Samuel D. Zurier's Comments Regarding

Frequently Asked Questions on Funding Formula
Addendum #1
April 2010

The following is a summary of questions received after the funding formula proposal was released to the public:

General

4. Justify the current overall level of state aid to public education as being adequate, given the unmet needs of children, and the below-average state contribution?

Currently, RI ranks in the top ten for education funding in the nation. According to the National Center for Education Statistics' fiscal year 2007 data, Rhode Island's state contribution is $5,423 per pupil, which is the 14th highest in the country.

There are several other ways to measure Rhode Island's overall level of state aid to public education that indicate the need for substantial additional funds. Before discussing those, however, let's begin with the methodological problem with nominal state dollars per pupil.

If we want to use this comparison, we must adjust for the cost of living in each state. I found a state-by-state cost of living comparison from the Missouri Economic Research and Information Center at this link:

http://www.missourieconomy.org/indicators/cost_of_living/index.stm

It shows that the cost of living in Rhode Island in the 4th quarter of 2009 was 19.2% above the national average. I then adjusted each state's per pupil expenditures by their respective cost of living. The data set I used was from the U.S. Census, Survey of Local Government Finances - School Systems for 2006-07 (most recent year available) Table 11. It lists Rhode Island at $5,531 per pupil of state aid, above the national average of $5,466 per pupil. I then adjusted each state's total by the cost of living factors in the Missouri study. Adjusting for its high cost of living, Rhode Island's state per pupil contribution becomes $4,640, more than $800 below the national average, and 33rd in the country (where the highest is Vermont.) Thus, Rhode Island is in the bottom third nationally in this category when you factor in the cost of living.

You can perform the same exercise when it comes to the State's overall spending per pupil (combining federal, state and local funds), which RIDE listed in its application for Race to the Top funds as being the 6th highest in the country. Using the U.S. Census data for all states (U.S. Census, Survey of Local Government Finances - School Systems for 2006-07, Table 11) I found

that RI's $13,964 should be scaled down to $11,714, which is 38th highest in the country (or, if you prefer, 13th lowest in the country), not 6th highest.

There are other measurements of the inadequacy of the total amount of Rhode Island state aid. If you measure the State's contribution to the total education budget in Rhode Island in the most recent year for national data, we contributed 36.2%, with the Federal government contributing 3.2% and local communities 60.6%. In contrast, the national norm is 50%, Massachusetts is 47.7% and Vermont is 86.8%. Rhode Island's state share is the 44th highest or, if you prefer, the 7th lowest in the United States of America according to this data set (National Education Association, Rankings and Estimates, 2006-07).

In fact, the Rhode Island state share has declined in the past three years because we level funded State aid in 2007 and 2008, and reduced state aid in favor of Federal stimulus funds in 2009.

Finally, the current level of State aid is inadequate according to the 2007 report of a study group that was commissioned by the General Assembly and whose members included Peter McWalters, the Commissioner at the time and Patrick Guida, Vice Chair of the Board of Regents. The Technical Advisory Group prepared a report stating that adequate State funding required that the State contribute 44% of the expense, not 36.2%. A link to the report is here: http://www.rilin.state.ri.us/Documents/FATAG_FR.pdf. It is difficult to accept the concept that this blue-ribbon panel (which included the Commissioner of Education and the Vice Chair of the Board of Regents) could have missed the mark by the wide margin claimed in RIDE's current thinking.

6 Discuss what is at stake if action is not taken now. Discuss how federal funding such as Race to the Top, Title I or IDEA money could be jeopardized if the formula is/is not enacted this year.

Rhode Island is the only state in the country without an education funding formula. Children and school leaders deserve a transparent, research validated, equitable mechanism for providing funds to their districts. Local school leaders, using reliable and predictable information on state education aid, will be able to make more effective decisions to support student learning. Delaying implementation of a formula means RI continues to have underfunded and overfunded districts throughout the state. Also, without a formula, RI may continue to lose funding opportunities, such as the Race to the Top grant. In round one of the federal Race to the Top initiative, RI lost out on millions of dollars partially because of its lack of a statewide school financing formula and failure to show that it had made education funding a priority.

Rhode Island could benefit greatly from having both an adequate State aid formula and success in the Race to the Top (RTTT) competition. With that said, it would not be beneficial for Rhode Island to impose on itself an inadequate funding formula just for the sake of gaining points in the RTTT competition.

The RTTT grant Rhode Island can apply for amounts to up to $15 million per year for five years. Given the State's current annual state education aid budget of more than $700 million, the RTTT money represents an additional 2.2% per year for five years. While this is a substantial amount, the current RIDE proposal locks in place for 10 years the current inadequate level of State funding (subject to minor variations for changes in the price of market basket items), and underfunded districts would be better off in the long run to benefit from increases in overall state aid under the current inadequate non-formula, rather than commit to a formula that will leave them behind when measured against the cost of living increasing over time.

It also is worth noting that the question on the RTTT application concerning "making education funding a priority" was not limited to asking us whether we had a funding formula. Instead, it also wanted to know if we were contributing a sufficient amount of State aid to the total. The actual question was as follows (see next page):

plan, and prepare for its implementation.

(F) General ***(55 total points)***

State Reform Conditions Criteria

(F)(1) Making education funding a priority *(10 points)*

The extent to which—

(i) The percentage of the total revenues available to the State (as defined in this notice) that were used to support elementary, secondary, and public higher education for FY 2009 was greater than or equal to the percentage of the total revenues available to the State (as defined in this notice) that were used to support elementary, secondary, and public higher education for FY 2008; and

(ii) The State's policies lead to equitable funding (a) between high-need LEAs (as defined in this notice) and other LEAs, and (b) within LEAs, between high-poverty schools (as defined in this notice) and other schools.

In the text box below, the State shall describe its current status in meeting the criterion. The narrative or attachments shall also include, at a minimum, the evidence listed below, and how each piece of evidence demonstrates the State's success in meeting the criterion. The narrative and attachments may also include any additional information the State believes will be helpful to peer reviewers. For attachments included in the Appendix, note in the narrative the location where the attachments can be found.

Evidence for (F)(1)(i):

- Financial data to show whether and to what extent expenditures, as a percentage of the total revenues available to the State (as defined in this notice), increased, decreased, or remained the same.

Evidence for (F)(1)(ii):

- Any supporting evidence the State believes will be helpful to peer reviewers.

Recommended maximum response length: Three pages

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9. Explain why this formula differs from the other funding formula proposals, such as the 2007 Technical Advisory Group Report requested by the General Assembly.

Over the last three legislative sessions, several proposals for a funding formula were considered by the General Assembly. All of these proposals included similar components but considered different methodologies and approaches for achieving the desired result. Among the various proposals, these were some of the differences:

- Assumed that current funding levels were inadequate and required a large influx of additional state dollars (3-6% per year);

As I stated above, I think the 2007 Technical Advisory Group Report has the better argument on this point, as multiple national comparisons show that Rhode Island's current level of State education aid is inadequate.

- Included foundation amounts that were arbitrary or derived from current per pupil expenditures instead of a data driven amount;

The 2007 Technical Advisory Group report had a foundation amount of $10,607. It was based on the report of R.C. Wood and Associates, a nationally based consultant commissioned by the General Assembly. A copy of the 40-page executive summary of the Wood Report can be found at this link: http://www.rilin.state.ri.us/Documents/RIEFA.doc

The Wood Report used sound, data-driven methodology and is every bit as rigorous as the background work behind the RIDE formula, if not more so.

By way of comparison, the Ajello Bill has a foundation amount of $8,300, which is comparable to the $8,295 in the RIDE bill. There is, however, an important difference. The Ajello bill derives its formula from the 2007 Technical Advisory Group calculations, scaled down to live within the current (inadequate) overall level of state aid. The Ajello bill states an aspiration of increasing the level of state aid over time to reach the targets of the 2007 Technical Advisory Group. In this sense, its derivation of the $8,300 foundation amount is candid in admitting that we need more money to get to the correct amount indicated by the data of the Wood Report.

- Included multiple student weights for categories beyond poverty, including special education, limited English proficiency, and career and technical education;

This is an accurate description of one of the differences between the 2007 Technical Advisory Group Report (which was based on the Wood Report) and the RIDE formula. The Wood Report recommended separate weights for disadvantaged students as follows:

.25 for reduced price lunch;
.50 for free lunch (high poverty)
.20 for English Language learner
.50 for special education
.20 for vocational education

This approach makes intuitive sense. If you have two children in poverty, and one is a native English speaker, it is intuitively clear that the cost of educating the other child, who does not speak English as her native language, will be higher. This is a common feature in many funding formulas nationally, which allocate additional funds for English as a second language instruction. Because this category requires a commitment of funds beyond the modest "weight" in the funding formula, school districts do not misuse this classification.

- Used different calculations for the state share ratio; however, all calculations were derived from district property values and median family income;

I agree that this is an accurate description of the differences in the RIDE proposal and existing legislation. In my opinion, this methodology is more fair to poor school districts than the RIDE proposal, which guarantees State aid to communities with children in poverty, even if the rest of the community has such abundant wealth that it can afford to support its schools with exclusively local funds. I will discuss this further in my discussion of the Quadratic Mean at Question 22 below.

- Included minimum and/or maximum state share ratios; and
- Froze existing aid distributions (hold harmless) and did not redistribute the base for a more equitable distribution that accounts for changes in district demographics.

The Ajello Bill does not include minimum or maximum share ratios. The Ajello Bill does not freeze existing aid distributions. The Ajello Bill does redistribute the base for a more equitable distribution that accounts for district demographics. In my opinion, the Ajello Bill also does a better job on share ratio by avoiding the distributions to wealthy communities through the Quadratic Mean. In my opinion, the Ajello Bill also does a better job by have a weight for children who are English Language Learners. Most importantly, the Ajello Bill calls for a path to more adequate overall State aid in the future.

This proposed formula uses a research-based data-driven methodology for an education aid formula. The basic premise of this approach assumes that RI's current education system strives to drive funding to the neediest students to close student achievement gaps. This proposal informs interested stakeholders of what ought to be and proposes calculations that are child centered and help create equity, accountability, and transparency. This formula uses empirical evidence to estimate a core instruction amount per pupil that every RI student will receive, a single poverty weight as a proxy for student supports, and a new state share ratio that considers the district's ability to generate revenues and its poverty concentration. No minimum share is used in the formula. Finally, this proposal will gradually redistribute the current aid to account for large disparities that have developed between districts' ability to generate revenues and the students they serve.

In my opinion, the Ajello Bill accomplishes all of these goals.

Core Instruction Amount

10. Justify what costs are incorporated into the "Core Instruction Amount" used in the proposed formula. It would appear that transportation and pension costs should have been considered as other than locally controlled costs.

The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instruction support, some operating costs, and all leadership costs. The components used in the core instruction amount were based on best practice cost studies from states that have been deemed by educator researchers, or the State Council of Governors, to be best practice financial models or states.

The core instruction amount does not include those costs determined to be controlled at the local level, funded by other state programs, or appropriate for consolidation into statewide or regional efficiencies.

Teacher retirement costs are already partially supported through an existing state program, where the costs are shared 60% at the local level and 40% at the state level. School districts with state share ratios less than 40% receive more support by maintaining the existing formula for retirement as opposed to including these funds in the funding formula calculation.

Transportation is a cost where there are opportunities to consolidate into statewide and/or regional efficiencies. The statewide initiative for out-of-district transportation began in July 2009. Although funding for transportation was not included in the initial proposal, RIDE will advocate for additional state funds to support transportation, especially non-public costs, upon full implementation of the proposed education funding formula.

According to "A Quick Glance At School Finance: A 50 State Survey of School Finance Policies (link at http://wolfweb.unr.edu/homepage/dav3e/SchoolFinanceSurvey2006-07.htm), in 38 of the 50 states, transportation is funded at the state level, not the local level.

More generally, it does not make sense to me to talk about a "foundation budget" that is supposed to cover the cost of education if it does not include operating costs, such as utilities and building maintenance. If there is no classroom for the teachers to teach in, then it is not possible to educate the children even though you paid for the teachers.

Student Success Factor

15. Justify the 40% student success factor – Is that higher than other states? What are other states doing? Explain why the formula uses only a single weight to provide an adequate adjustment to the foundation to ensure that all children have an equal chance to receive a quality education.

The student success factor used in this formula was based on national education cost and/or research studies and methods employed by over 22 states in the country. Nationally, weights similar to the student success factor range from 35-55%.

This weight is applied to free and reduced price lunch eligible students because poverty data is defined by objective federal income guidelines so that it is difficult to manipulate the data for a favorable outcome. Throughout the country, states are struggling with complex formulas that include numerous weights but do not necessarily tie to improvements in student achievement. In addition, data to support the assigned amounts for the weights are arbitrary. Research also indicates that numerous weights lead to over identification of children in a

particular manner to drive increased funding. Furthermore, children do not exit from the programs because districts will lose the additional funds. As better cost data becomes available through the Uniform Chart of Accounts analysis and when supported by empirical research, the weighting factors can be adjusted.

As I stated in my answer to Question No. 9 above, it is common in other state funding formulas to have an extra increment for English language learners. Every day schools need to dedicate additional resources to this group, so the case for including it as a separate category in a funding formula is compelling.

22. Explain the decision to use a quadratic mean rather than an arithmetic (or simple average) mean in consideration of children in poverty when calculating the state share ratio.

Without the inclusion of free and reduced price lunch concentration, there are considerable differences in local burden for communities with the same adjusted assessed property values and different levels of poverty. Including free and reduced price lunch (FRPL) in the state share ratio is a way to account for additional local burden that exists because of a high concentration of poverty. Without FRPL concentration, two communities with the same adjusted assessed property value could have drastically different expectations for local revenue generation. While including FRPL concentration in a straight mean does help to reduce this difference, the proposed calculation is more effective at equalizing the local burden of areas with concentrated poverty versus those with less concentrated poverty.

In my opinion, several communities with a small number of children in poverty have ample local resources to fund a program for these children without the need for State aid. Jamestown is an example of an extremely wealthy community. It has a property tax base of more than $2.8 billion to support a population of 702 students, or $4 million in property values per student. In contrast, the State average is less than $1 million on property value per student. And yet, under the "quadratic mean" formula, Jamestown receives State aid because it has a certain number of children in poverty. More generally, the State's EWAV calculation identifies four communities (Jamestown, Little Compton, Narragansett and Newport) that are so wealthy that they should be net contributors to the "pot" of state aid, rather than beneficiaries, even after you account for the fact that the population of children in poverty increases the cost of educating the children in these wealthy communities. These communities thus have a negative value for EWAV. If you averaged out these surplus local dollars against the extra needs for the children in poverty, four communities currently scheduled to receive State aid under the

RIDE formula would not. Instead, $11 million more would be available for genuinely poor communties such as Central Falls.

Central Falls

35. Provide information on the Central Falls calculation.

In July 1991, the state took over the Central Falls school system due to the city's inability to fiscally support its schools. While R.I.G.L. 16-1-10 allows districts to petition RIDE to assume the supervision, control, and management of the public schools, the takeover does not automatically occur without a task force looking into the municipality's ability to finance the schools. School districts do not take this decision lightly because it requires them and the municipalities to give up certain autonomous functions.

Currently, the Central Falls school system is 100% state funded and there is no contribution from the city. Although there have been proposals over the last few years that would require the city to begin contributing to the school system, the General Assembly did not enact them.

Central Falls' proposed aid was calculated similar to other school districts. Therefore, the core instruction amount was applied to the system's PK-12 RADM and the 40% weight was applied to PK-12 free and reduced price lunch students. The state share ratio was calculated in the same manner as other school district. Using June 2009 student data, the school system would lose $11.6M of state funding over the transition period, or approximately $2.2M per year. This proposal includes a Central Falls stabilization fund to ensure this community has adequate funding to continue closing the student achievement gaps in this district. Therefore, the state will fund 50% of the reduction, or approximately $1.1M per year, over the transition period for a total of $5.8M. In addition, the city will be required to support its school system by providing the other $1.1M per year over the six year transition period for a total of $5.8M.

In my opinion, Central Falls represents the "canary in the coal mine" that signals the inadequacy of the RIDE formula. Anyone who has been in the Central Falls schools and seen the inadequate facilities and materials knows that much additional funding is needed. The initial RIDE formula called for a 25% cut in aid to Central Falls due to the restrictions of the "market basket." Now, with the $11 million "patch" the RIDE formula restores Central Falls to where it was (or at least until contributions to Davies and the Met School are calculated). While this is better than cutting the Central Falls budget, it will do absolutely nothing to help the district improve, especially considering the fact that the cost of living will only increase in the coming year.

State Schools

36. Discuss how local school districts that send students to the State's three vocational schools will be required to pay all costs in excess of the "core instructional amount."

The state currently has three state operated schools: Davies Career and Technical High School, the Metropolitan Regional Career and Technical Center, and the RI School for the Deaf. Both Davies and the Met Center are supported 100% with state and federal resources. Under this proposal, these schools will be funded in the same manner as charter schools and traditional school districts. Districts sending students to these two schools will begin paying a local tuition, consistent with other vocational schools in the state. The proposal calculates the local share using the local property tax contribution divided by resident average daily membership, including charter school, Davies, and the Met Center students. This calculation provides the local property tax per student amount that the district provides for every public school student in the district. If those students choose to attend a public school outside the district, the local funds will "follow the student."

The RI School for the Deaf is a special education program and the funding methodology will not change since it already has a state, federal, and local share.

The RIDE formula calls for local school districts to send a payment to the MET School and/or Davies for each student from the sending district. The payment equals the district's average expenditure of local funds per student. In Providence, for example, this amount is around $5,600 per student for around 445 students, or around $2.4 million. There are also significant costs for Central Falls, Pawtucket and Woonsocket, and smaller costs for other districts. This significant cost has not been included in the runs of the RIDE formula provided to date.