

2008 -- H 7957

LC02041

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2008

A N A C T

RELATING TO EDUCATION -- THE EDUCATION EQUITY AND PROPERTY TAX
RELIEF ACT

Introduced By: Representatives Ajello, and Savage

Date Introduced: February 26, 2008

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 16-7-20 of the General Laws in Chapter 16-7 entitled "Foundation
2 Level School Support" is hereby amended to read as follows:

3 **16-7-20. Determination of state's share.** -- (a) For each community the state's share
4 shall be computed as follows: Let

5 R = state share ratio for the community.

6 v = adjusted equalized weighted assessed valuation for the community, as defined in
7 section 16-7-21(3).

8 V = sum of the values of v for all communities. m = average daily membership of pupils
9 in the community as defined in section 16-7-22(3).

10 M = total average daily membership of pupils in the state.

11 E = approved reimbursable expenditures for the community for the reference year minus
12 the excess costs of special education, tuitions, federal and state receipts, and other income. Then
13 the state share entitlement for the community shall be RE

14 where $R = 1 - 0.5vM/(Vm)$,

15 Except that in no case shall R be less than zero percent (0%). This percentage shall be
16 applied to one hundred percent (100%) of all expenditures approved by the board of regents for
17 elementary and secondary education in accordance with currently existing rules and regulations
18 for administering state aid, including but not limited to the setting of appropriate limits for

1 expenditures eligible for reimbursement; provided, however, that the costs of special education
2 required under chapter 24 of this title shall be excluded; and the costs for regional vocational
3 school operation and tuition which are funded in chapter 45 of this title for the reference year
4 1987-1988 and thereafter, shall be excluded. "Special education costs" mean the costs that are in
5 excess of the average per pupil expenditure in average daily membership for the second school
6 year preceding. The average per pupil expenditure in average daily membership of those students
7 receiving special education shall be included in the cost of the basic program for the reference
8 year, as "reference year" is defined in section 16-7-16. Expenditures from federal money in lieu
9 of taxes shall not be counted and, provided further that the individual communities in the Chariho
10 regional districts shall each receive the seven and five hundredths percent (7.05%) for those
11 grades serviced by the regional school district.

12 (b) The department of elementary and secondary education shall base reimbursement on
13 one hundred percent (100%) of the expenditures for its state operated schools in accordance with
14 the reference year provision as defined in section 16-7-16(11). Any funds to supplement the
15 reimbursement shall be appropriated and included in the department budget.

16 (c) This section shall apply to the School for the Deaf and the Davies Vocational School
17 notwithstanding any provisions of this section to the contrary.

18 (d) Whenever any funds are appropriated for educational purposes, the funds shall be
19 used for educational purposes only and all state funds appropriated for educational purposes must
20 be used to supplement any and all money allocated by a city or town for educational purposes and
21 in no event shall state funds be used to supplant, directly or indirectly, any money allocated by a
22 city or town for educational purposes. The courts of this state shall enforce this section by writ of
23 mandamus.

24 (e) Notwithstanding the calculations in subsection (a), the hospital school at the Hasbro
25 Children's Hospital shall be reimbursed one hundred percent (100%) of all expenditures approved
26 by the board of regents for elementary and secondary education in accordance with currently
27 existing rules and regulations for administering state aid, and subject to annual appropriations by
28 the general assembly including, but not limited to, expenditures for educational personnel,
29 supplies, and materials in the prior fiscal year.

30 (f) Excepting further, that commencing with the fiscal year that begins July 1, 2008,
31 twenty-five percent (25%) of the aid provided pursuant to the formula contained in this section
32 herein and as otherwise provided by this chapter shall instead be distributed in accordance with
33 the provisions of chapter 16-7.2, ("The Education Equity and Property Tax Relief Act").
34 Commencing with the fiscal year that begins July 1, 2009, fifty percent (50%) of the aid provided

1 pursuant to the formula contained in this section herein and as otherwise provided by this chapter
2 shall instead be distributed in accordance with the provisions of chapter 16-7.2. Commencing
3 with the fiscal year that begins July 1, 2010, all school aid previously provided by the formula set
4 forth in this chapter shall instead be distributed in accordance with the provisions of chapter 16-
5 7.2 (“The Education Equity and Property Tax Relief Act”), and the formulas provided for school
6 aid both by this section and chapter shall become null and void.

7 SECTION 2. Sections 16-7.2-1 and 16-7.2-2 of the General Laws in Chapter 16-7.2
8 entitled "The Education Equity and Property Tax Relief Act" are hereby amended to read as
9 follows:

10 **16-7.2-1. Legislative findings.** -- (a) The general assembly recognizes the need for an
11 equitable distribution of resources among the state's school districts, property tax relief and a
12 predicable method of distributing education aid. The general assembly finds that there is a need to
13 reform the way public education is financed because:

14 (1) All children should have access to an adequate and meaningful education regardless
15 of their residence or economic means;

16 (2) A school funding system should treat property taxpayers equably, limit the portion of
17 school budgets financed by property taxes, ~~and~~ establish sufficient cost controls on school
18 spending, and promote efficiency in the use and distribution of limited resources;

19 (3) The state should ensure that its school funding structure adequately reflects the
20 different needs of students, and closes the educational inequities among the state's school
21 districts; ~~and~~

22 (4) The state education funding system should provide a predicable amount and source
23 of funding to ensure stability in the funding of schools; ~~and~~

24 (5) The state education funding system must be anchored in systems of fiscal and
25 program accountability that measure whether state and local programs and expenditures actually
26 provide the opportunity for a sound basic education in a manner consistent with Rhode Island
27 law.

28 (b) The intent of this chapter is to promote a school finance system in Rhode Island that
29 is predicated on student need and taxpayer ability to pay. A new school funding system in the
30 state should promote educational equity for all students and reduce the reliance on the property
31 tax to fund public education. This legislation is intended to ensure educational opportunity to
32 each pupil in each city or town on substantially equal terms. Adequate per pupil support will be
33 provided through a combination of state school aid and local education property tax levies.

34 **16-7.2-2. Joint legislative committee to establish a permanent education foundation**

1 **aid formula for Rhode Island.** -- (a) There is hereby established a joint legislative committee to
2 develop a basic foundation support program and an appropriate transition plan to fully implement
3 a new funding system.

4 The committee shall consist of ten (10) members, five (5) of which shall be appointed by
5 the speaker of the house, one (1) of which shall be from the minority party, and five (5) members
6 appointed by the president of the senate, one (1) of which shall be from the minority party. The
7 speaker of the house and president of the senate shall each appoint a committee co-chair.

8 The joint legislative committee ~~is directed to consider the following framework in~~
9 ~~developing a new education foundation support program:~~ shall monitor the operation and
10 implementation of this chapter and make such recommendations to the general assembly as it
11 may from time to time deem appropriate.

12 (b) The provisions of this chapter shall apply to the 2008-2009 and subsequent school
13 years. Education is of primary importance of Rhode Island's economic competitiveness. Rhode
14 Island requires a permanent funding formula for education that ensures that education funding is
15 distributed in a responsible and consistently predictable manner, regardless of annual availability
16 of state revenues. It will take a period of yours to implement a new approach to education
17 funding, making a reliable transition plan a key element of the permanent education foundation
18 aid formula, as well as the funding system that implements that formula on an annual basis.

19 Successful education funding must be done with transparency, must be based on
20 available data, and must have the flexibility to allow for mid-course corrections over a period of
21 years. The successful implementation of this comprehensive funding system will require the full
22 implementation of the uniform system of accounting and accountability established by section 16-
23 2-9.4, as well as incorporation of fiscal oversight into the state system of accountability—
24 progressive support and intervention—as set forth in chapter 16-7.1. Funding shall be allocated
25 on an annual basis to the department of elementary and secondary education for the purpose of
26 implementing an accountability framework designed to ensure fiscal efficiency and program
27 effectiveness.

28 (c) (1) (1) A state education funding formula that is The permanent education foundation
29 aid formula is based upon distribution of both student population and ~~needs driven~~ student need.
30 Student counts ~~should~~ shall include enrollments, students eligible for free and reduced lunch,
31 those participating in English language ~~assistance~~ programs, career and technical education and
32 special education. ~~Provisions should be made for those school districts that experience declining~~
33 ~~enrollments.~~

34 ~~(2) The accounting for "extraordinary special education expenditures" in special~~

1 ~~education spending for one child in a given fiscal year~~ There shall be a separate accounting for
2 “extraordinary special education expenditures” on a per child basis in a given fiscal year. Costs
3 associated with expenses greater than four (4) times the per pupil foundation level shall be
4 provided by the state.

5 ~~(2)(3)~~ A statewide per pupil foundation amount ~~to~~ shall be used in the calculation of
6 school funding. The per pupil foundation amount ~~should~~ shall be based on what the department of
7 elementary and secondary education in collaboration with the general assembly and the
8 governor’s office determines to be the reference year cost ~~is~~ to provide an equitable and adequate
9 education; ~~to one student with no special needs, and consider various cost factors, such as pupil-~~
10 ~~teacher ratios, teacher and staff compensation, technology investments, educational supplies,~~
11 ~~teacher training and professional development, student performance assessments, curriculum~~
12 ~~offerings and support services and other costs associated with the delivery of educational~~
13 ~~services.~~

14 ~~(3)(4)~~ Per pupil cost, based on a least cost option plan to provide purchase of service
15 contracts in areas such as equipment, repair, benefits, transportation, general purchasing, capital
16 construction, data processing and health and other insurance programs. In addition, the
17 department of elementary and secondary education ~~should~~ shall assist regional collaboratives in
18 identifying opportunities to maximize multiple school district participation for "high cost"
19 programs.

20 ~~(4)(5) Various methods of funding the system.~~ Due to their supplemental nature, federal
21 monies shall be accounted for separately and apart from the state/local permanent education
22 foundation aid formula.

23 ~~(5)(6) A transition education funding plan.~~ The permanent education foundation aid
24 formula shall be seen as one element of a more comprehensive system of funding public
25 education. The four (4) primary categories of expenditures that must be accounted for in an
26 overall state/local funding strategy are as follows:

27 (i) The foundation formula, which sets parameters of local/state cost sharing for most
28 educational expenses.

29 (ii) Costs for which there are potential efficiencies only at the state level;

30 (iii) Expenses that are state program responsibilities and therefore not included in the
31 foundation itself; and

32 (iv) Costs controlled at the local level which could be treated as purely local
33 responsibilities.

34 (6) Distribution of allowable expenses across these four (4) categories, expressed as (i)

1 through (iv) above, shall be examined on an annual basis as part of the transition education
2 funding plan, which shall explore various methods of funding the system. Based on availability
3 of revenues, a key element of transition planning shall be the prioritization of increasing the state
4 share of certain identified expenditures that logically should be borne by the state based on
5 criteria of efficiency and accountability. For example, the costs associated for extraordinary
6 special education students shall be the responsibility of the state once expenditures surpass four
7 (4) times the per pupil foundation level. State funding of these new aid categories will become a
8 direct source of local property tax relief.

9 ~~-(b) The speaker of the house and president of the senate, in consultation with the~~
10 ~~committee co chairs, are hereby directed to appoint a foundation aid technical advisory group,~~
11 ~~and a property tax relief technical advisory group.~~

12 ~~-(c) The foundation aid technical advisory group shall advise and assist the committee in~~
13 ~~recommending foundation aid amounts by:~~

14 ~~-(1) Identifying specific resources and least cost options to provide every child the~~
15 ~~opportunity to necessary educational opportunities to meet education performance standards; and~~

16 ~~-(2) Systematically calculating the amount of per pupil funding necessary to support an~~
17 ~~effective and efficient educational system. The group may create task forces to consider the needs~~
18 ~~of special populations, comprehensive education programs, and noneducational support activities,~~
19 ~~composed of experts in these areas. In developing a foundation aid amount, the group shall~~
20 ~~consider, among other factors, pupil teacher ratios, compensation, collective bargaining practices,~~
21 ~~technology investments, educational supplies, teacher training and professional development,~~
22 ~~student performance assessments, curriculum offerings and support services and all other costs~~
23 ~~and needs associated with the delivery of educational services.~~

24 ~~-(d) The property tax relief technical advisory group shall advise and assist the committee~~
25 ~~in identifying the options and the impact of replacing existing local education property tax levies~~
26 ~~that support the funding of elementary and secondary education with other resources.~~

27 ~~-(e) The joint committee shall issue a report outlining its findings and recommendations~~
28 ~~no later than May 15, 2007.~~

29 ~~-All state agencies and departments shall be directed to cooperate with and provide all~~
30 ~~necessary information to the joint legislative committee.~~

31 SECTION 3. Chapter 16-7.2 of the General Laws entitled "The Education Equity and
32 Property Tax Relief Act" is hereby amended by adding thereto the following section:

33 **16-7.2-3. Permanent education foundation aid formula.** – (a) The annual cost of
34 educating students in Rhode Island shall be based on a statewide per pupil foundation amount,

1 which is defined as that level of expenditure for each student that represents the cost of providing
2 adequate and lawfully compliant educational opportunities to one student with no special needs.
3 Such per pupil foundation amount shall be determined by actual expenditures reported by school
4 districts for the reference year pursuant to subsection 16-7-16 (11). The department of
5 elementary and secondary education shall verify expenditures collected in accordance with the
6 provisions of section 16-7.1-3 via the use of a uniform chart of accounts, and the department shall
7 base the per pupil calculation upon those expenses determined to be allowable shared education
8 costs between the state and school districts in accordance with applicable law.

9 (b) The per pupil foundation amount shall be multiplied by the resident average daily
10 membership (RADM) pursuant to section 16-7-22 and further multiplied by the state share ration.
11 The state share ratio shall be computed in accordance with the formula contained in section 16-7-
12 20.

13 (c) The per pupil foundation amount shall also be multiplied by certain student
14 populations multiplied by a weight that equals the proportional additional instructional costs
15 incurred in educating those students as follows:

	<u>Weight</u>
<u>Special education students</u>	<u>.50</u>
<u>Students eligible for free school lunch</u>	<u>.50</u>
<u>Students eligible for reduced school lunch</u>	<u>.25</u>
<u>Students participating in England language acquisition programs</u>	<u>.20</u>
<u>Vocational education students</u>	<u>.25</u>

22 (d) Foundation aid for a district shall be the sum of aid calculated pursuant to subsections
23 (b) and (c) above, which results in a state share ratio applied to a student population derived from
24 the sum of RADM and weighted students—subject to the transition plan set forth in section 16-
25 7.2-9 of this chapter.

26 (e) Provided, that the formulas provided for in this chapter shall be used in full for the
27 fiscal year commencing July 1, 2010. For the school years occurring between July 1, 2008, and
28 July 1, 2010, the provisions of this chapter shall be used to allocate a portion, but not all, of
29 school aid, in conjunction with the formulas set forth in chapter 16-7 (“Foundation Level School
30 Support”)

31 Such pupil foundation for the 2008-09 school year shall be determined by the total
32 resources provided by the state and localities for the 2007-08 school year. In coming years the
33 total funding can be increased based on the overall economic well-being of the state.

34 **16-7.2-4. Locally funded expenses.** – The calculation of the annual foundation education

1 per pupil amount shall not include those costs determined to be entirely controlled at the local
2 level, and therefore supported entirely by local funds. Such locally controlled and supported
3 costs include retiree health benefits.

4 **16-7.2-5. State funded expenses.** – (a) In addition to the foundation aid provided
5 pursuant to 16-7.2-3, the permanent foundation aid program will provide direct state funding for
6 areas of expenditures in which districts incur extraordinary costs; where the state is able to
7 provide the service in a more efficient and cost-effective manner; and/or where the state
8 determines that the program or initiative is a priority for direct state oversight or control. Such
9 funding shall be provided in the areas of group home aid, out-of-district transportation,
10 extraordinary costs associated with individual special education students, and non-public school
11 textbooks. Assumption of one-hundred percent (100%) of these costs will result in property tax
12 relief for taxpayers and will enable municipalities to stay within statutory tax cap increases.
13 Provided, that such additional funding beyond foundation aid as set forth in this chapter shall be a
14 goal, and not an unfunded mandate, so that such funding shall be provided as revenues and needs
15 allow, as determined annually by the general assembly.

16 (b) Costs associated with an individual special education student shall be deemed to be
17 “extraordinary” when they exceed four (4) times the current fiscal year’s statewide per pupil
18 foundation amount as determined pursuant to subsection 16-7.2-3 (a) of this chapter.

19 **16-7.2-6. Accountability.** – (a) Pursuant to sections 16-7.1-3 and 16-7.1-5, the
20 department of elementary and secondary education shall use the uniform chart of accounts to
21 maintain fiscal accountability for education expenditures that comply with applicable laws and
22 regulations. These date shall be sued to develop criteria and priorities for cost controls,
23 efficiencies, and program effectiveness.

24 (b) The department of elementary and secondary education shall establish and/or
25 implement program standards to be used in the oversight of foundation aid calculated pursuant to
26 subsection 16-7.23 (c). The intent is to ensure that state aid for targeted, weighted populations
27 results in improved student performance, and that such funds be used in accordance with state
28 standards for curricula, student proficiency and performance-based graduation requirements.
29 Such oversight will be carried out in accordance with the progressive support and intervention
30 protocols established in chapter 7.1 title 16.

31 **16-7.2-7. Transition plan.** – (a) Funding for the foundation aid program including
32 increases in aid to districts and stat assumption of costs, shall be phased in over a period of years
33 in three (3) year increments. The transition will increase a combination of direct aid to districts
34 and district savings through state-assumed costs at an overall rate of three percent (3%) to six

1 percent (6%) per year, as determined by the general assembly on an annual basis, based on
2 available revenues. Provided, that for the fiscal years occurring prior to July 1, 2010, the
3 foundation aid program shall be sued to distribute funds in conjunction with the provisions for
4 foundation level school support as set forth in subsection 16-7-20 (f).

5 (b) The senate and house committees on finance are hereby jointly charged with the
6 responsibility of creating a systemic, permanent formula for the distribution of state aid in
7 compliance with the dictates of chapter 7.2 of title 16, as amended. Said formula shall be
8 projected on a three (3) years basis, and shall be updated annually at least sixty (60) days prior to
9 the enactment of each fiscal year budget by the general assembly. It shall be explicitly
10 understood that said three (3) year projections shall be subject to available revenues in each
11 ensuing fiscal year, and that the general assembly reserves all rights to revise chapter 7.2 of title
12 16 at any time as needed to reflect the availability of revenues to fund the permanent foundation
13 aid formula and related public education expenses. The first three (3) year projection of transition
14 funding for the permanent foundation aid formula, as set for the chapter 7.2 of title 16, shall be
15 presented to the full general assembly no later than February 1, 2009, in order to allow for
16 sufficient time to distribute FY 2009 funds in accordance with the dictates contained therein.

17 **16-7.2-8. Applicability.** – This chapter applies to education aid for any city, town or
18 regional school district including the Central Falls state operated school district. Calculation and
19 distribution of aid under sections 16-7-20, 16-7.1-6, 16-7.1-8, 16-7.1-9, 16-7.1-10, 16-7.1-11, 16-
20 7.11.1, 16-7.1-12, 16-7.1-15, 16-7.1-16 and 216-7.1-19 is hereby suspended until further action
21 by the general assembly. Aid under this chapter will be paid pursuant to 16-7-17, except that aid
22 to the Central Falls state operated school district shall be paid in twelve (12) equal installments.

23 **16-7.2-9. Severability.** – If any provision of this chapter or any rule or of any rule or
24 regulation made hereunder, or the application thereof to any person or circumstance, is held
25 invalid by a court of competent jurisdiction, the remainder of the chapter, rule or regulation and
26 the application of that provision to other persons or circumstances shall not be affected thereby.
27 The invalidity of any section or sections shall not affect the validity of the remainder of the
28 chapter.

29 SECTION 4. Section 16-2-9.4 of the General Laws in Chapter 16-2 entitled "School
30 Committees and Superintendents" is hereby amended to read as follows:

31 **16-2-9.4. School district accounting compliance.** -- (a) The office of auditor general
32 and the department of elementary and secondary education shall promulgate a uniform system of
33 accounting, including a chart of accounts based on the recommendations of the advisory council
34 on school finance, and require all accounts of the school districts, regional school districts, state

1 schools and charter schools to be kept in accordance therewith; provided, that in any case in
2 which the uniform system of accounting is not practicable, the office of auditor general in
3 conjunction with the department of elementary and secondary education shall determine the
4 manner in which the accounts shall be kept.

5 (b) For the purpose of securing a uniform system of accounting and a chart of accounts
6 the advisory council on school finances, as defined in section 16-2-9.2 may make such surveys of
7 the operation of any school districts, regional school district, state school or charter school as they
8 shall deem necessary.

9 (c) If any school district, regional school district, state school or charter school fails to
10 install and maintain the uniform system of accounting, including a chart of accounts, or fails to
11 keep its accounts and interdepartmental records, or refuses or neglects to make the reports and to
12 furnish the information in accordance with the method prescribed by the office of auditor general
13 and the department of education or hinders or prevents the examination of accounts and financial
14 records, the auditor general and the commissioner of education may make a report to the board of
15 regents for elementary and secondary education in writing, specifying the nature and extent of the
16 failure, refusal, neglect, hindrance, or prevention, and the board of regents is hereby authorized
17 and directed to review the matter so reported. If the regents shall find that failure, refusal, neglect,
18 hindrance, or prevention exists and that the school district, regional school district, state school or
19 charter school should properly comply in the matter so reported, the regents shall direct the
20 school district, regional school district, state school or charter school, in writing, to so comply. If
21 the failure, refusal, neglect, hindrance, or prevention shall continue for a period of ten (10) days
22 following the written direction, the regents may withhold distribution of state aid to said school
23 district, regional school district, state school or charter school.

24 (d) In addition to sums elsewhere appropriated, the general assembly shall appropriate
25 funds to the department of elementary and secondary education for fiscal year 2009 for
26 distribution to the state's local education agencies to fulfill the requirements of implementing a
27 uniform chart of accounts in each school district, charter school, and state-operated school, as
28 mandated by this section, in order to ensure full accountability for those funds distributed
29 pursuant to the permanent education foundation aid formula in fiscal year 2009 and ensuing
30 years.

31 SECTION 5. This act shall be construed liberally in aid of its declared purposes

32 SECTION 6. This act shall take effect upon passage.

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO EDUCATION -- THE EDUCATION EQUITY AND PROPERTY TAX
RELIEF ACT

1 This act would establish a new system for the support of public education in Rhode
2 Island, based upon an objective assessment of student needs and designed to assure predictability
3 and accountability in the funding and delivery of meaningful educational opportunity to all
4 students in all communities throughout the state.

5 This act would take effect upon passage.

=====
LC02041

=====