget required RIDE to develop a new mechanism for measuring students in poverty for FY 2024 that did not rely on Free and Reduced-Price Lunch (FRPL) program applications.[45] The governor's proposed budget was based on the new measure developed by RIDE, which consisted of direct certification of students in poverty based on their participation in the federal Supplemental Nutrition Assistance Program (SNAP) multiplied by a factor of 1.6. Application of the multiplying factor is necessary due to the voluntary nature of SNAP and the fact that some non-citizens are ineligible for federal programs. The Assembly chose to adopt this new poverty measure as proposed by the governor and incorporated the new measure in the funding formula calculations for FY 2024.[46]

Despite the factor of 1.6 applied to direct certification student counts, the new measure results in counting 1,821 fewer students in poverty than under the prior measure across all districts.[47] This undercounting is not consistent across districts; 26 districts experienced undercounting of students in poverty under the new calculation as compared to the prior measure, while 12 districts received more favorable counts under the new measure. The disparity is particularly wide in Central Falls, where 93.0 percent of students qualified under the old poverty measure, but only 73.0 percent qualified using the new mechanism.[48] Woonsocket experienced the opposite result, with 75.9 percent identified under the old measure, compared to 89.7 percent under the new measure.[49] Absent any alterations to the formula, the undercounting of students under the new measure would have resulted in an estimated $4.3 million less in poverty aid funding for districts overall.[50] However, the Assembly made two additional changes to the

[42] Overall, there are five districts that are credited with enrollment losses while experiencing net gains: Barrington, Johnston, New Shoreham, North Smithfield, and Woonsocket. The most common effect of this policy is to overestimate the degree of loss from year to year. For example, Providence is credited with a loss of 1,516 students but had an actual year-over-year loss of 587 students. Among the largest over-credited districts are Pawtucket (credited with a loss of 633, compared to an actual loss of 97), Warwick (513 vs. 150), and Bristol-Warren (249 vs. 23). For a full breakdown of the enrollment loss transition fund as enacted and compared to actual year-over-year enrollment losses, see Figure 14 in the Appendix.
[43] These districts had enrollment gains over their highest level of enrollments from 2020, 2021, or 2022.
[44] In FY 2025, districts are set to receive 25 percent for each net student lost based on elevated hold harmless enrollments and 40 percent for each net student lost based on actual year-over-year enrollment losses.
[45] RIPEC, "Rhode Island's FY 2023 Enacted Budget and Fiscal Outlook," September 2022.
[46] R.I. Gen. Laws, 16-7.2.3(f).
[47] The use of FRPL as a mechanism for measuring poverty is not necessarily more accurate. In 2010, Congress adopted the Community Eligibility Provision which held that if a community had 40 percent of students who qualified for FRPL, the entire community would qualify. This, along with the inconsistent administration and voluntary nature of the program, have led some policymakers to warn that FRPL should not be used as a student poverty measure. Urban Institute, "New Measures of Student Poverty: Replacing Free and Reduced Price Lunch Status Based on Household Forms with Direct Certification," November 13, 2018.
[48] Given the size of this disparity, the governor's budget proposal recommended that U.S. Census Bureau American Community Survey data be used for Central Falls rather than direct certification. RIPEC, "The Governor's FY 2024 Budget and the State's Fiscal Outlook: Weaker Revenues Signal End to Flush State Budgets," May 2023.
[49] RIDE, Funding Formula Supporting Calculations and Documents: FY 2024 Formula Calculations; RIPEC calculations.
[50] RIPEC's estimate is based on the state share ratio of the student success factor based on FRPL-eligible students in PreK-12. Prior law used PreK through 6th grade to calculate a poverty percentage for the state share ratio, but those numbers are not publicly available for FY 2024.

formula that effectively counteract the change to the poverty measure: an alteration to the state share ratio and a new poverty stabilization fund.

State Share Ratio

For districts with low levels of property wealth and high proportions of students in poverty, the quadratic mean calculation underlying the state share ratio operates as a disadvantage. In response, the legislature determined that for districts with a student poverty percentage over 50.0 percent and with relative property wealth per student greater than the district's student poverty percentage, the relative property wealth per student would be used as the state share ratio. This change affects only three districts but results in significant increases in the share ratio for those districts: Central Falls (86.0 percent to 97.2 percent), West Warwick (66.8 percent to 74.2 percent), and Pawtucket (77.0 percent to 84.9 percent). As a result, $17.5 million in total additional funding is divided among the three districts: Pawtucket ($9.4 million), Central Falls ($4.4 million), and West Warwick ($3.7 million).[51]

Poverty Loss Stabilization Fund

The poverty loss stabilization fund is for those districts that received less state foundational aid than the prior year and experienced a reduction in their state share ratio by two percent or more.[52] Those districts that qualify receive 50.0 percent of the difference in foundational aid that the district would have received under the previous year's state share ratio compared to the current year. For FY 2024, the fund uses state share ratios from FY 2023, which were frozen from FY 2022 as part of the hold harmless provisions in the FY 2023 enacted budget. Under this new fund, 13 districts receive a total of $5.7 million in aid for FY 2024, with East Providence ($1.8 million), Tiverton ($0.8 million), and Lincoln ($0.7 million) as the largest beneficiaries.[53]

While this fund is called the poverty loss stabilization fund, the legislative language does not require that changes to a district's state share ratio be attributable to a change in the district's poverty percentage. This leaves open the possibility that districts may benefit from this fund without a loss in the proportion of students in poverty. For example, a district may experience a year-over-year reduction in its state share ratio due to increased property wealth per student.[54]

Categorical Funding: Multilingual Learners and High-Cost Special Education

The legislature made two major changes to the allocation of categorical funding. The first is the change in the factor for multilingual learners from 10.0 to 15.0 percent of the core instructional amount for each student who qualifies. This increased factor results in $19.4 million in total aid for multilingual learners, a sizable $14.4 million increase over the $5.0 million allocated in FY 2023. Additionally, the Assembly removed existing language regarding the ratable reduction of this allocation based on appropriation.[55] For high-cost special education, the legislature lowered

[51] RIDE, Funding Formula Supporting Calculations and Documents: FY 2024 Formula Calculations; RIPEC calculations.
[52] The statute requires a two percent decrease, not a two percentage point decrease. For instance, Portsmouth's state share ratio fell from 11.8 percent to 10.0 percent, a decline of 1.8 percentage points, but the district qualifies poverty loss stabilization fund aid given that the decline equates to a 15.3 percent decrease.
[53] House Fiscal Advisory Staff, 2023: Floor Book. If unadjusted state share ratios from 2023 had been used, only four districts would qualify for total stabilization fund aid of $3.3 million. RIDE, Funding Formula Supporting Calculations and Documents: FY 2024 Formula Calculations.
[54] See R.I. Gen. Laws, § 16-7.2.4(c).
[55] House Fiscal Advisory Staff, 2023: Floor Book; RIPEC calculations.

the "extraordinary" cost threshold from five to four times the core foundational amount for districts to seek reimbursement from the state. Lowering the definition of extraordinary costs increases state spending on high-cost special education from $4.5 million in FY 2023 to $15.0 million in FY 2024.[56]

The increased factor for multilingual learners results in significant additional funding for those districts with high proportions of these students. Providence receives the highest amount of additional categorical aid for multilingual learners at $9.9 million (an increase of $2.7 million over FY 2023). Other urban core districts receiving large increases in categorical funding for multilingual learners include Central Falls (from $0.5 million to $2.0 million), Pawtucket (from $0.5 million to $1.9 million), and Woonsocket (from $0.3 million to $0.7 million).[57]

Of the $10.5 million total year-over-year increase in high-cost special education funds for districts, those receiving the greatest share of such funding predictably include some of the state's largest districts in terms of student enrollment: Providence ($2.0 million), Warwick ($1.6 million), and East Providence ($1.0 million).[58] While not among the major beneficiaries in nominal terms, the impact of the increase in state funding for high-cost special education is arguably more significant for districts that receive relatively small allocations of state aid, since this categorical funding is not subject to the state share ratio. For example, Jamestown's allocation of increased funding for high-cost special education ($0.5 million) more than doubles its total allocation of state formula aid. Similarly, total state aid for East Greenwich increased by more than ten percent solely due to increased funding for high-cost special education. [59]

Directions to RIDE for Further Study

In the FY 2024 budget, the General Assembly directed RIDE to study and report back with recommendations in three areas, reflecting that the Assembly considers the funding formula to be a work in progress. First, the Assembly directed RIDE to study and report by October 2024 on alternative ways to measure students in poverty using state programs like SNAP and RIteCare, and to make recommendations that might help mitigate disruptions from the implementation of the new poverty measure or improve the measure's accuracy. Second, RIDE was directed to recommend by October 2023 a funding solution to address the needs of multilingual learners either through categorical means or through the formula.[60] Finally, RIDE was directed to report on local contributions to education aid and to compare for each district the level of local support to the local share of total foundational aid.[61]

Effect of State Education Aid Changes, FY 2021 – FY 2024

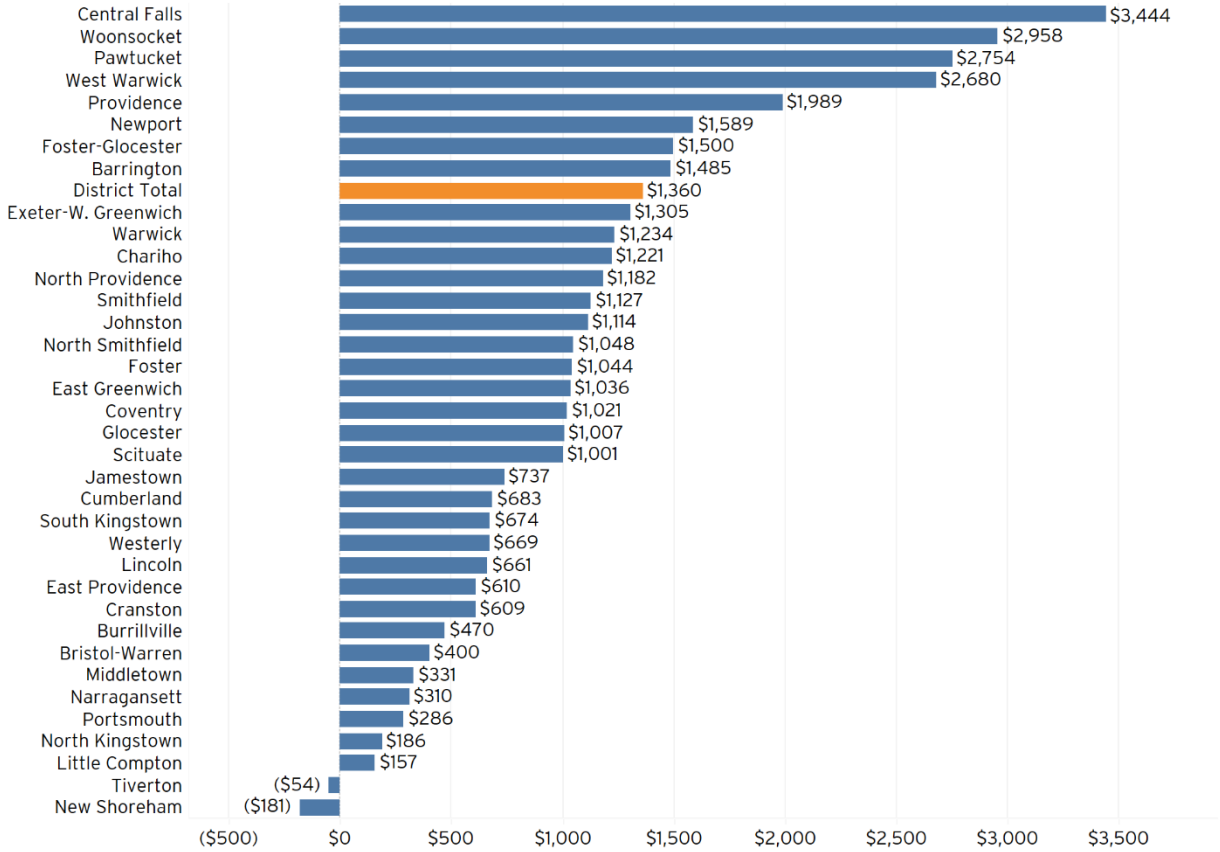
From FY 2021 to FY 2024, state general revenue spending on K-12 education for all LEAs grew from $1.25 billion to $1.46 billion, a three-year increase of 16.8 percent and an average annual

[56] Ibid.
[57] Ibid.
[58] Providence has by far the largest student enrollment in the state (19,625), while Warwick ranks third (8,097) and East Providence ranks sixth (4,685).
[59] R.I. House Fiscal Advisory Staff, 2023: Floor Book; RIPEC calculations.
[60] More specifically, RIDE was directed to evaluate the number of students by district who qualified as multilingual learners, as well as those multilingual students who qualified as having poverty status. RIDE was also directed to use UCOA to determine the cost for educating students with different levels of English proficiency. RIDE is directed to consider those factors while crafting a recommended funding solution. See R.I. Gen Laws, § 16-7.2-3. (f).
[61] Ibid.

increase of 5.6 percent. The rate of growth in state spending for K-12 education was lower than the rate of growth in total state general revenue spending over this period; from FY 2021 to FY 2024, state general revenue spending increased from $4.15 billion to $5.42 billion, an increase of 30.6 percent and an average annual increase of 10.2 percent.[62] For context, it should be noted that the population of K-12 students declined by 4.0 percent over this period.

Much like the first ten years of the funding formula, from FY 2021 to FY 2024, the greatest amounts of state aid flowed to the urban core districts in terms of nominal per pupil increases. As depicted in Figure 10, the five urban core districts received the highest per pupil increases over the three years: Central Falls ($3,444), Woonsocket ($2,958), Pawtucket ($2,754), West Warwick ($2,680), and Providence ($1,989).[63] State aid increases per pupil for all urban core districts significantly exceeded the total per pupil expenditure increase for districts overall ($1,360).

Figure 10
Nominal Change in State Aid Per Pupil by District
FY 2021-FY 2024

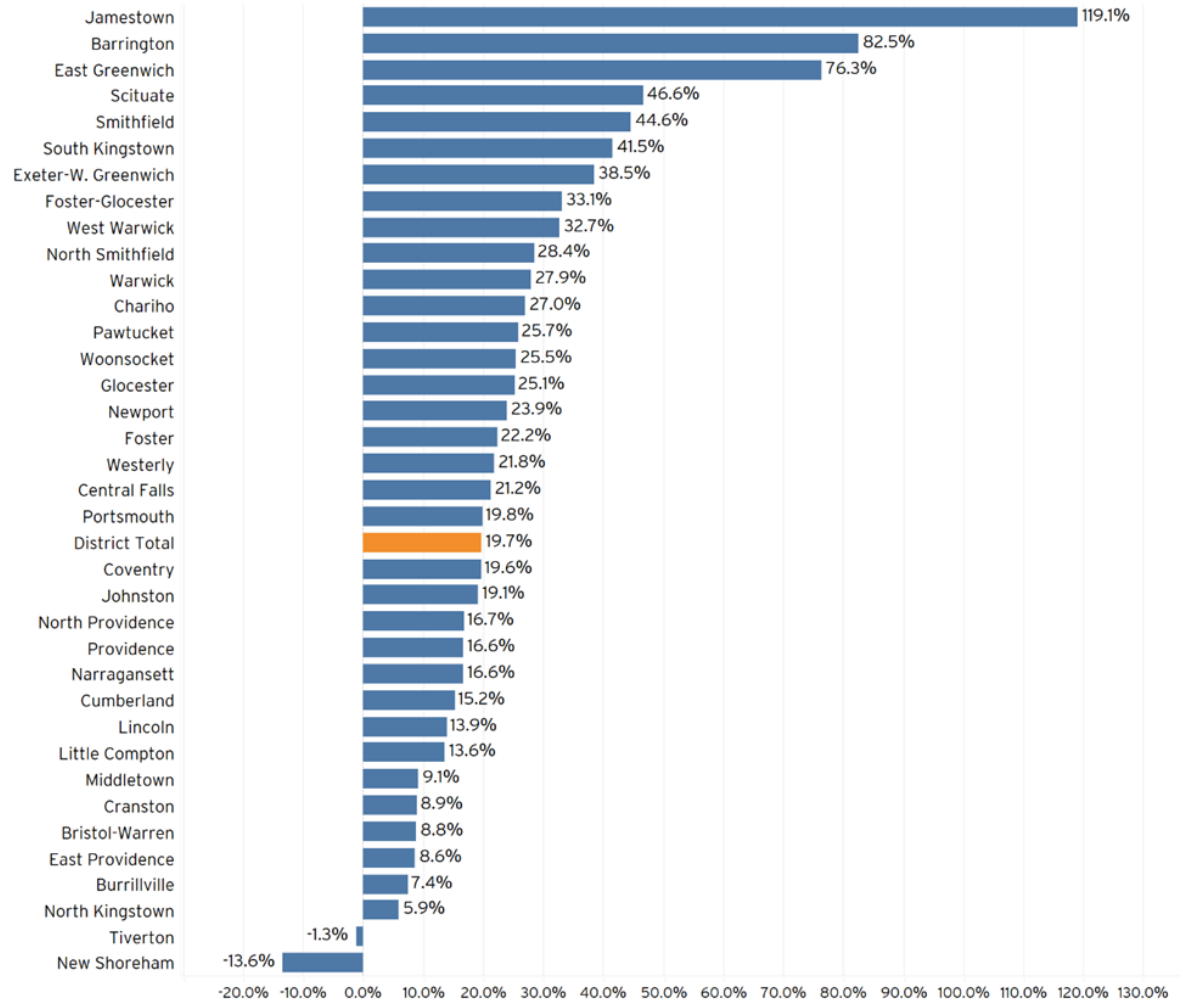


Note: State aid includes foundational aid, categorical aid, and group home aid.
Source: RIDE funding formula calculations; RIPEC calculations.

[62] R.I. House Fiscal Advisory Staff, Budget as Enacted: FY 2021; Floor Book: FY 2024.
[63] RIDE, Funding Formula Supporting Calculations and Documents. Per pupil calculations by RIPEC use actual, not hold harmless, enrollment.

However, given that urban core districts already relied on much greater amounts of state aid than other districts, an analysis of the percentage of increased aid over the three years presents a very different picture. As depicted in Figure 11, the districts receiving the highest per pupil percentage increases in state aid were Jamestown (119.1 percent), Barrington (82.5 percent), and East Greenwich (76.3 percent). Of the urban core districts, West Warwick (32.7 percent) experienced the greatest percentage increase. Pawtucket (25.7 percent), Woonsocket (25.5 percent), and Central Falls (21.2 percent) also exceeded the district-wide total (19.7 percent), while Providence (16.6 percent) fell short of that mark. The per pupil percentage increases were wildly divergent even among districts with similar state share ratios. Barrington saw an 82.5 percent increase, while North Kingstown and Middletown saw increases of 5.9 percent and 9.1 percent, respectively. Similarly, East Greenwich experienced a 76.3 percent increase, while Narragansett saw an increase of 16.6 percent.[64]

Figure 11
Percent Change in State Aid Per Pupil by District
FY 2021-FY 2024

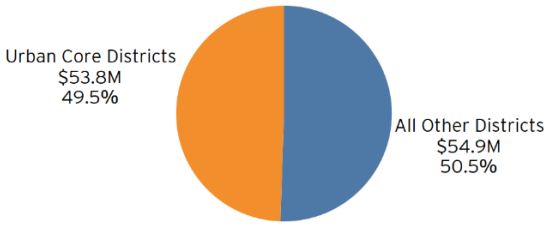


Note: State aid includes foundational aid, categorical aid, and group home aid.
Source: RIDE funding formula calculations; RIPEC calculations.

[64] The state share ratios for Barrington, North Kingstown, and Middletown are 25.2 percent, 24.1 percent, and 26.4 percent, respectively. The state share ratios for East Greenwich and Narragansett are 17.3 percent and 15.2 percent, respectively. State share calculations are taken from RIDE, Funding Formula Calculations: FY 2024.

The mixed outcome with respect to percentage increases for urban core districts as compared to all other districts is reflected in the proportion of the total increase received. Figure 12 shows that of the $108.8 million in increased state aid to all districts between FY 2021 and FY 2024, the urban core districts—representing about one-third of total student enrollment—received slightly less than half (49.5 percent) of the total, with all other districts receiving the remainder. This proportion is significantly lower than the 59.3 percent of the increase in total state aid received by urban core districts during the formula's phase-in period (FY 2012 to FY 2021).[65]

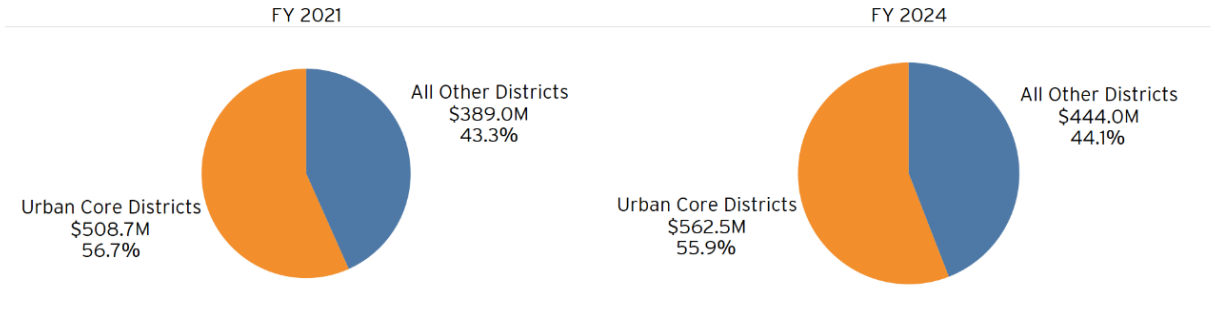
Figure 12
Share of State Aid District Increase to Urban Core and All Other Districts
FY 2021 - FY 2024



Note: The urban core is defined as RIPEC as including Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. State aid includes foundational aid, categorical aid, and group home aid.
Source: RIDE funding formula calculations; RIPEC calculations.

In result, while state aid to urban core districts increased by $53.8 million between FY 2021 and FY 2024, the proportion of overall state aid received by these districts relative to all other districts declined from 56.7 percent to 55.9 percent. Figure 13 shows the proportion of total state aid received by urban core districts and all other districts in FY 2021 and FY 2024. This decline in the proportion of total state aid to urban core districts contrasts with the increase in the proportion of state aid to these districts during the phase-in period of the formula.

Figure 13
Total State Aid to Districts in Urban Core and All Other Districts
FY 2021 vs. FY 2024



Note: The urban core is defined as RIPEC as including Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. State aid includes foundational aid, categorical aid, and group home aid.
Source: RIDE funding formula calculations; RIPEC calculations.

RIPEC Comments

State funding for K-12 schools in Rhode Island, which accounts for over one-third of all funding for schools, is of fundamental importance to parents, students, and communities. State education funding is particularly critical in the Ocean State since several municipalities have relatively low levels of property wealth and high concentrations of poor and multilingual

[65] Urban core student enrollment represented 33.6 percent of total student enrollment for districts in March 2020 and 32.2 percent of total student enrollment for districts in March 2023. RIDE, Final 2020-21 and 2023-24 student data shifts; RIPEC calculations.

students requiring greater educational resources—and therefore are heavily reliant on state funding to operate their schools. Under these circumstances, the adequacy and allocation of state education funding to local school districts is imperative to ensuring an adequate education and achieving equity for all students.

Rhode Island established an educational funding formula in law in 2010, making it the last state in the country to do so. The state's adoption of this funding formula represented a significant policy and political achievement. Phased in over ten years, the formula increased the state's share of overall education revenues and targeted a greater proportion of this increased aid to the state's poorest districts—both in terms of relative property wealth and the proportion of students from low-income families. However, the proportion of state education funding received by those districts improved only slightly over the ten-year phase in, and more importantly, some of the poorest districts remained among those with the lowest total per pupil expenditures in the state.

Ironically, the first year in which Rhode Island's funding formula became fully phased in—FY 2021—was the last year in which the formula operated as fully intended. Responding to large enrollment declines during the pandemic, and the prospect of significant losses in state funding for LEAs under the formula, the General Assembly decided to enact hold harmless policies that protected districts from the fiscal impact of drops in enrollment for FY 2022 and FY 2023.

For FY 2024, the General Assembly decided to move away from a broad-based hold harmless policy and instead adopted several specific revisions to the funding formula. However, some of these modifications continued to shield districts from the full fiscal impact of enrollment losses or other factors affecting formula allocations. Most notable of these changes was the establishment of a transition fund to compensate districts that experienced enrollment losses from the previous fiscal year. In addition, the Assembly greatly expanded categorical funding for multilingual students and high-cost special education.

Some changes adopted by the Assembly for FY 2024 are positive in bringing more equity to funding allocations. The modification of the state share ratio to override the quadratic mean calculation favors a handful of the poorest districts by addressing an inequity in this aspect of the formula. Similarly, the urban core districts, which have the greatest concentration of multilingual learners, receive most of the additional funding for such learners, with Providence alone receiving more than half of the new money. However, while the Assembly removed the ratable reduction of this allocation based on appropriation, additional funding for multilingual learners would represent a more predictable revenue stream if incorporated into the funding formula instead of remaining as a supplemental funding item. Moreover, while categorical funding for multilingual learners for FY 2024, at $19.4 million, is nearly four times the previous funding level of $5.0 million, it is unclear whether this funding is adequate given that multilingual learners now total 17,100 students (12.4 percent of all students). The FY 2024 funding of $19.4 million represents approximately $1,135 for each multilingual student.

The transition fund for lost enrollment is also a positive change given the challenges faced by school districts to reduce costs when students leave a district. In this regard, poorer districts have greater difficulty responding to shortfalls in state funding than other districts given their heavier reliance on state aid. The transition fund also reduces conflict resulting from the loss of state funding when students choose to attend another LEA.

However, the changes adopted by the Assembly for FY 2024 may have gone too far in continuing to insulate school districts from the need to respond to enrollment declines and other reasons for declining state aid. For example, while the transition fund is intended to compensate districts for year-over-year drops in enrollment, for FY 2024 enrollment decline is determined based on the change from the highest enrollment over the previous three years. The poverty loss stabilization fund, although apparently established to respond to the undercounting and variability resulting from the utilization of a new measure for counting students in poverty, also holds districts harmless for changes in the state share ratio due to factors other than the poverty measure. Excessive hold harmless policies allow school districts to avoid reasonable efficiency measures such as reducing classrooms and administrative overhead to respond to smaller student populations, and consequently results in less funding available for needier districts.

Most troubling is that the state education aid policies adopted over the past three years have resulted in a reversal of the modest progress toward funding equity that Rhode Island had made over the prior ten years. Much like the first ten years of the funding formula, from FY 2021 to FY 2024, the greatest amounts of state aid flowed to the five urban core districts in terms of nominal increases on a per pupil basis. However, the urban core districts received less than half (49.5 percent) of all new funding from FY 2021 to FY 2024, as compared to receiving 59.3 percent of increased funding over the ten-year phase-in period of the funding formula. Moreover, the proportion of overall state education aid received by the five urban core districts declined from FY 2021 to FY 2024, in contrast to this proportion increasing from FY 2012 to FY 2021. This retreat from more equitable funding is illustrated by the fact that some of the state's most affluent districts received the greatest percentage increases in state aid per pupil over the past three years, while none of the five urban core districts were among the eight districts receiving the highest percentage increase in state per pupil aid. The percentage increase in state aid for Providence (16.6 percent) was less than the average increase for all districts (19.7 percent).

Finally, notwithstanding the positive or negative consequences of these various changes, the education funding scheme adopted by the General Assembly in its FY 2024 budget unfortunately consists of a multiplicity of funding formula modifications that are complicated and fail to reflect a coherent or consistent policy. The result is a patchwork of funding allocations that appear to make little sense when comparing funding outcomes for communities that are similar in terms of student demographics and their relative ability to raise local revenue for their schools.

Based on this analysis, RIPEC offers the following recommendations:

The General Assembly should pursue comprehensive reform of the funding formula. The Rhode Island General Assembly should establish a legislative commission and engage stakeholders and experts with the objective of enacting comprehensive reform of the funding formula. Rhode Island's school funding formula was effective in increasing the state's contribution to public education, and in targeting more state aid to urban core districts. However, the funding formula fell short of achieving equity and was in need of reform even before the enrollment disruptions connected with the pandemic led the Assembly to deviate from the formula. The continuation of policies that insulate school districts from enrollment declines, as well as the patchwork of

multiple complicated changes adopted over the past three years, makes reform of the funding formula an even greater imperative.[66]

The state should provide adequate funding for multilingual learners and incorporate such funding into the funding formula. While the Assembly responded to the need to provide more funding for educating multilingual students by greatly increasing multilingual categorical funds, it is unclear whether this increased funding is adequate given the state's large and growing population of such students. Additionally, this funding for multilingual learners should be incorporated into the funding formula to provide for greater permanence and predictability. The General Assembly recognized that further changes to funding for multilingual learners should be considered in directing RIDE to recommend a funding solution to address the needs of multilingual learners.

State policymakers should improve the method of calculating students in poverty. The new counting method adopted in the FY 2024 budget resulted in a significant undercounting of poor students overall and wide disparities in counts among the districts as compared to the prior method. The calculation method should be improved by incorporating a more comprehensive approach to participation in means tested programs. The Assembly recognized the need for improvement in directing RIDE to study and report on alternatives to measuring students in poverty.

The state should adopt a constitutional right to education. While Rhode Island's funding formula made modest progress toward equity during its phase-in period, the formula was in need of reform to improve equity even before the enrollment disruptions connected with the pandemic. Instead, the General Assembly's allocation of state education aid over the past three years constitutes a reversal of this progress, leaving the state's system of education finance less equitable than before the pandemic. This experience serves as strong evidence that the adoption of a constitutional right to education is necessary to ensure that education funding is adequate and equitable for all students, and especially for students in the state's poorest districts.[67]

[66] On June 5, 2023, after the amended appropriations act was approved by the House Finance Committee, but before the legislation was considered by the full House, RIPEC and the League of Cities and Towns submitted a letter to House and Senate leadership requesting that the Assembly establish a joint special legislative commission to analyze and make recommendations to update and improve Rhode Island's school funding formula. R.I. League of Cities and Towns and RIPEC Letter to R.I. Senate President and Speaker of the House, June 5, 2023, Re: The Future of the Rhode Island School Funding Formula.

[67] RIPEC has previously shown that, in other states, adopting a judicially enforceable right to a meaningful and adequate education has often had the effect of stimulating the action needed to achieve serious school funding reform. RIPEC, "Rhode Island's Funding Formula After Ten Years: Education Finance in the Ocean State," April 2022. A joint resolution to submit to the electors a proposition to amend the state constitution to guarantee a right to an adequate education was introduced in both chambers in the 2023 legislative session. The resolution was approved by the Senate but did not pass through committee in the House. R.I. Gen. Assembly, Bill Status/History, 2023—HR 5771, 2023—SR 72.

Figure 14
Enrollment Loss Transition Fund Calculations, FY 2024-2025

District	FY 2024 as Enacted Transition Funds (Using Hold Harmless Enrollment)			Transition Funds if Based on Actual 2022-2023 YOY Enrollment			Total Cost of Hold Harmless
	Enrollment Change	Year One	Year Two	Enrollment Change	Year One	Year Two	
Barrington	-37	$ 45,320	$ 28,342	27	$ -	$ -	$ 73,662
Bristol-Warren	-249	$ 377,372	$ 235,803	-23	$ 34,867	$ 21,781	$ 556,527
Burrillville	-154	$ 386,447	$ 241,472	-56	$ 140,504	$ 87,808	$ 399,607
Central Falls	-110	$ 651,703	$ 407,330	-84	$ 497,700	$ 308,801	$ 252,532
Chariho	-118	$ 208,409	$ 135,110	-87	$ 159,297	$ 99,615	$ 84,607
Coventry	-273	$ 650,727	$ 406,770	-101	$ 240,784	$ 150,490	$ 666,223
Cranston	-188	$ 543,446	$ 339,716	-52	$ 150,332	$ 93,964	$ 638,866
Cumberland	66	$ -	$ -	66	$ -	$ -	$ -
East Greenwich	-29	$ 24,573	$ 15,370	-3	$ 2,541	$ 1,590	$ 35,812
East Providence	30	$ -	$ -	117	$ -	$ -	$ -
Exeter-W. Greenwich	-107	$ 135,247	$ 84,530	-12	$ 15,168	$ 9,480	$ 195,129
Foster	-14	$ 29,639	$ 18,522	-1	$ 2,117	$ 1,323	$ 44,721
Foster-Glocester	-46	$ 91,051	$ 56,902	-29	$ 57,391	$ 35,873	$ 54,689
Glocester	20	$ -	$ -	20	$ -	$ -	$ -
Jamestown	-69	$ 15,051	$ 9,384	-31	$ 6,758	$ 4,216	$ 13,461
Johnston	-50	$ 131,630	$ 82,250	35	$ -	$ -	$ 213,880
Lincoln	24	$ -	$ -	24	$ -	$ -	$ -
Little Compton	-68	$ 27,542	$ 17,204	-5	$ 2,025	$ 1,265	$ 41,456
Middletown	-181	$ 248,440	$ 155,298	-93	$ 127,689	$ 79,794	$ 196,255
Narragansett	-175	$ 134,008	$ 83,825	-82	$ 62,812	$ 39,278	$ 115,743
New Shoreham	-16	$ 4,592	$ 2,864	3	$ -		$ 7,456
Newport	-243	$ 741,630	$ 463,664	-81	$ 247,212	$ 153,738	$ 804,344
North Kingstown	-192	$ 240,723	$ 150,528	-65	$ 81,510	$ 50,960	$ 258,781
North Providence	-12	$ 37,568	$ 23,472	62	$ -	$ -	$ 61,040
North Smithfield	-41	$ 75,132	$ 46,945	9	$ -	$ -	$ 122,077
Pawtucket	-633	$ 3,239,496	$ 2,024,967	-97	$ 496,446	$ 309,333	$ 4,458,684
Portsmouth	-220	$ 110,168	$ 68,860	-59	$ 29,559	$ 18,467	$ 131,002
Providence	-1,516	$ 8,113,189	$ 5,064,956	-587	$ 3,138,102	$ 191,167	$ 9,848,876
Scituate	-89	$ 102,902	$ 64,347	-32	$ 36,992	$ 23,136	$ 107,121
Smithfield	51	$ -	$ -	51	$ -	$ -	$ -
South Kingstown	-338	$ 265,354	$ 165,958	-99	$ 77,715	$ 48,609	$ 304,988
Tiverton	-100	$ 131,959	$ 82,500	-20	$ 26,392	$ 16,500	$ 171,567
Warwick	-513	$ 1,084,283	$ 677,673	-150	$ 317,100	$ 198,150	$ 1,246,706
West Warwick	-112	$ 477,117	$ 298,256	-24	$ 102,240	$ 64,080	$ 609,053
Westerly	-339	$ 453,990	$ 283,743	-94	$ 125,866	$ 78,678	$ 533,189
Woonsocket	-204	$ 1,157,678	$ 723,588	39	$ -	$ -	$ 1,881,266
Total	**-6,245**	**$ 19,936,386**	**$ 12,460,149**	**-1,514**	**$ 6,179,119**	**$2,088,096**	**$ 24,129,320**

Source: RIDE, FY 2024 Funding Formula Calculations; RIPEC calculations.