



RIPEC Policy Brief: Rhode Island's Education Funding Formula Revised

Executive Summary July 2023

In this policy brief, RIPEC analyzes Rhode Island state education aid as enacted in the fiscal year (FY) 2024 budget, including the ways in which it departs from the funding formula as designed, as well as its impact on public schools overall and across Rhode Island's school districts.

State funding for K-12 schools in Rhode Island is of fundamental importance to the state's students, parents, and communities, accounting for about a quarter of total general revenue spending and one-third of all funding for schools. 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 students—who require greater educational resources. Consequently, these communities are heavily reliant on state funding to operate their schools. Given the essential role that state 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 funding to local education and is reflective of the state's effort to bring greater predictability and equity to its system of education finance. Over the course of its phase-in period, the formula had moderate success in increasing the state's share of overall education revenues and targeting a greater proportion of this increased aid to five urban core districts which have the lowest property wealth per student in the state and among the highest proportion of students in poverty: Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket. However, the proportion of total state education funding received by the urban core districts improved only slightly over the course of the phase-in period and some of these 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 intended. Responding to large enrollment declines and the prospect of significant losses in state funding for districts under the formula, the General Assembly decided to enact hold harmless policies that protected districts from the financial impact of drops in enrollment for FY 2022 and FY 2023.

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 continued 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 experienced 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, greatly expanding categorical funding for multilingual students and high-

cost special education. Finally, the Assembly directed the Rhode Island Department of Education to examine potential changes to education funding for future fiscal years.

Some changes adopted by the General Assembly for FY 2024 are positive in bringing more equity to funding allocations. The urban core districts, which have the greatest concentration of multilingual learners, receive most of the additional funding for such learners. 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, it is unclear whether this funding is adequate given the state's large and growing population of multilingual learners.

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. 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. 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 being 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. As in 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 per pupil increases. However, the urban core districts—which represent about one-third of student enrollment—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. The proportion of overall state education aid received by the five urban core districts declined (by 0.8 percentage points) from FY 2021 to FY 2024, in contrast to this proportion increasing (by 1.6 percentage points) 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 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.

The state should provide adequate funding for multilingual learners and incorporate such funding into the funding formula. While the Assembly responded to a significant 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. Funding for multilingual learners should be incorporated into the funding formula to provide for greater permanence and predictability.

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 districts, as compared to the prior method. The calculation method should incorporate a more comprehensive approach to participation in means tested programs to improve accuracy.

The state should adopt a constitutional right to education. The General Assembly's allocation of state education aid over the past three years constitutes a reversal of years of modest progress to make the state's system of education finance more equitable. 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.