

Rhode Island Education Aid



**House Fiscal Advisory Staff
October 2009**

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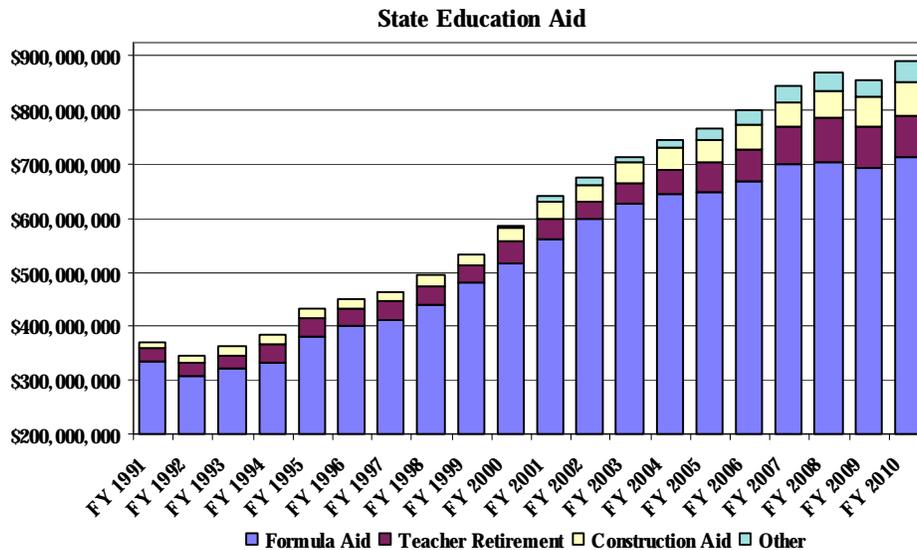
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State Education Aid

Introduction

This is the seventh edition of *Rhode Island Education Aid*. It provides information on state aid to education. The Assembly appropriated \$889.7 million for FY 2010 total aid for local school districts, which is \$33.0 million more than final FY 2009 aid. This increase includes \$19.1 million more for local school districts including Central Falls and the Met School, most of which results from lower pension savings in FY 2010 than assumed in the final budget. Both budgets capture the local share of savings from adopted pension changes for the state and reduce education aid by the amount of savings districts would have achieved from those pension changes. These savings are offset by the end of one-time FY 2009 distributions from the permanent school fund from additional hours of operation at Twin River and Newport Grand. The change to FY 2009 also includes \$1.5 million more for the state share of teacher retirement costs, \$7.4 million more for school construction aid than FY 2009 final aid, \$4.8 million more for charter school support and \$0.1 million more for other set-aside distributions by the Department.

Funding includes \$712.4 million in direct distributions to local school districts, \$38.0 million for other formula aid for distribution by the Department of Elementary and Secondary Education for specific programming, \$77.8 million for the state's contribution to teacher retirement, and \$61.5 million for school construction costs.



This report examines the programs through which the state distributes its support for local school districts, which is summarized in the table above. Since Rhode Island's

attempts to develop a system of support for public schools have been characterized by tensions and issues experienced across the nation, the report includes an overview of the national debate over education aid. It then offers a “How Rhode Island Compares” section. Recurring themes and issues in the debate over education aid are highlighted in a special section. This edition also includes state and local education spending as a percent of personal income and analysis of the school budget dispute resolution process often referred to as the Caruolo Act.

National Debate

Rhode Island's education aid history, like that of most states, has been characterized by the debate over the state's role in the financing of education. Since nearly half of all resources for education nationally are raised at the local level, states' attempts to distribute their share of support have, in the past few decades, been focused on reducing the disparities that exist among school districts' ability to raise local revenues. Those attempts have been marked by a tension between the divergent notions of education equity. Is equity providing equal amounts of money for students, or is it funding education in such a way that provides equal education opportunities? More recently, the debate has been broadened to consider "equity" as equal outcomes and the concept of adequacy of resources has emerged as the major funding issue.

The extent to which states have addressed local funding disparities has been the subject of legal challenges in 45 states since the 1971 landmark California case, *Serrano v. Priest*, which declared that state's public school finance system unconstitutional. The California State Supreme Court found that the system violated the state's equal protection clause because education quality had become a function of the wealth of a child's parents.

California responded by implementing a public education finance system called Foundation Support. Most states use versions of this program. The basic idea of a foundation program is that the state sets a minimum per pupil spending level and a common local tax effort. The state then pays the difference between the revenues generated through this local tax effort and the minimum spending level. Such a system does guarantee equal funding at the minimum level, but a second court challenge resulted because wealthier districts could raise and spend much more than the guarantee level and therefore, education quality remained a function of local school district wealth. In the final appeal of *Serrano v. Priest* in 1986, the Appellate Court declared California's system constitutional because it took steps to reduce the final per pupil expenditure disparities across districts to what the courts said should be "insignificant differences."

As with the California case, challenges to other state systems have generally claimed that, to the extent that the states' constitutions require the provision of education, these spending disparities violate the equal protection guarantee. Most litigation has centered on equity, in particular, the equality of per pupil expenditures across school districts. Courts often examine the distribution of state aid in relationship to the ability of local school districts to raise local revenues. Roughly half of the constitutional challenges since the California case have prevailed. Decisions through which many of the systems have been upheld cited the state's limited responsibilities in the provision of education and the compelling interest in local control of education.

Similarly, the Rhode Island Supreme Court eventually rejected the 1994 challenge to Rhode Island's education aid system, brought by the state's poorest districts in *The*

City of Pawtucket et al v. Sundlun et al. The court found that the Rhode Island Constitution does not guarantee an “equal, adequate and meaningful education.” The court ruled that the General Assembly’s role is to support and promote, not establish a system of public education. Whether their systems are upheld or not, states like Rhode Island continue to be under pressure to address the issue of equity. In 1993, Michigan, whose system was upheld in 1984, eliminated use of locally raised property taxes to fund education, and replaced it with a system financed by an increase in state sales taxes and a statewide property tax. Since 1995, at least 21 states have adopted legislation to reduce the reliance on the property tax.

Vermont struggled with implementation of its controversial new funding plan following the 1997 State Supreme Court decision in *Brigham v. Vermont*. The court ruled that because the state’s constitution creates a fundamental right to education, the state’s funding system violated the equal protection clause. In response, Vermont adopted Act 60, which provides a state funded flat grant for roughly 80 percent of total expenditures. The remaining 20 percent is raised through a local option property tax that is subject to an equalization formula that guarantees each district with access to the same tax base. Since property rich districts raise more money for the same tax rate than property poor ones, their excess revenues are redistributed to the poor districts. Some wealthy communities responded by withholding tax revenues and reducing or eliminating the optional tax in favor of voluntary contributions that would not be subject to state recapture.

The challenge to the Kentucky education finance system in *Rose v. The Council for Better Education, Inc.* resulted in the 1989 declaration by the State Supreme Court that Kentucky’s entire education system was unconstitutional. In addition to the finance system, the court struck down laws creating school districts, school boards, and the state education department, as well as laws and regulations pertaining to teacher certification and school construction. In addition to revamping the funding plan to increase spending and expenditure equity, the state’s entire education delivery system has been overhauled. Although the case was initiated as a challenge to school finance equity, the Kentucky decision, which was based in part on the low national and regional rankings of the state’s pupils, confronted the issue of education adequacy.

This notion of adequacy attempts to address whether or not the funding provided is sufficient to produce a good education. A system might be considered equalized without being financially adequate. Nationally, as in the Kentucky decision, equity is beginning to be addressed in terms of educational outcomes, not just dollars. New Hampshire’s system was deemed unconstitutional in 1997. A September 2006 ruling by the New Hampshire Supreme Court upheld that decision. The Supreme Court gave the legislature until July 2007 to define a constitutionally adequate system. The legislature enacted legislation in 2008 that included an education aid distribution formula. The per pupil cost of the new formula has two components, an universal cost applicable to all students and “differentiated aid” which provides additional funding for programs that assist at-risk students and other special populations. The formula

also allocates aid directly to schools instead of being distributed at the school district level. In October 2008, the Supreme Court ruled that the state had met the mandate to define an adequate education.

Consideration of education adequacy has led to a growing focus on school-level equity and accountability. This has in turn created the need for detailed and comprehensive school-level data systems. States, including Rhode Island, have begun to seek better data on school performance and implement performance accountability measures with their education aid programs. With the passage of the national, No Child Left Behind legislation, there are now measurable outcomes that students and school districts must achieve.

The 2004 Assembly adopted the Education and Property Tax Relief Act, which indicated that it “recognizes the need for an equitable distribution of resources among the states’ school districts, property relief and a predictable method of distributing education aid.” The legislation established a joint legislative committee to establish a permanent education foundation aid formula for Rhode Island. It provided a framework for the deliberations and directed the appointment of technical advisory groups to assist the committee in reaching its finding and issuing recommendations by October 1, 2005. The 2005 Assembly extended the reporting deadline to March 15, 2006 and provided \$150,000 for contracted support for committee efforts. The 2007 Assembly extended the reporting deadline to May 15, 2007.

The committee met regularly, took testimony from a variety of stakeholders and relied on the expertise of R.C. Wood and Associates in its charge to develop a new system for funding public education. In May of 2007, the foundation aid technical advisory group to the joint committee made several recommendations for the establishment of a permanent foundation aid formula. The recommendations include establishing a statewide per pupil expenditure with weighting for special education, English language learners, eligibility for free or reduced school lunch, and vocational education. The group recommended that regardless of the outcomes of a new funding formula, communities be held harmless to current levels of state aid and that all communities receive at least 25.0 percent of school funding from the state. The recommendation also included shifting certain costs such as certain special education costs, out-of-district transportation, non-public school textbooks and group homes to the state. The recommendations of the committee were introduced as proposed legislation in House Bill 6539 and Senate Bill 1112 at the end of the 2007 session. The House and the Senate took no actions.

Similar legislation was introduced during the 2008 session as House Bill 7957. This legislation did not include the minimum state share provision that the previous year’s legislation did. The House Finance Committee heard the bill and took testimony in May 2008. Witnesses spoke both in favor of and in opposition to the legislation. The Committee held the bill for further study. The companion Senate bill, 2650, was

introduced during the 2008 Session and referred to the Senate Finance Committee, but never heard.

The same legislation was introduced during the 2009 session as House Bill 5978. The House Finance Committee heard the bill and took testimony in June 2009. Witnesses spoke both in favor of and in opposition to the legislation. The Committee held the bill for further study.

The Senate passed similar legislation in Senate Bill 921 on June 26 and referred it to the House Finance Committee. The Senate bill prescribed that the new formula would take effect only after two consecutive fall Revenue Estimating Conferences in which there are increases in revenues over the previous fall conference. This is because reallocating existing resources through a new formula would produce winners and losers and no new resources were available. The House Finance Committee did not hear the bill.

According to the National Access Network, only five states, Delaware, Hawaii, Mississippi, Nevada and Utah have never had a lawsuit challenging the constitutionality of elementary and secondary education. Ten states are currently in litigation as of June 2009. These include Alaska, Arizona, Colorado, Connecticut, Illinois, Missouri, New Jersey, South Carolina, South Dakota, and Washington.

How Rhode Island Compares

In Rhode Island, for FY 2007, the state provided 39.2 percent of public school revenue from its own sources. Local communities contributed, primarily through property taxes, were 52.9 percent and federal funds were 7.9 percent of revenue. This is shown in the table below. Data is the most recent available from the United States Census Bureau.

FY 2007 Share of Public School Revenue			
	State	Local	Federal
Rhode Island	39.2%	52.9%	7.9%
New England	48.6%	45.1%	6.3%
US Average	47.6%	44.1%	8.3%

For FY 2007 the local contribution in Rhode Island was 52.9 percent, which is greater than the New England average of 45.1 percent and greater than the national average of 44.1 percent. New England as a region was greater than the national average.

Federal funds were higher in Rhode Island than the New England average of 6.3 percent but lower than the national average of 8.3 percent. As a whole, the share of revenues from federal sources in New England are less than the national average.

For FY 2007, Rhode Island ranked 42nd in state support for public education and ninth in local support. This means that Rhode Island ranks among the top in the nation when it comes to local funding of public education and among the bottom quarter when it comes to state support. The following charts, based upon data reported by the Bureau of the Census, show this distribution for FY 1997, FY 2002, and FY 2007. Rhode Island's ranking of state support has worsened over the ten-year period going from 40th in FY 1997 to 42nd in FY 2007.

State Share of Public School Revenue				
	New			
	RI	England	US	Rank
FY 1997	40.0%	33.8%	48.8%	40
FY 2002	41.6%	48.1%	49.4%	41
FY 2007	39.2%	48.6%	47.6%	42

For FY 2007, 39.2 percent of Rhode Island education funding was from state sources. Hawaii had the greatest percentage of state sources at 89.8 percent and Nebraska the lowest percentage at 31.7 percent.

Local Share of Public School Revenue

		New		
	RI	England	US	Rank
FY 1997	54.7%	61.8%	44.8%	11
FY 2002	52.5%	46.2%	42.8%	8
FY 2007	52.9%	45.1%	44.1%	9

In that same year, local sources provided 52.9 percent of Rhode Island education funding, the ninth highest share of any state. Illinois had the highest percentage of local resources at 58.9 percent, and Hawaii had the lowest percentage at 1.6 percent.

Between FY 1997 and FY 2007, the state's contribution decreased 80 basis points from 40.0 percent to 39.2 percent, and the local contribution decreased 180 basis points from 54.7 percent in FY 1997 to 52.9 percent in FY 2007. Nationally, state contributions decreased 120 basis points from 48.8 percent in FY 1997 to 47.6 percent in FY 2007, and local contributions fell by 70 basis points from 44.8 percent in FY 1997 to 44.1 percent in FY 2007.

Nationally the federal share has risen 190 basis points in the ten-year period, growing from 6.4 percent in FY 1997 to 8.3 percent in FY 2007. For Rhode Island, the federal commitment rose 250 basis points in that ten-year period from 5.4 percent to 7.9 percent. For New England, federal contributions rose 190 basis points from 4.4 percent in FY 1997 to 6.3 percent in FY 2007.

Federal Share of Public School Revenue

		New		
	RI	England	US	Rank
FY 1997	5.4%	4.4%	6.4%	33
FY 2002	5.9%	5.7%	7.8%	40
FY 2007	7.9%	6.3%	8.3%	28

A February 2005 National Conference of State Legislatures report on State Recommendations for Improving No Child Left Behind notes that the federal government's contributions to public education peaked at 9.8 percent in 1980, declined throughout the 1980s and has been climbing slowly since then. The report notes that despite being less than ten percent of public school revenue, the federal share has become increasingly more critical to states that have faced tight budget constraints.

Another way to evaluate education funding nationally is to compare per pupil spending. In Rhode Island, in FY 2007, the average per pupil cost was \$12,612. This is 2.4 percent more than the New England average of \$12,318 and 30.5 percent greater than the national average of \$9,666. Only the mid-Atlantic states, at \$13,265 per pupil, had higher per pupil costs than New England. It should be noted that New

Jersey and New York, both mid-Atlantic states, had the highest per pupil expenditures, at \$15,691 and \$15,981, respectively.

Per Pupil Spending				
New				
	RI	England	US	Rank
FY 1997	\$ 7,381	\$ 6,914	\$5,882	5
FY 2002	\$ 9,178	\$ 9,136	\$7,701	8
FY 2007	\$12,612	\$12,318	\$9,666	7

For FY 2007, Rhode Island ranked seventh highest in per-pupil spending nationally. Regional data on per pupil spending for FY 1997, FY 2002 and FY 2007 is illustrated in the table below. The change column displays the percent change from FY 1997 to FY 2007.

Per Pupil Spending				
	FY 1997	FY 2002	FY 2007	Change
Mid Atlantic	\$ 7,781	\$ 9,920	\$ 13,265	70.5%
Mid West	5,752	7,525	9,200	59.9%
New England	6,914	9,136	12,318	78.2%
Rhode Island	7,381	9,178	12,612	70.9%
Pacific	6,212	7,773	9,978	60.6%
Rocky Mountains	4,868	6,444	8,324	71.0%
South	4,984	6,554	8,401	68.6%
US Average	5,882	7,701	9,666	64.3%

Over the 10-year period from FY 1997 to FY 2007, per pupil spending in Rhode Island increased 70.9 percent from \$7,381 in FY 1997 to \$12,612 in FY 2007. In New England, per pupil spending increased 78.2 percent in this period, the largest regional increase. Nationally, the increase was 64.3 percent, growing from \$5,882 in FY 1997 to \$9,666 in FY 2007. Factors such as teachers' salaries, student poverty and the cost of living affect the cost of educating children and can explain some of the difference in per pupil cost regionally.

While Rhode Island ranked seventh highest in per pupil spending nationally for FY 2007, when state funds alone are used as the measure, Rhode Island's ranking falls to 20th. The state of Rhode Island spent \$5,531 per pupil in FY 2007. This is less than the New England average of \$7,037 per pupil although Vermont's \$13,589 raises New England's average considerably. The \$8,193 for the pacific states is skewed by Hawaii that spent \$14,835 per pupil. The national average is \$5,466 per pupil.

FY 2007 State Spending

Per Pupil

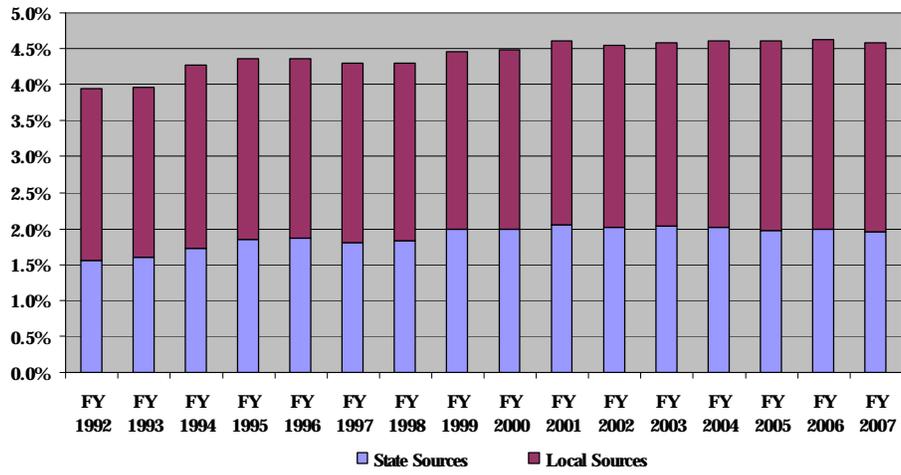
Mid Atlantic	\$ 7,051
Mid West	4,955
New England	7,037
Pacific	8,193
Rocky Mountains	5,432
South	4,844
US Average	5,466
Rhode Island	5,531

State and Local Education Spending as a Percent of Personal Income. Another way to measure spending is by comparing it to a state's overall wealth. One useful measure of that wealth is total personal income. The table below shows elementary and secondary education spending in Rhode Island as a percent of personal income for the period 1992 through 2007. Education expenditure data are from the United States Census Bureau. Personal income data are from the Bureau of Economic Analysis and adjusted from calendar year to fiscal year. State and local spending on elementary and secondary education was 3.9 percent of personal income from non federal sources in 1992 and slowly increased annually. It reached 4.5 percent in 1999 and has been between 4.5 percent and 4.6 percent since. Since 2003, it has been 4.6 percent of personal income.

The state share of elementary and secondary education spending was 1.9 percent of personal income in 2007, dropping from the 2.0 percent it had been from 1999 to 2006. Local spending increased from 2.4 percent in 1992 to 2.5 percent in 1994, not reaching 2.6 percent until 2001, where it has remained through 2007 with the exception of 2002 when it was 2.5 percent.

During the last economic downturn in 2001, spending on elementary and secondary education was 4.6 percent of personal income, the same as for 2007, the beginning of the current recession. With the exception of 2002, when it was 4.5 percent of personal income, it has been 4.6 percent since 2001.

Education Spending as Percent of Personal Income



Funding History

The Assembly appropriated \$889.7 million for FY 2010 total aid for local school districts, which is \$33.0 million more than final FY 2009 aid. This increase includes \$19.1 million more for local school districts including Central Falls and the Met School, most of which results from lower pension savings in FY 2010 than assumed in the final budget. Both budgets capture the local share of savings from adopted pension changes for the state and reduce education aid by the amount of savings districts would have achieved from those pension changes. These savings are offset by the end of one-time FY 2009 distributions from the permanent school fund from additional hours of operation at Twin River and Newport Grand. The change to FY 2009 also includes \$1.5 million more for the state share of teacher retirement costs, \$7.4 million more for school construction aid than FY 2009 final aid, \$4.8 million more for charter school support and \$0.1 million more for other set-aside distributions by the Department.

Funding includes \$712.4 million in direct distributions to local school districts, \$38.0 million for other formula aid for distribution by the Department of Elementary and Secondary Education for specific programming, \$77.8 million for the state's contribution to teacher retirement, and \$61.5 million for school construction costs.

Total funding has increased an average of 4.3 percent per year since FY 1990. The Assembly provided a 3.8 percent increase to FY 2009 final aid. This is 1.5 percent less than the aid first enacted for FY 2009 by the 2008 Assembly.

Specific allocations in each funding category for FY 1990, FY 1995, FY 2000, FY 2005, FY 2009 and FY 2010 are shown in the table on the following page. Where applicable, prior year information in the table has been updated to reflect actual expenditures. Set-aside funds, teacher retirement and construction aid usually differ from the original enacted appropriations. The sections that follow explain each category and corresponding distribution method. Appendix I of this report shows the distribution of the direct formula aid by community.

Formula Aid (in millions)	FY 1990	FY 1995	FY 2000	FY 2005	FY 2009*	FY 2010*
Operations Aid	\$ 267.1	\$ 280.7	\$ -	\$ -	\$ -	\$ -
Special Education	31.7	33.4	-	-	-	-
Vocational Education	6.7	8.5	-	-	-	-
Limited English Proficiency	1.0	1.0	-	-	-	-
Conventional Public Housing	1.6	10.4	-	-	-	-
Distressed District Aid	-	1.7	-	-	-	-
Special/Limited Categories	4.4	-	-	-	-	-
Poverty/Equity Fund	-	46.1	-	-	-	-
Local School Operations	-	-	397.0	458.6	443.0	467.1
Permanent School Fund	-	-	-	-	7.3	-
Title I	-	-	-	-	15.3	15.3
Special Education	-	-	-	-	18.9	18.9
Central Falls Operations	-	-	27.3	37.8	44.4	46.1
Met School	-	-	1.8	7.3	11.8	13.0
Targeted Aid	-	-	8.0	20.0	20.0	20.0
Core Instruction Equity	-	-	22.6	-	-	-
Student Equity	-	-	43.5	63.8	73.8	73.8
Professional Development	-	-	3.3	3.3	-	-
Early Childhood	-	-	6.5	6.8	6.8	6.8
Student Technology	-	-	3.4	3.4	3.4	3.4
Student Language Assistance	-	-	3.3	31.7	31.7	31.7
Charter-Indirect Aid	-	-	0.2	1.0	1.2	1.2
Full Day Kindergarten	-	-	-	4.7	4.2	4.2
Vocational Technical Equity	-	-	-	1.5	1.5	1.5
Group Homes Funding	-	-	-	8.9	9.9	9.5
Total	\$ 312.5	\$ 381.8	\$ 516.9	\$ 648.8	\$ 693.3	\$ 712.4
Other Aid						
Progressive Support &						
Intervention	-	-	-	2.1	2.4	3.2
Hasbro Children's Hospital	-	-	0.1	0.1	0.1	-
Direct Charter School Aid	-	-	2.8	16.9	29.3	34.1
School Visits	-	-	0.4	0.4	0.1	0.1
Professional Development	-	-	0.3	0.1	0.5	-
Textbook Loans	-	-	-	0.3	0.3	0.2
School Breakfast	-	-	0.3	0.7	0.3	0.3
Speech Pathologist Supplement	-	-	-	-	-	-
Subtotal	\$ -	\$ -	\$ 3.8	\$ 20.7	\$ 33.0	\$ 38.0
Teacher Retirement	27.6	34.3	40.0	52.6	76.3	77.8
Construction Aid	6.4	16.2	25.5	43.9	54.1	61.5
Statewide Total	\$ 346.5	\$ 432.2	\$ 586.1	\$ 765.9	\$ 856.7	\$ 889.7

**Reflects final appropriations by 2009 Assembly. Actual pension savings and stimulus distributions will be updated in subsequent editions.*

Summary of Education Aid Programs

The following section provides a brief description of the state funded education aid programs. It is followed by more comprehensive descriptions of each source that include statutory references, legislative changes and funding histories.

Operations Aid. The operations aid formula was established to provide local school districts with funds to support general operations. This program reimbursed communities' total expenditures based on the wealth of that community as compared to the rest of the state.

Special Education Excess Aid. Special Education Excess Aid reimbursed communities for the difference between educating a regular student and a special education student. The district entitlement was up to 110 percent of the state median excess cost.

Area Vocational Education Aid. The Vocational Education Incentive program was designed to encourage districts to participate in the eight regional vocational programs and to promote expansion in the programs.

Limited English Proficiency Incentive Aid. This aid was designed to encourage school districts to establish, maintain, and expand programs and services for children with limited proficiency of the English language.

Conventional Public Housing Aid. This program assisted communities where students attending public schools resided in public housing facilities that did not contribute to the district's tax base.

Distressed District Fund. The 1993 Assembly appropriated \$1.7 million from general revenues for a Distressed District Fund for FY 1994. The funds were distributed according to those communities that were eligible for the FY 1992 retirement deferral option, and whose total reimbursable education expenditures declined between FY 1991 and FY 1992. Pawtucket, West Warwick, and Woonsocket received the aid.

State Support for Local School Operations. This is the base operations aid for general state support that has served as the foundation for all aid increases since FY 1997. The composition and distribution of this base is equivalent to the final funding for FY 1997 updated for minimum and maximum increases over each prior year.

Permanent School Fund. The 2008 Assembly enacted legislation that became law on May 6, 2008 that allows the operation of video lottery games on a twenty-four hour basis on weekends and federally recognized holidays at the Twin River and Newport Grand facilities. That legislation mandates that the additional revenue accruing to the state as the direct result of the additional hours, up to \$14.1 million by June 30, 2009,

be deposited into the Permanent School Fund and allocated as education aid. The Assembly enacted legislation that requires the Department of Elementary and Secondary Education to monthly allocate to each school district all funds received into the Permanent School Fund, up to \$14.1 million, in the same proportion as the general revenue aid distribution.

Title I. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. It included additional relief to local schools through Title I programs. Total funding of \$34.0 million is allocated over FY 2009 and FY 2010.

Special Education. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. It included additional relief to local schools for special education through the Individuals with Disabilities Education Act. Total funding of \$39.6 million is allocated over FY 2009 and FY 2010.

Central Falls School District. The Central Falls School district was placed under complete control of the Department of Elementary and Secondary Education in FY 1993. The City of Central Falls was adjudged to be unable to meet its contractual, legal and regulator obligations without increased funding, which it could not afford because its tax base had sustained little or no growth over several years prior to 1991. The state is responsible for 100 percent of the education costs for the district.

Metropolitan Career and Technical School. The Metropolitan Career and Technical School is intended to be an innovative education facility with one main school and several small locations in the City of Providence. Its employees are not state employees, and the appropriation is handled much like Central Falls, with a lump sum allocation. The 2006 Assembly provided \$1.0 million to begin an East Bay campus on Aquidneck Island. The first class of 30 freshmen began during the 2006-2007 school year.

Targeted Aid. The Targeted Aid Fund was introduced by the 1998 Assembly to provide funds to locally or regionally operated districts in which tax effort exceeds tax capacity and at least 40.0 percent of the K-3 students are eligible for free or reduced lunches. Districts may use targeted funds providing new or expanded programs for early childhood education, helping improve instruction to meet high standards and reducing class size at the elementary level.

Core Instruction Equity Fund. The Core Instruction Equity Fund was established to improve the capacity of cities and towns to support core instruction and reduce inequities in resource distribution. Certain communities, because of low tax capacity and high tax effort, are unable to appropriate sufficient funds for the support of core instructional programs. Communities with a gap in instruction costs compared to the statewide median and a tax effort well above the statewide median were eligible for this fund.

Student Equity Investment Fund. The Student Equity Investment Fund was established to close gaps in student performance in mathematics, reading and writing by targeting students in greatest need of additional educational services. The funds are based on each district's proportion of children eligible for USDA reimbursable school meals relative to the total number of such students statewide.

Professional Development Investment Fund. The Professional Development Investment Fund provides for continued skill development for Rhode Island's teachers and staff. These resources, based on a district's pupil-teacher ratio, are used to close student performance gaps in accordance with the school and district's strategic plans.

Early Childhood Investment Fund. The Early Childhood Investment Fund provides support for schools and teaching staff for kindergarten through third grade to begin improving student performance. These resources are to be used in conjunction with literacy set-aside funds and are distributed based on the student population in these grades for each district.

Student Technology Investment Fund. The Student Technology Investment Fund provides schools and teaching staff with up-to-date educational technology and training to help students meet the demands of the twenty-first century. Distribution of this aid is based on a district's proportion of total student population; it is not wealth based.

Student Language Assistance Investment Fund. The Student Language Assistance Investment Fund targets state resources to assist students that require additional language educational services. Distribution is based on a district's proportion of Limited English Proficiency students.

Charter Schools. Charter schools are public schools authorized by the state through the Board of Regents to operate independently from many state and local district rules and regulations. The state shares the cost with the sending district using a wealth based share ratio with a minimum share of 30.0 percent. The aid also includes an indirect cost payment to the sending district equal to five percent of the per pupil cost.

Full Day Kindergarten. The Full Day Kindergarten Investment Fund was established by the 2000 Assembly to support full day kindergarten programs. The appropriation is based on the number of students enrolled in full day kindergarten programs and the tax equity index of each district.

Vocational Technical Equity Fund. The Vocational Technical Equity Fund provides aid for districts that send students to locally operated career and technical centers. The appropriation is intended to support the academic instruction component of vocational education for students enrolled in career and technical education programs.

Group Homes. This program provides a per bed allotment to districts in which group homes are located to support the cost of educating students in those homes who attend the local schools.

Progressive Support and Intervention. Funds for this set aside were first provided in FY 2001 to assist schools and districts that continue to fall short of performance goals outlined in the district strategic plans.

Hasbro Children's Hospital School. This program supports expenditures for educational personnel, supplies, and materials for students in the hospital.

School Visits. Funds are allocated to the Department of Elementary and Secondary Education for on-site school reviews and other support for district accountability measures. These funds support the School Accountability for Learning and Teaching system, known as SALT.

Textbook Loans. Rhode Island General Law mandates that school committees furnish textbooks in the fields of mathematics, science, English, history, social studies, and modern foreign languages to all elementary and secondary school pupils residing in the community. This program reimburses districts for English, history and social studies textbooks provided to non-public school students that are in grades K-8.

School Breakfast. State law mandates that all public schools provide a breakfast program and that the costs, other than transportation, associated with this program in excess of available federal money, which funds the meals, be borne by the state. Aid is subject to appropriation and based on each district's proportion of the number of breakfasts served relative to the statewide total.

Speech Pathologist Salary Supplement. This fund was established by the 2006 Assembly to provide an annual \$1,750 salary supplement to any licensed speech language pathologist who is employed by a school district who has met the requirements and acquired a certificate of clinical competence from the American Speech-Language-Hearing Association. The 2007 Assembly provided \$304,500 to fund the supplement for FY 2007 and eliminated the program for FY 2008 and beyond.

Teacher Retirement. The state shares in the cost of teacher retirement with teachers and local districts. Teachers contribute 9.5 percent of their salaries, which is set in the General Laws. The state and the local district pay the difference between the teachers' share and the amount needed to support the system, as determined annually by the State Employees' Retirement System. The state pays 40 percent of the employer's share and the local district pays 60 percent.

Construction Aid (School Housing Aid). The state provides local districts with partial reimbursement for approved school construction projects after the project is

completed. The reimbursement rate is based on a district's wealth compared to the aggregate state wealth, with a minimum share for each district of 30 percent. Reimbursement is based on total expended project cost, however bond interest reimbursement is limited to those financed through the Rhode Island Health and Educational Building Corporation.

Operations Aid

Statute(s). §16-7-20

Description. The operations aid formula was established to provide local school districts with funds to support their general operations. The formula was designed to encourage communities to spend more on education by financing a share of locally determined expenditures. Since the operations aid formula provided for the state to share in locally determined educational expenditures without placing a ceiling on the level of support, it gave the local school districts the opportunity to spend what they felt was necessary for education. This program reimbursed communities' total expenditures primarily based on the wealth of that community as compared to the rest of the state. A community's "share ratio" is a measure of its per pupil wealth as compared to the per pupil wealth of the rest of the state.

The share ratio is an element used in other aid distributions as well. Formulas using the share ratio, including operations aid, usually provided for minimum share guarantees. The original operations aid formula provided that each community received a minimum share regardless of wealth. The original minimum share was 25.0 percent. It was eliminated for FY 1995 aid.

The share ratio formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census. Property value is certified annually by the Department of Administration, Office of Municipal Affairs, based on local sales data and appraisals. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the Equalized Weighted Assessed Valuation (EWAV).

The valuations are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property.

Once community wealth is determined, it is divided by pupil counts to calculate the per pupil wealth for each community compared to the per pupil wealth for the state as a whole. The resulting relative per pupil community wealth is then multiplied by 50.0 percent, the mean state reimbursement, and subtracted from 1.0, yielding the district's share ratio. This share ratio was multiplied by approved reimbursable expenditures to determine the operations aid entitlement. If less than the full entitlement was appropriated, the entitlement was ratably reduced.

For regional school districts, a bonus was added to the operations aid entitlement based on the number of grades regionalized. Calculation of the bonus was modified a

number of times and eventually separated from the operations aid appropriation. For comparability, it is reflected in the tables in this report as operations aid.

Significant Legislative Revisions. Revisions to the original operations aid program implemented at the end of the 1960's included the addition of family income to the community wealth formula. Over the next two decades, the Assembly made changes to the operations aid formula in response to recommendations from auditors, special commissions and other timely issues. The 1975 Assembly implemented use of the two-year reference on expenditure reimbursements. This action allowed the Assembly to appropriate the exact aid entitlement rather than an estimate pending the compilation of district expenditure reports by the Department of Elementary and Secondary Education. In 1979, the Board of Regents adopted regulations governing what qualified as a reimbursable expenditure.

The 1985 General Assembly passed the "Omnibus Property Tax Relief and Replacement Act." Among the provisions of this act was language requiring a two percent annual increase in the state share of local education expenditures until the state share reached 50 percent. In 1988, the language was amended to increase the goal of average state support to 60 percent. The additional funds appropriated to reach the 60 percent state share were not through the operations aid program; rather they were restricted for use in block grants. Although 50 percent state funding was achieved in FY 1990, block grants have not been funded since FY 1990. The goal of reaching 60 percent state funding remains as Chapter 16-69 of the Rhode Island General Laws, but financial constraints faced by the state continue to prevent funding for realization of this goal.

Beginning in FY 1989, a percentage of the operations aid calculation was "set-aside" and restricted for use on literacy programs. This Literacy Set-Aside amount was 3.0 percent of the total of state operations aid in fiscal year 1989, 4.0 percent in FY 1990, 5.0 percent in FY 1991 through FY 1993, and 4.0 percent in FY 1994 and thereafter.

The recession in the early 1990s prompted several changes in the state's education funding system. This included the elimination of minimum aid guarantees. The original operations aid formula provided that each community received a minimum share regardless of need or wealth. The original minimum share was 25.0 percent. It increased to 30.0 percent in 1964 and decreased back to 28.0 percent in FY 1984. Between FY 1992 and FY 1995, the minimum share was incrementally phased out to zero.

The 1992 Assembly further amended the operations aid formula allowing it to be capped. This meant that if less than the full funding of the formula was enacted, each community's entitlement was ratably reduced to the level of funding appropriated. For FY 1992, the state reduced total school aid from all categories in response to the fiscal crisis, including a \$26.3 million, or 9.4 percent, reduction in operations aid.

During this time, many urban communities also faced a declining property tax base. This weakened their abilities to raise funds for education and resulted in increasing local tax rates in order to maintain levels of service. As the state continued to use the operations aid formula, those communities that reduced or limited education spending to balance budgets received reduced reimbursements as well. This perpetuated the funding gap per pupil between the state's wealthy and poor school districts.

Some of these communities sought relief through the courts, and in February 1994, Justice Needham, of the Rhode Island Superior Court, declared the current distribution method of state education aid to be unconstitutional. He found that the formula did not meet either the equity or adequacy needs of the state's students.

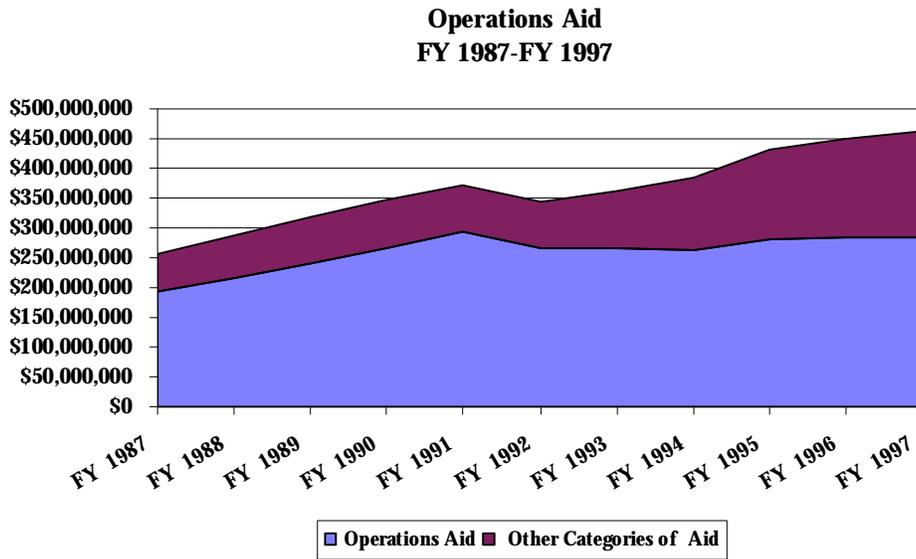
The state appealed the ruling, however, and in July 1995, the Supreme Court of the State of Rhode Island overturned Judge Needham's lower court decision. This reversal was based on the argument that the state, through the General Assembly, was responsible for promoting, not establishing, a system of public education for Rhode Island. The court also ruled that the Assembly's authority to determine the distribution of aid was virtually absolute.

In the interim, the 1994 Assembly considered changes to the education aid formula. The Governor proposed a Guaranteed Student Entitlement (GSE) transition plan that incorporated several modifications including distributing all categories of aid, including the state contribution to teacher retirement, based on the operations aid formula. The operations aid formula would be modified by eliminating the minimum guarantee, phasing out the regional bonus by 40.0 percent, and instituting a poverty weighting that distributed funds according to the number of students eligible for free or reduced lunch.

The Assembly adopted some elements of this proposal. In an attempt to promote more equity, the changes included the elimination of guaranteed minimum shares, a component of the formula considered to be disequalizing, and the establishment of the Poverty Fund. The operations aid formula that year was funded at about 73 percent of the full entitlement.

The state, however, recognized certain continuing inequities in the distribution of aid and took some steps to rectify them. The Assembly froze operations aid at the FY 1995 levels in FY 1996 and FY 1997. Aid increases were again directed through other categories, discussed later, that emphasized student wealth. By FY 1998, the state adopted its current education funding plan that eliminated calculation under the old aid categories, with the exception of Teacher Retirement and Construction Aid. The funding under the now defunct categories did remain for each community as part of a base entitlement to which new appropriations are added. Thus, the base appropriation for current distribution of state aid reflects operations aid last calculated for FY 1995 and not fully funded since FY 1992.

Funding. Although it was the single largest category of education aid, over the years, greater shares of the state's education resources were directed to other aid programs. This is shown in the following graph.



In FY 1987, operations aid represented 76.1 percent of all education aid allocated to local districts and was as much as 79.4 percent of aid in FY 1991. By FY 1997, operations aid represented only 61.1 percent of all distributed school aid. Over this ten-year period, operations aid increased by 45.3 percent while aid distributed in all other categories increased nearly threefold. The other categories of aid that were enacted over the years addressed specific program needs in addition to operations aid. The sections that follow discuss those categories.

Special Education Excess Aid

Statute(s). §16-24-6

Description. With the passage of the 1975 Education of All Handicapped Children Act, now known as the Individuals with Disabilities Education Act, the federal government mandated public education for all children with disabilities. In 1976, the Assembly enacted a program designed to provide entitlements for special education students, which replaced a small categorical program for handicapped students. In FY 1980 communities began receiving aid under this program for the excess cost of educating handicapped or special education students. Special Education Excess Aid was based on reimbursing communities for the difference between educating a regular student and a special education student, using a two-year reference. The district entitlement was up to 110 percent of the state median excess cost in each special education category. This cap was instituted to control costs in an area of education that had the potential for significant growth in costs. Any costs incurred by the school district over this limit were not reimbursable under any aid programs. The distribution of special education excess aid was not based on wealth. In the early 1990s, there were proposals that were never adopted, which would have wealth-equalized special education aid by using the share ratio.

Each school district's entitlement for special education aid was calculated by multiplying the number of special education students, using full-time equivalents, by the lesser of a district's per pupil cost in each special education category or 110 percent of the state median in that category. If the Assembly did not fully fund the entitlement, the district allocations were ratably reduced.

It should be noted that in passing special education legislation of 1975, Congress authorized grants to the states for up to 40.0 percent of special education costs. That funding level has never materialized. Increased funding in the late 1990's has brought the federal share up to its highest level ever, which is estimated at about 13 percent.

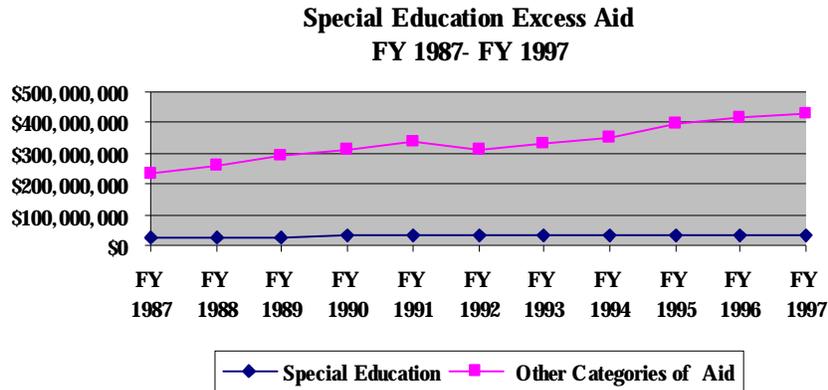
Significant Legislative Revisions. Since its passage, this aid program has been subject to a series of limits on growth and other caps on the entitlement. The limits imposed fluctuated, but generally remained at about eight percent growth over the prior year. For FY 1993, the entitlement became subject to budgetary appropriation. Like the operations aid, each community's entitlement was subject to a ratable reduction to the level of funding appropriated.

FY 1995 was the last year for which this category of aid was calculated and used as a distribution method under the statutory formula, and the total appropriation was \$33.4 million, which represented less than 50 percent of the statewide entitlement. Implementation legislation for the state's share of education aid in FY 1996 and FY 1997 froze special education excess aid at the FY 1995 level. Special education costs

continued to rise, and special education funding represented about 40 and 37 percent of the statewide entitlement in FY 1996 and FY 1997, respectively.

Under the current education funding plan, that \$33.4 million is now reflected for each community as part of a base entitlement to which new appropriations are added. Thus, the base appropriation for current distribution of state aid reflects Special Education Aid last calculated for FY 1995.

Funding. Between FY 1987 and FY 1993, special education funding was between 9.3 and 9.2 percent of all education aid, with little variance. Its share of the total education aid package had dropped to 7.2 percent by FY 1997. Total appropriations between FY 1987 and FY 1997 increased by 40.0 percent as compared to a combined 85.3 percent increase in all other categories. The following chart illustrates this pattern.



Since special education funding is one of the few non-wealth based programs, this relative decrease supports the fact that aid increases in the late 1990s were being directed to communities based on need. Fully funding special education aid in FY 1999 under this defunct formula would have cost the state \$100.3 million. This is equal to 22.1 percent of total aid distributed to local districts that year. The distribution would also be radically different than the one enacted. Because this formula was not wealth-based, in the state's poorer communities the special education entitlement would have represented as little as 10.8 percent of total FY 1999 education aid allocation. Conversely, in some wealthier communities, appropriation of the full special education aid entitlement would actually have exceeded the district's total FY 1999 aid.

Area Vocational Education Aid

Statute(s). §16-7-20.6

Description. The Vocational Education Incentive program was designed to encourage districts to fully participate in the eight regional vocational programs and to promote expansion in the programs. The district sending the student to one of these programs pays tuition to the host district. The sending school district's entitlement for aid under this program was calculated as the per pupil cost of vocational instruction multiplied by the full time equivalents for attending students. The entitlement for this program was fully funded, although the statute did allow for a ratable reduction in the event of insufficient appropriations.

Significant Legislative Revisions. The aid distribution for this program was originally based on the number of pupils attending vocational education facilities and the communities' share ratios, using a two-year reference. In FY 1990, the basis for the distribution of the funds was changed, eliminating the use of the share ratios. This change reflected the policy decision to encourage vocational education by fully funding it, rather than offering a partial reimbursement. This shift in policy dramatically increased funding. This also meant that the program was no longer wealth-based.

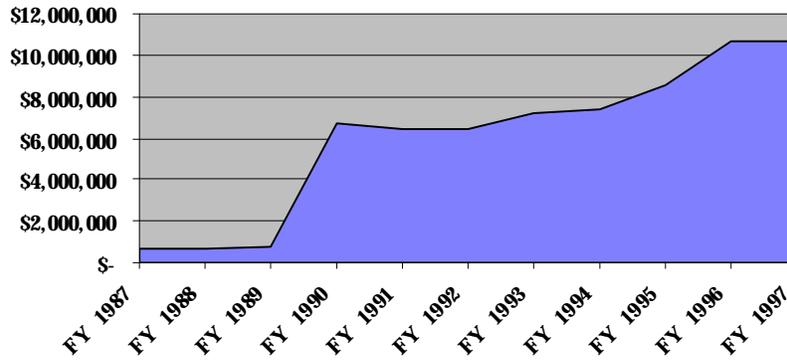
Like other aid categories, FY 1995 was the last year for which this category of aid was calculated and used as a distribution method under the statutory formula and reference year. Unlike most other aid categories, however, vocational education aid did receive an increase for FY 1996. The appropriation was equal to FY 1995 aid, plus \$2,000 for each full-time equivalent student reported for the FY 1994 reference year. This was an increase of 25.9 percent. FY 1997 aid was frozen at the FY 1996 level of \$10.7 million.

Under the state's current education funding plan, that \$10.7 million is now reflected for each community as part of a base entitlement to which new appropriations are added.

Funding. Vocational education aid has never been more than 2.3 percent of the total aid distribution. However, the elimination of the share ratio calculation from the funding formula for FY 1990 increased aid for this program almost tenfold. Despite changes and reductions in other aid categories, this program remained fully funded through the end of its use as a method for aid distribution.

The chart on the following page shows the growth in funding for this program.

**Area Vocational Education Aid
FY 1987-FY 1997**



Limited English Proficiency Incentive Aid

Statute(s). §16-54-4

Description: Established in 1986, Limited English Proficiency Incentive Aid (LEP) was designed to encourage school districts to establish, maintain, and expand programs and services for children whose proficiency of the English language is limited.

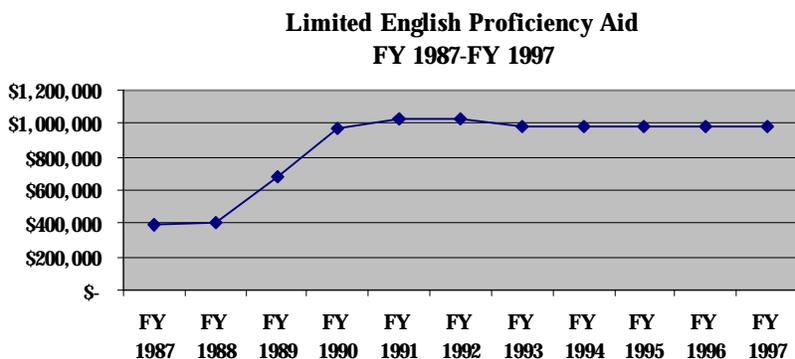
A district's entitlement for Limited English Proficiency Incentive Aid was based on the product of the average statewide cost per LEP pupil, the number of LEP full-time equivalents and the district's share ratio, developed for the operations aid formula. Like other aid categories, each community's entitlement was subject to a ratable reduction to the level of funding appropriated.

Like other aid programs, FY 1995 was the last year for which this category of aid was calculated and used as a distribution method under the statutory formula, and the total appropriation was \$986,387, representing about 23 percent of the statewide entitlement.

Under the state's current education funding plan, that \$986,387 is now reflected for each community as part of a base entitlement to which new appropriations are added.

Funding. In its first few years of use, this aid program saw significant funding increases. Funding did not increase for FY 1992, dropped slightly in FY 1993 and through FY 1997; the aid level was frozen at the FY 1993 entitlement of \$986,387.

The following chart illustrates this pattern.



Conventional Public Housing Aid

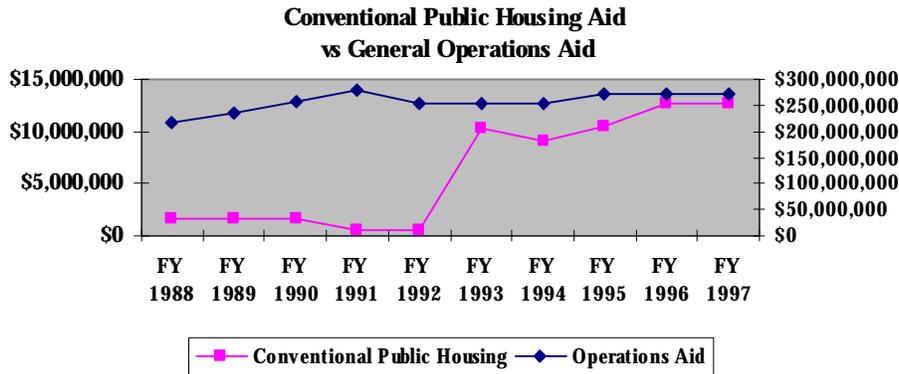
Statute(s). §16-7-34.3; §16-7-20.6

Description. Conventional Public Housing Aid was designed to assist communities where students attending public schools reside in public housing facilities that do not contribute to the district's tax base. Property owned by the Solid Waste Management Corporation qualified under this program as of FY 1993, as did the North Kingstown Traveler's Aid housing project as of FY 1996. Approximately 25 percent of local school districts received Conventional Public Housing Aid.

Using a two-year reference, Conventional Public Housing aid was calculated by multiplying the district's average per pupil cost, its operations aid share ratio, and the number of students residing in public housing. Beginning in FY 1993, if the full entitlement under this program was appropriated, the maximum amount which all cities and towns are entitled to receive under this section was deducted from the sum appropriated for operations aid.

Like other aid categories, FY 1995 was the last year for which this category of aid was calculated and used as a distribution method under the statutory formula and reference year. Unlike most other aid categories, however, Conventional Public Housing Aid did receive an increase for FY 1996. The \$2.3 million increase funded the inclusion of the North Kingstown Traveler's Aid housing project and reversed a negative adjustment to the FY 1995 allocation. FY 1997 aid was frozen at the FY 1996 level of \$12.7 million. Under the state's current education funding plan, that \$12.7 million is now reflected for each community as part of a base entitlement to which new appropriations are added.

Funding. The FY 1993 mandate for full funding of this program significantly increased expenditures. The state required that full funding of this program be at the expense of operations aid funding, if necessary. The following graph shows that increase and compares it to a relative leveling off of funding for operations aid.



Distressed District Fund

Statute(s). §16-7-20.4

Description. The 1993 Assembly appropriated \$1,672,310 from general revenues for a Distressed District Fund for FY 1994. The funds were distributed according to those communities that were eligible for the FY 1992 retirement deferral option, and whose total reimbursable education expenditures declined between FY 1991 and FY 1992. Three communities, Pawtucket, West Warwick, and Woonsocket, received the aid. The appropriation increased slightly to \$1,686,428 for FY 1995 and remained at that level through FY 1997. Under the state's current education funding plan, that level is now reflected for those three communities as part of a base entitlement to which new appropriations are added.

Funding. The FY 1994 appropriation was \$1.7 million. In FY 1995, the General Assembly continued the use of the Distressed District Fund, appropriating \$1.7 million in aid to the three districts. FY 1996 and FY 1997 repeated the \$1.7 million from FY 1995.

Special/Limited Appropriations

Along with all of the recurring aid categories, a number of one-time aid programs to accommodate specific areas of concern, or to provide hold harmless funds were used through FY 1994. For simplicity, these special or limited appropriations are combined for display in the table on page 8. The paragraphs that follow discuss the specific appropriations.

Special Education Equity Fund (FY 1993 and FY 1994). The Special Education Equity Fund was a one-time sum paid to certain school districts in FY 1993 and FY 1994. This sum represented the difference between the final enacted distribution method for special education excess aid and the Governor's original proposal to distribute these funds based on the operations aid formula's share ratios. The proposal reflected an attempt to wealth-equalize the distribution of the special education excess fund. Fourteen communities benefited from the provision for a total of \$4.7 million in FY 1993 and \$5.0 million in FY 1994.

Hold Harmless Provision (FY 1993). The Hold Harmless Provision was a one-time payment of \$158,130 to certain school districts. This represented the difference between total aid based on the Governor's FY 1993 budget proposal and the FY 1993 aid enacted by the General Assembly. Approximately 15 school districts benefited by this hold harmless provision, requiring an additional \$158,130 in general revenues.

School Improvement Equity Delay (FY 1994). The School Improvement Equity Delay was a one-time sum paid to certain school districts in FY 1994. This equity delay represented the difference between the current distribution method for the state's contribution to Teacher Retirement and the Governor's proposal to distribute these funds based on the operations aid formula's share ratios. Four school districts were required to use half of these funds in FY 1994 for school improvement activities, although all districts were encouraged to begin similar efforts. Fourteen communities benefited from this school improvement equity delay in FY 1994 for a total of \$5.25 million.

Technology Set-Aside (FY 1994). The Technology Set-Aside Fund was a one-time sum paid to certain districts to further develop their technology resources. The Department of Elementary and Secondary Education used funds representing the difference between the current method of distributing the state's contribution to Teacher Retirement and the Governor's FY 1994 proposed distribution of funding. A total of \$1.1 million was budgeted for this one-time set aside.

Census - Hold Harmless (FY 1994). In the FY 1994 Appropriations Act, the Rhode Island General Assembly budgeted an additional \$6.0 million in FY 1994 for school aid, conditional on additional general revenue receipts due to federal income tax changes. The revenue was determined to be available in FY 1994 and was included in FY 1994 expenditures. The funds were distributed through two categories of hold

harmless transition aid: the Census and Federal hold harmless transition aid categories. The General Assembly budgeted \$2.9 million in the census transition aid category to assist those communities that lost state aid due to formula changes using the 1990 median family income for the first time in the education aid calculation. (Previous calculations used 1980 median family income data). The federal transition aid category budgeted \$3.1 million to be distributed to communities that still would have received less education aid in FY 1994 than in FY 1993. The \$6.0 million was distributed between January and June 1994.

Education Improvement Fund (FY 1985 through FY 1988). The Education Improvement Funds were distributed in fiscal years 1985 through 1988. After an initial funding level in FY 1985 of \$264,378, the allocation was increased to approximately \$2.0 million over the next three years. The allocation was based on one-half of one percent of expenditures reported by school districts based on a two-year reference and was distributed based on operations aid. The fund was designed to address deficiencies reported as a result of the Basic Education Program evaluations, such as facilities related problems.

Block Grants (FY 1989 and FY 1990). In FY 1989, the Education Improvement Fund (EIF) was replaced by block grants, a portion of which was targeted to the same purpose as the EIF. Under block granting, the amount of the state allocation was determined by the difference between an average 50 percent state funding in operations aid and additional state funding in the transition to 60 percent state support. Once the allocation was determined, the funds were apportioned based on operations aid. In addition to the EIF purposes, the block grant funds were targeted to purposes such as pre-school programs, parent training and full day kindergartens. Funding for the block grants totaled \$4.6 million in FY 1989 and \$4.4 million in FY 1990.

Literacy Excellence (FY 1988 and FY 1989). The Rhode Island Literacy and Dropout Prevention Act was passed in 1987 and targeted early childhood reading, writing, speaking, listening and mathematics instruction, and dropout prevention. The Literacy Excellence Fund was allocated at \$1.0 million in FY 1988 and FY 1989. The Literacy Excellence funds were distributed based on total education aid. It was replaced by the literacy set-aside, based on operations aid, in subsequent years.

Vocational Education Tuition Reduction (FY 1988 and FY 1989). In FY 1988 and FY 1989, \$500,000 and \$800,000, respectively was allocated to help offset tuition charged to local school districts for sending students to the regional area vocational-technical centers. The money was distributed based on the number of students sent by each district to each center, and used directly to lower tuition costs.

Textbook Fund (FY 1987 and FY 1988). The Assembly allocated funds specifically for use in purchasing textbooks. This aid was distributed based on student counts and totaled \$1.0 million in FY 1987 and \$2.0 million in FY 1988.

State Support for Local School Operations

Statute(s). §16-7-20; §16-7.1-7; §16-7.1-10

Description. State Support for Local School Operations is the base operations aid for general state support that has served as the foundation for all aid increases since FY 1997. The composition and distribution of this base is equivalent to the final funding for FY 1997 under the old categorical aid programs the state had used over the past decade. A detailed history of each of these categories and its share of this base is contained in the first section of this report.

This category was increased for FY 2000 by \$3.9 million to adjust the aid distribution to reflect minimum and maximum increases over FY 1999. Specifically, no community would receive less than a 3.5 percent or greater than a 13.5 percent increase over total aid enacted in FY 1999. Also, each community with a tax equity index of less than one, signifying that its tax effort exceeds its tax capacity, received a minimum increase of 6.75 percent over FY 1999. The minimum increases for FY 2001 were 5.0 and 7.5 percent, and for FY 2002 they were 3.5 and 7.0 percent.

The tax equity index is used in calculation and distribution of the Core Instruction Equity, Targeted Aid, and Full Day Kindergarten funds. This tool is used to promote equity in education aid funding because it measures a community's effort and capacity to raise local resources to finance education relative to the state's other communities. It is calculated by measuring the actual municipal tax yield, tax effort, against a hypothetical yield on the same property value at the state average tax rate, tax capacity.

If a community were taxing its property at the statewide average, then it would have a tax equity index of one. Those communities that were taxing property at greater than the average would have an index of less than one. Conversely, those taxing at less than the average would have an index of more than one. Of the state's thirty-nine cities and towns, eleven communities have an index of less than one, based on reference year data for FY 2001. A more detailed discussion of the tax equity index and sample calculations appears in the "Recurring Funding Issues" section of this report.

It should be noted that communities are required to continue using the same literacy set-aside allocation required under the old operations aid formula. With the passage of Article 31 in 1997, the FY 1998 literacy set-aside amount was again equal to the FY 1996 calculation. However, the 1998 Assembly amended the new Student Equity and Early Childhood investment funds to require that three percent of the appropriations for these funds be added to the literacy set-aside base for FY 1998 and beyond. Therefore, growth in literacy set aside funding is achieved by adding funding to the Early Childhood and Student Equity categories.

Funding. The 2009 Assembly appropriated \$467.1 million in general state support to locally operated school districts for FY 2010. This is the original FY 2009 enacted level by the 2008 Assembly, with adjustments for savings to local districts from pension changes. Savings to local districts from adopted pension changes are estimated to be \$20.3 million and the budget reduces education aid by that amount. It also uses \$31.9 million from federal stabilization funds in lieu of \$31.2 million from general revenues.

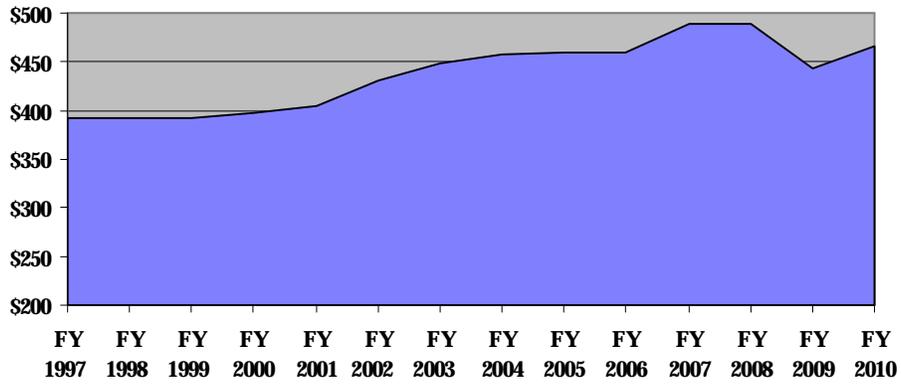
Based on final actuarial analysis of adopted pension changes, the budget assumes a FY 2010 employers' contribution rate, shared between the state and local school districts, of 20.07 percent of payroll. Savings to local districts is estimated to be \$20.9 million, and the budget reduces aid by that amount since the districts will no longer have those obligations. The FY 2009 value was \$40.7 million.

There is also a reduction of \$1.4 million to Providence's aid for the second year of payback for overpaid school construction aid it received on expenditures not eligible for reimbursement. In previous years, when it had been determined that a community owes the state for construction aid overpayments the community has been able to repay the state over a number of years. The 2009 Assembly amended the statutes in 2009-H 5019 Substitute A, as amended to mandate the payback formula for all communities where the situation arises and reduced aid to Providence for the first year of payback.

The 2009 Assembly appropriated \$443.0 million for final FY 2009 aid to include local savings from adopted pension changes and one-half of the estimated distributions from the Permanent School Fund from December 2008 through June 2009.

The following chart shows funding from FY 1997 through the FY 2010 enacted budget. For FY 2006, funds were added to ensure that after updating all of the enrollment information and other data used to calculate the distribution, aid to each district increased the lesser of 3.0 percent or \$50,000. For FY 2007, funds were added to provide a 4.8 percent increase to all districts, including Central Falls, over FY 2006 aid enacted by the 2005 Assembly. For FY 2008, the Assembly provided the FY 2007 level of funding as did the 2008 Assembly for FY 2009.

Local School Operations



Permanent School Fund

Statute(s). §16-4; 2008 PL Chapter 13

Description. This fund is from duties paid to the state by auctioneers and is to be used for the promotion and support of public education. The 2008 Assembly enacted legislation that became law on May 6, 2008 that allows the operation of video lottery games on a twenty-four hour basis on weekends and federally recognized holidays at the Twin River and Newport Grand facilities. That legislation mandates that the additional revenue accruing to the state as the direct result of the additional hours, up to \$14.1 million by June 30, 2009, be allocated as aid to local education authorities as determined by the General Assembly for FY 2009.

Funding. The 2008 Assembly enacted legislation that required the Department of Elementary and Secondary Education to monthly allocate to each school district all funds received into the Permanent School Fund, up to \$14.1 million, in the same proportion as the general revenue aid distribution. The FY 2009 budget assumes that \$13.6 million will be distributed to districts from this fund. This estimate is lower than the \$14.1 million limit, based on Newport Grand's decision not to change its hours of operation. It also includes estimated revenues from May 2008 through June 2009. Funding to communities could be higher or lower, up to \$14.1 million, based on the actual revenues generated.

The 2008 Assembly also provided \$562,813 from the Permanent School Fund for Central Falls for FY 2008, which reflects the unreserved balance at the end of FY 2008. The FY 2009 final budget assumes that \$7.3 million will be distributed for December 2008 through June 2009 and reduces operating aid by approximately one-half that amount.

The FY 2010 budget does not include this funding, as the law expired on June 30, 2009. The Department of Administration administratively extended the overnight hours; the 2009 Assembly did not adopt legislation to direct those proceeds to the Permanent School Fund.

Title I

Statute(s). American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5)

Description. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. It included additional relief to local schools through Title I programs. Funding is to help school districts mitigate the effects of recent reductions in local revenues and state support. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education. The formulas are based on census poverty estimates and per pupil expenditures for each state. Distribution formulae for these grants are weighted so that local education agencies with higher percentages of poor children receive more funds.

Funding. The Budget includes \$15.3 million of the total \$17.0 million from Title I stimulus funds for direct relief to local schools for FY 2010. The remaining \$1.7 million is distributed to Central Falls, the Met School, the state schools and charter schools. This represents 50.0 percent of available Title I stimulus with the remaining budgeted in the FY 2009 final budget.

Special Education

Statute(s). American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5)

Description. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. It included additional relief to local schools for special education through the Individuals with Disabilities Education Act. Funds will be distributed to local education agencies by formula driven subgrants. A state is eligible to receive this funding if it submits a state plan with assurances that it has policies to provide a free and appropriate public education to children with disabilities between the ages of 3 and 21. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education.

Funding. The Budget includes \$18.9 million of the total \$19.8 million from special education stimulus funds through the Individuals with Disabilities Education Act program for direct relief to local schools for FY 2010. The remaining \$0.9 million is distributed to Central Falls, the Met School, the state schools and charter schools. This represents 50.0 percent of available stimulus funding with the remaining budgeted in the FY 2009 final budget.

Central Falls School District

Statute(s). §16-1-12

Description. The Central Falls School district was reorganized as of July 1, 1991 under the authority of Section 16-1-12 of the Rhode Island General Laws and continues as a state operated school district today. The City of Central Falls was adjudged to be unable to meet its contractual, legal and regulatory obligations without increased funding, which it could not afford because its tax base had sustained little or no growth over several years prior to 1991.

The district was placed under complete control of the Department of Elementary and Secondary Education in FY 1993, and the state is responsible for 100 percent of the education costs for the district. Prior to July 1, 2003 there was a state administrator for the Central Falls School System who was responsible for the management, care and control of the Central Falls School System. The Special Administrator reported to the Commissioner of Education. On July 1, 2003, the state administrator governance structure was replaced with a seven member Board of Trustees. The district represents the state's poorest community and has a disproportionate number of special education students.

Because of this unique situation, operations aid for the district was programmed in the budget of the Department of Elementary and Secondary Education, while distributions from special aid categories were reflected in the state aid appropriation line. This changed for FY 1999 when language was added in Article 31 to restrict the investment funds to "locally or regionally operated" school districts.

The state has full responsibility for funding Central Falls, thus inclusion in those investment fund distributions was discontinued. The investment fund and operations aid totals shown in the summary tables from FY 1998 have been adjusted accordingly for comparability with FY 1999 and FY 2000.

Funding. Funding for Central Falls increased dramatically over the past two decades. School enrollment continues to rise, as the district remains the state's poorest. As shown in the following graph, state support nearly doubled from FY 1991 to FY 1993 upon the takeover. Since FY 1993, aid has more than doubled again.

The 2003 Assembly provided \$35.6 million for FY 2004, which was a 3.5 percent, or \$1.2 million increase over funds enacted for FY 2003. The 2004 Assembly enacted \$36.0 million for FY 2005, or 1.0 percent above FY 2004. Because the state has assumed responsibility for 100 percent of the school district's funding, aid for Central Falls is not distributed through specific aid categories, with the exception of charter school aid.

The 2005 Assembly provided \$41.2 million for FY 2006, a 14.6 percent increase over FY 2005 enacted funding. The relatively large increase was necessary to partially offset a structural deficit. The District had been using prior years' surplus funds to supplement operating budget shortfalls in the past few years. It ended FY 2002 with a \$3.0 million surplus primarily from overestimating a few major expenses including teacher salary increases. The district used \$0.5 million in FY 2003, \$1.5 million in FY 2004 and the remaining \$0.9 million in FY 2005.

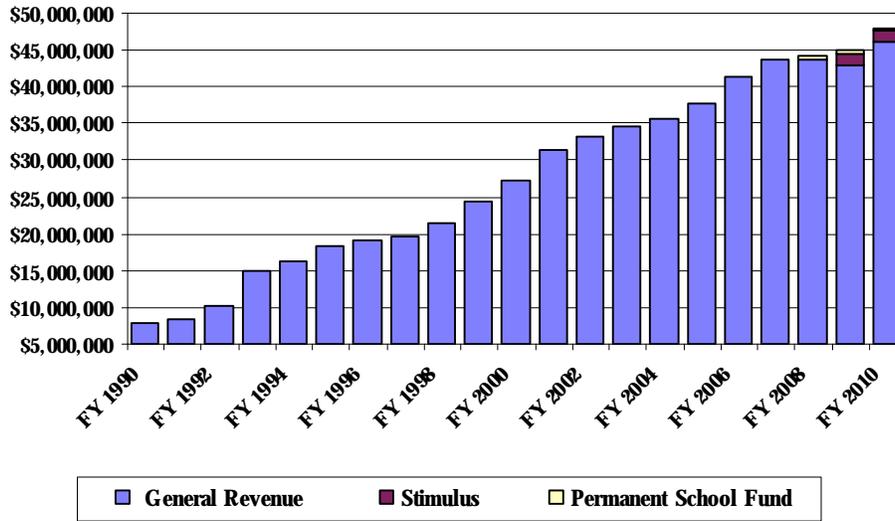
The 2006 Assembly provided \$43.3 million for FY 2007, a 4.8 percent or \$2.0 million increase over FY 2006 enacted funding. The 2007 Assembly provided \$0.6 million additional for FY 2007 bringing the total to \$43.9 million, and continued this level of funding for FY 2008.

The 2008 Assembly provided an additional \$562,813 from the Permanent School Fund as part of the revised FY 2008 budget, which reflects the unreserved balance at the end of FY 2008. Consistent with its treatment of all districts, the 2008 Assembly provided \$43.9 million; the FY 2008 enacted level, for FY 2009. The 2009 Assembly reduced FY 2009 final aid by the estimated savings to Central Falls from adopted pension changes, the value of approximately one-half of the estimated distributions from the Permanent School Fund from December 2008 through June 2009, and used \$2.1 million from fiscal stabilization funds in lieu of a like amount from general revenues.

The 2009 Assembly provided \$46.1 million in support for the state operated Central Falls School District for FY 2010. This is \$1.6 million or 3.0 percent more, adjusted for pension savings, than the final FY 2009 allocation. This includes \$42.5 million from general revenues, \$2.2 million from federal fiscal stabilization funds, \$0.5 million from special education stimulus funds and \$1.0 million from Title I stimulus funds.

General revenue support is shown in the blue columns in the following table. Stimulus Title I and special education funding is shown in purple. Distributions from the Permanent School fund are shown in yellow.

**State Support for Central Falls School District
FY 1990-FY 2010**



Metropolitan Career and Technical Center

Statute(s). §16-45

Description. The Metropolitan Career and Technical School is intended to be an innovative education facility with one main school and several small locations in the City of Providence. In 1994, the voters approved a \$29.0 million general obligation bond capital project to site a state funded vocational school in Providence. In FY 1997, the first 50 students were housed in the state-owned Shepard Building while permanent locations were developed.

The Dexter/Peace Street facility was completed in 1999 and the main campus opened in 2002. The main campus includes four facilities each having eight classes; two for each grade 9 through 12, and 15 students per class. The five facilities include the four buildings on the newly opened main campus and the Peace Street facility built in 1999. The Shepard building was previously one of the campuses, but it closed during FY 2008. The other Providence campuses absorbed those students, net the 30 that graduated, and reduced the number of incoming freshman for FY 2009 to offset the transfer of the students from the Shepard building.

The 2006 Assembly provided \$1.0 million for a new East Bay Met School campus, which opened in FY 2007 with 30 students. For FY 2010 the East Bay Campus will have 100 students. The chart below shows enrollment at the various campuses for FY 2003 through FY 2010.

	Shepard	Peace Street	Main Campus 1	Main Campus 2	Main Campus 3	Main Campus 4	East Bay Campus	Total Students
FY 2003	51	50	57	57	57	58	-	330
FY 2004	58	73	86	71	86	71	-	445
FY 2005	90	104	101	88	87	104	-	574
FY 2006	120	120	120	120	105	120	-	705
FY 2007	120	120	120	120	120	120	30	750
FY 2008	120	120	120	120	120	120	60	780
FY 2009	-	120	120	120	120	120	90	690
FY 2010	-	120	120	120	120	120	100	700

Enabling legislation for the Met School, which is considered a vocational technical school, is found in Chapter 16-45 of the General Laws. The Met School uses the state purchasing system, through the Department of Elementary and Secondary Education, like the School for the Deaf and the Davies Career and Technical School, which are also state schools. However, payroll and budgeting are through a private accounting system, similar to if the school were a separate school district. The school's employees are not state employees, and the appropriation is handled much like Central Falls, with a lump sum allocation. The Board of Regents reviews and forwards the Met School's budget request to the Governor for consideration.

Funding. The 2009 Assembly provided \$13.0 million from all funds for the operation of the Metropolitan Career and Technical School. This is \$1.2 million or 10.1 percent over the final FY 2009 level and assumes full enrollment at the Providence campuses and freezing enrollment at 90 students at the School's new East Bay campus. The budget includes \$12.2 million from general revenues, \$0.6 million from federal fiscal stabilization funds, \$66,889 from special education stimulus funds and \$0.2 million from Title I stimulus funds.

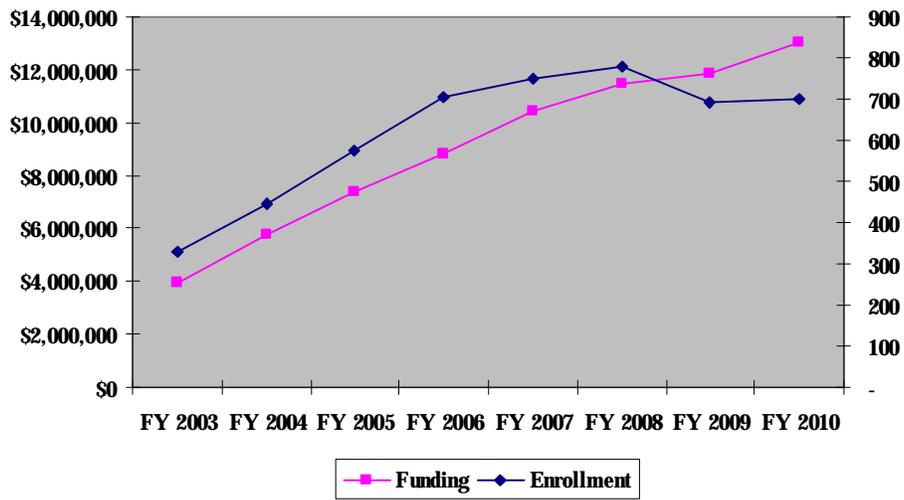
The 2008 Assembly provided \$11.6 million from general revenues for the operation of the Metropolitan Career and Technical School for FY 2009. This is \$0.1 million over the enacted level. It reflects 30 additional students for the third class at the Met School's new East Bay campus offset by the closure of the Met School's Shepard location.

The 2008 Assembly also provided \$1.1 million from Rhode Island Capital Plan funds for FY 2009, \$5.0 million for FY 2010 and \$4.0 million for FY 2011 for a new capital project to renovate and add new space to the Florence Gray Community Center in Newport to accommodate the growing student enrollment at the Met School's East Bay Campus.

The 2007 Assembly included \$11.5 million from general revenues for the Metropolitan Career and Technical School for FY 2008. This is \$1.1 million or 10.4 percent over the enacted level of \$10.4 million to support the second year of the East Bay Met School.

The 2006 Assembly provided \$1.0 million to support the opening of an East Bay Met School for the 2006-2007 school year. The school opened with 30 students in the ninth grade and will add 30 students every year, until full enrollment of 120 students is reached in FY 2010.

The Assembly appropriated \$0.4 million to support the first class of 50 students in FY 1997 and increased funding annually to expand enrollment by adding classes of about 55 students. Because of delays in completing the additional facilities, FY 2001 and FY 2002 funding did not provide for additional students. General revenues to support debt service on the bonds are appropriated as needed and budgeted in the Department of Administration budget. Those expenses do not appear in published summary tables, which reflect only the operating aid.



Targeted Aid

Statute(s). §16-7.1-10

Description. The Targeted Aid fund was introduced by the 1998 Assembly to provide funds to locally or regionally operated districts in which tax effort exceeds tax capacity and at least 40.0 percent of the K-3 students are eligible for free or reduced lunches. Districts may use targeted funds providing new or expanded programs for early childhood education, helping improve instruction to meet high standards and reducing class size at the elementary level.

These funds may also support after school programming for middle schools, junior and senior high schools; Child Opportunity Zones now called COZs; teacher mentoring; curriculum revision to meet new standards; school and district intervention; or other programs, which the Commissioner believes will result in increased student performance. The General Laws had allowed the Commissioner to require a district to reserve up to 5.0 percent of its allocation from this fund for intervention remedies. The 2002 Assembly amended that statutory language to provide that such reserved funds shall only be spent with the prior approval of the Commissioner.

Historically, East Providence, Providence, Pawtucket, West Warwick and Woonsocket have qualified for distributions under this category of aid. For FY 2002 and FY 2003 the percent of K-3 students eligible for free and reduced price lunches in East Providence dropped below 40.0 percent making this district currently ineligible to receive funds from this category of aid.

Funding. The Assembly appropriated \$8.0 million for the Targeted Aid investment category each year from FY 1999 through FY 2002. That increased to \$10.0 million for FY 2003 and to \$20.0 million for FY 2004 through FY 2010. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Core Instruction Equity Fund

Statute(s). §16-7.1-10

Description. The Core Instruction Equity fund was established to improve the capacity of cities and towns to support the core instruction activities that are the basis of daily teaching and learning in all classrooms and reduce inequities in resource distribution. The enabling statute notes that communities primarily rely on local property taxes to finance education programs, and that the state's highest effective property tax rates are concentrated in the state's urban communities. Therefore, certain communities, because of low tax capacity and high tax effort, are unable to appropriate sufficient funds for the support of core instructional programs.

The formula determines the statewide median per pupil instructional cost and the statewide property tax yield. These are compared to the median per pupil instructional costs and tax yields for each community. Communities with a gap in instruction costs and a tax effort well above the statewide median are eligible for this fund. Providence, Pawtucket and Woonsocket have qualified in FY 1998 through FY 2002 for distributions from this category of aid.

The 2002 Assembly amended the formula used to distribute these funds. The amended language allowed for inclusion of previously eligible communities that may have been eliminated upon the update of relevant data. There was also a statutory change that requires that 10 percent of funds from the category be used to increase student and school performance in a manner that has the prior approval of the Commissioner of Elementary and Secondary Education.

Funding. The 2003 Assembly discontinued distributions from the Core Instruction Equity Fund for FY 2004. Communities with a gap in instruction costs and a tax effort well above the statewide median are eligible for this fund. Since the inception of this fund, these instructional gaps have successfully been narrowed. FY 2003 funding for the Core Instruction Equity Fund was \$30.2 million, which is \$0.2 million more than the FY 2002 and FY 2001 levels. For FY 2001, funding in this category increased from \$22.6 to \$30.0 million. From FY 1998 through FY 2003 funding in this category increased threefold.

Student Equity Investment Fund

Statute(s). §16-7.1-8

Description. The Student Equity Investment fund was established to close gaps in student performance in mathematics, reading and writing by targeting students in greatest need of additional educational services. The funds are based on each district's proportion of children eligible for USDA reimbursable school meals relative to the total number of such students statewide.

No distinction is made between students eligible for free lunches and those eligible for reduced price lunches. This is the same distribution method that had been used for the Poverty/Equity fund under the old categorical formulas. The 1998 Assembly amended the new Student Equity and Early Childhood Investment funds to require that three percent of the appropriations for these funds be added to the literacy set-aside base.

Funding. FY 2010 funding for the Student Equity Fund is \$73.8 million. This is \$10.0 million more than the FY 2003 through FY 2005 funding of \$63.8 million and the same as the FY 2006 through FY 2009 enacted levels. FY 2003 through FY 2005 funding was \$0.1 million more than the FY 2002 level, which was unchanged from FY 2001. For FY 2001, the Assembly appropriated \$63.7 million for the Student Equity fund, a \$20.2 million increase over FY 2000. The initial investment in FY 1998 was \$8.6 million. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Professional Development Investment Fund

Statute(s). §16-7.1-10

Description. The Professional Development Investment Fund provides for continued skill development for Rhode Island's teachers and staff. The expenditure of these funds is to be determined by a committee at each school consisting of the school principal, two teachers selected by the teaching staff of the school and two parents of students attending the school. Collaborative programs among schools are encouraged. These resources shall be used to close student performance gaps in accordance with the school and district's strategic plans.

Distribution of these resources is based on a district's pupil-teacher ratio. Rather than award funds based on staffing levels, the formula uses an ideal ratio of 17 students per teacher. For FY 2000, language was added to the enabling statute to require that \$555,000, or 14.3 percent of the distribution from this fund, be retained by the Department of Elementary and Secondary Education to support teacher professional development in all districts through a number of specified programs. That language was amended to eliminate the specific dollar amount and percentage. It now simply allows for some funds to be set aside for those programs.

Funding. Consistent with its action in the FY 2009 final budget, the 2009 Assembly eliminated the distributed portion of the Professional Development Investment fund. The FY 2009 enacted budget had included \$5.8 million.

The enabling statute includes language allowing for an additional appropriation to be made to support teacher professional development in all districts through a number of specified programs. The Governor had proposed allocating \$995,000 for Department programming, \$500,000 more than the enacted level. The additional funding was for the Department to develop and implement a new statewide performance management system for educators. The summary table at the beginning of this report displays the distributed funds and the set aside funds separately. The Assembly eliminated this indirect funding as well.

FY 2009 enacted funding by the 2008 Assembly is \$6.3 million, of which \$495,000 is the set aside. The 2008 Assembly reduced the set aside amount by \$175,000. This reflects a \$100,000 reduction as well as a shift of \$75,000 to the Department's budget to backfill unavailable federal funds for a position dedicated to English language learners. Consistent with the Governor's recommendation, the 2009 Assembly eliminated the distributed portion of professional development funds for FY 2009 for savings of \$5.8 million.

FY 2008 funding is \$6.5 million, which is equal to the appropriation for FY 2007, of which \$670,000 is the set aside. Funding was added for FY 2007 for the Physics First program and to provide professional development in mathematics and science.

The FY 2006 appropriation was \$5.9 million, consistent with FY 2003 through FY 2005 funding. The 2005 Assembly amended statutory language to provide that funds shall only be spent with the prior approval of the Commissioner. For FY 2000 through FY 2002, the Assembly appropriated a total of \$3.9 million, of which \$0.6 million was set aside. The initial investment for FY 1998 was \$0.8 million. Beginning in FY 2002, the tables showing fund distributions were adjusted to reflect the set aside from this fund separately. Tables from preceding years have been adjusted accordingly for comparability. As shown in the summary table at the beginning of this report, actual expenditures from this set aside had previously fallen short of the \$555,000 appropriation enacted for FY 2000 through FY 2002. Expenditures were \$251,300 in FY 2000 and \$544,251 in FY 2001 and \$479,290 in FY 2002. Each year, remaining funds lapsed to surplus. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Early Childhood Investment Fund

Statute(s). §16-7.1-11

Description. The Early Childhood Investment fund provides support for schools and teaching staff for kindergarten through third grade to begin improving student performance. These funds may also be used for early childhood pilot programs, including Child Opportunity Zones now called COZs, that combine and/or leverage other sources of funds and that focus on beginning to improve student performance through developmentally appropriate early childhood education and integrated social and health service support. Districts are encouraged to give funding emphasis to programs in schools serving concentrations of at-risk students and shall be integrated with programs for special needs students. Full day kindergarten programs may also be funded.

These resources are to be used in conjunction with literacy set-aside funds and are distributed based on the student population in these grades for each district. The 1998 Assembly amended the Student Equity and Early Childhood Investment funds to require that three percent of the appropriations for these funds be added to the literacy set-aside base.

Funding. FY 2010 funding for the Early Childhood Investment Fund is \$6.8 million. This is the same as FY 2003 through FY 2009, \$0.3 million more than FY 2000 through FY 2002 levels and \$1.3 million more than FY 1999. The FY 1998 appropriation was \$3.5 million. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Student Technology Investment Fund

Statute(s). §16-7.1-12

Description. The Student Technology Investment fund provides schools and teaching staff with up-to-date educational technology and training to help students meet the demands of the twenty-first century. The funds may be used for curriculum development to improve teaching and learning; in-service professional development to support the effective use of technology in schools; and infrastructure requirements such as equipment, technology related instructional materials, software and networking of systems. These resources shall be used to close student performance gaps in accordance with district strategic plans.

School districts may use student technology funds to replace up to 35.0 percent of funds spent in technology related programs in the prior fiscal year. Distribution of this aid is based on a district's proportion of total student population; it is not wealth based.

Funding. For FY 2010, the Assembly appropriated \$3.4 million for Student Technology, the same level of funding as in FY 1999 through FY 2009. The FY 1998 appropriation was \$1.4 million. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Student Language Assistance Investment Fund

Statute(s). §16-7.1-9

Description. The Student Language Assistance Investment fund targets state resources to assist students that require additional language educational services, and distribution is based on a district's proportion of Limited English Proficiency students. Student counts are expressed as full-time equivalents in accordance with §16-54-4 of the General Laws, under which the old Limited English Proficiency aid was distributed.

Funding. The Assembly appropriated \$31.7 million for Student Language Assistance for FY 2010. This is the same as FY 2004 through FY 2009, which was \$24.7 million more than the FY 2003 level of \$7.0 million. The significant increase in funds was available largely from funds formerly programmed for Core Instruction Equity. FY 2001 and FY 2002 funding was \$5.1 million and \$3.7 million more than FY 2000. The FY 2000 appropriation was \$2.0 million over the FY 1999 and FY 1998 levels of \$1.3 million. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Charter Schools

Statute(s). §16-77.1-2

Description. Charter schools are public schools authorized by the state through the Board of Regents to operate independently from many state and local district rules and regulations. Current law limits the statewide total to no more than 20 charters, serving no more than four percent of the state's school age population. At least 10 of the 20 total charters shall be reserved for charter school applications designed to increase the educational opportunities for at-risk pupils. The 2005 Assembly removed the cap on the number of charter schools per community but kept the statewide cap. Previously, no more than two charters could be granted in a single school district, except if a district had more than 20,000 students, then four charters could be granted.

The 1999 Assembly adopted legislation that changed funding for charter public schools. Charter public schools had formerly received operating support from the district in which they are located. This was equal to the per-pupil cost for the district multiplied by the school's share of the district's students. The new legislation was based on recommendations from a commission appointed to create a new funding plan.

This new funding mechanism provides state funding equal to that per-pupil cost, reduced by the district's share ratio. The 2005 Assembly enacted a change in the calculation of charter school aid that set the minimum share ratio for each district at 30 percent.

The share ratio formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census. Property value is certified annually by the Department of Administration, Office of Municipal Affairs, based on local sales data and appraisals. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the Equalized Weighted Assessed Valuation (EWAV).

The valuations are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property.

Each district's share ratio for FY 2009 aid is in a table in Appendix III at the back of this book. The aid also includes an indirect cost payment to the sending district equal to five percent of the per pupil cost.

There is also a statutory allowance for a mid-year aid adjustment if a school's October enrollment data in the current fiscal year shows a 10 percent or greater change from

the prior October. The statute also allows for a ratable reduction in aid if the level of funding appropriated is not sufficient.

The 2005 Assembly extended the moratorium on final approvals of new charter schools, first enacted by the 2004 Assembly, through the 2007-2008 school year so new schools can open beginning in FY 2009. While the 2008 Assembly did not extend the moratorium, there was no funding in the FY 2009 budget for the opening of any new schools. The FY 2010 budget includes \$1.5 million for the opening of a new charter school including mayoral academies.

Mayoral Academies. The 2008 Assembly revised the charter school statutes to allow for the creation of a new type of charter school, called a mayoral academy. These academies would have to go through the same approval process as other charter schools but would be exempt from teacher retirement and prevailing wage laws. There is no funding in the FY 2009 budget for the start of any mayoral academies.

Employment Mandates. The Assembly did not adopt the Governor's proposed legislation to exempt charter schools that are chartered after July 1, 2009 and those subject to renewal after July 1, 2009 from having to follow the same employee provisions as other public schools. He proposed that these schools be exempt from prevailing wage and benefit provisions and from participation in the state teacher retirement system or from classifying their employees as public employees. Currently only mayoral academies are exempt from these provisions. The state currently grants charters for a period of up to five years.

Funding. The Assembly provided \$34.1 million for aid to public charter schools for FY 2010. This is \$4.8 million greater than the FY 2009 final allocation for charter schools. Total funding includes \$1.5 million from federal fiscal stabilization funds, \$0.2 million from special education stimulus funds and \$0.4 million from Title I stimulus funds. This includes \$3.3 million to increase direct funding for 11 existing schools based on updated enrollments and per pupil costs and \$1.5 million to be distributed at the Regents' discretion for charter school expansion or new charter schools including mayoral academies. Indirect aid, provided to districts that send students to charters schools, is \$1.2 million, which freezes distribution to each community at the FY 2009 level, which is based on data that has not been updated since FY 2006.

Since the FY 2000 change in the funding mechanism, support for public charter schools has increased more than fourfold, and the entitlement has been fully funded. Most of the money is for the four charter schools in Providence. Additionally, Pawtucket and South Kingstown are each hosting two charter schools, and Cranston and Central Falls are hosting one each.

Beginning in FY 2002, community distribution tables no longer reflect those funds paid directly to the charter schools. They do continue to reflect the indirect cost

payment to the sending district, which is equal to 5.0 percent of the per pupil cost. For comparison, prior years' tables are adjusted accordingly.

Full Day Kindergarten

Statute(s). §16-7.1-11.1

Description. The Full Day Kindergarten Investment fund was established by the 2000 Assembly to require that there be an appropriation to support full day kindergarten programs. The appropriation is based on the number of students enrolled in full day kindergarten programs and the tax equity index of each district. Districts receive a minimum of \$500 for each student. Districts with a tax equity index below 1.0 receive \$1,000 per student, and those with a tax equity index below 0.6 receive \$1,500 per student.

In FY 2001, these funds were included in the determination of minimum aid increases. The 2001 Assembly's enactment excluded distributions from this fund in determining minimum aid increases. The Governor's FY 2003 budget recommendation used this fund toward a proposed 1.0 percent minimum increase in aid. The 2002 Assembly instead provided a 1.0 percent minimum increase, excluding full day kindergarten fund, but did include this aid in calculating its overall provision of a 2.5 percent minimum increase.

Funding. For FY 2010, funding totals \$4.2 million, the same as the FY 2009 level. The budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data. In FY 2001, \$2.4 million was distributed through this category and incorporated into the aid used to meet minimum increase guarantees. For FY 2002, funding totaled \$3.1 million and was excluded from the determination of minimum increases. For FY 2003 total funding was \$4.0 million. Funding was \$4.4 million for FY 2004, \$4.7 million for FY 2005, and \$4.2 million since FY 2006.

Vocational Technical Equity Fund

Statute(s). §16-7.1-19

Description. The Vocational Technical Equity Fund was established by the 2000 Assembly to require that there be an appropriation to provide aid for districts that send students to locally operated career and technical centers. The appropriation is intended to support the academic instruction component of vocational education for students enrolled in career and technical education programs.

Prior to implementation of Article 31, the state had been allocating \$10.7 million to support the vocational program component for these students. Those funds have remained in the base operations aid allocation for each district. This new fund provides districts with \$500 for each student, based on the prior year enrollment, who attends a locally operated career and technical center.

Funding. The Assembly provided \$1.5 million for the Vocational Technical Equity Fund in FY 2010. It has fluctuated between \$1.7 million and \$1.4 million since FY 2001, based on changes in enrollment. The FY 2010 budget freezes the distribution to each community at the FY 2006 level and does not reflect the update of relevant data.

Group Homes

Statute(s). §16-64-1.1-3; §16-64-2; §16-64-8

Description. The 2001 Assembly adopted legislation in Article 22 of the FY 2002 Appropriations Act to eliminate billing among communities for the education costs of children placed in group homes by the Department of Children, Youth and Families and create a mechanism for the state to pay those costs.

Prior to FY 2002, an official community of residence was determined for each child living in a group home, which is generally based on the parents' residence. The district of official residence is responsible to pay the district in which the child is placed for the cost of the child's education. This system produced numerous disputes among communities concerning financial responsibility. These disputes often resulted in costly legal fees for all parties involved and districts hosting group home were largely unsuccessful in seeking reimbursements.

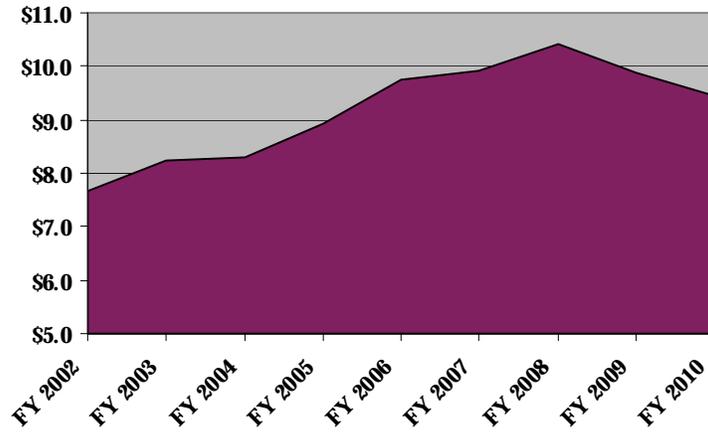
The changes contained in Article 22 provide for a per bed allotment to districts in which group homes are located. This allotment would be set annually and attempt to reflect the mix of regular and special education students residing in these homes. The legislation also relieves the sending districts of financial responsibility for students placed in out-of-district group homes, and prevents the hosting district from billing for those students.

The 2007 Assembly enacted legislation to ensure that the payment of communities' group home aid more closely reflects the actual number of group home beds open at the time of the budget. The legislation mandates that increases in beds prior to December 31 of each year shall be paid as part of the supplemental budget for that year and included in the budget year recommendation. Decreases in beds will not result in a decrease in aid for the current year but will be adjusted in the subsequent year. Previously there was no requirement for the funding of new beds in a fiscal year until the next fiscal year.

Funding. Consistent with current law, the budget adjusts group home aid to reflect actual beds, and includes \$9.5 million, which is \$420,000 less than the final FY 2009 allocation. The 2008 Assembly increased the per bed amount from \$15,000 to \$22,000 for the group home beds associated with the Bradley Hospital's residential CRAFT program.

The chart on the following page shows group home funding for FY 2002 through FY 2010. In FY 2010 the 19 communities hosting group home will have a total of 616 beds. Funding is in millions.

Group Home Funding



Progressive Support and Intervention

Statute(s). §16-7.1-5

Description. Section 16-7.1-5 of the General Laws authorizes the Board of Regents to adopt a series of progressive support and intervention strategies for those schools and districts that continue to fall short of performance goals outlined in the district strategic plans. The 1998 Assembly amended this section to specify the scope of those strategies. It also gives the Department of Elementary and Secondary Education the authority to exercise progressive levels of control over a school and/or district budget, program or personnel when, following a three year period of support, there has not been improvement in the education of students.

This section further delegates responsibility to the Board of Regents for the reconstitution of those same elements of a school's operation, if necessary. The section does not specify a funding plan for this work.

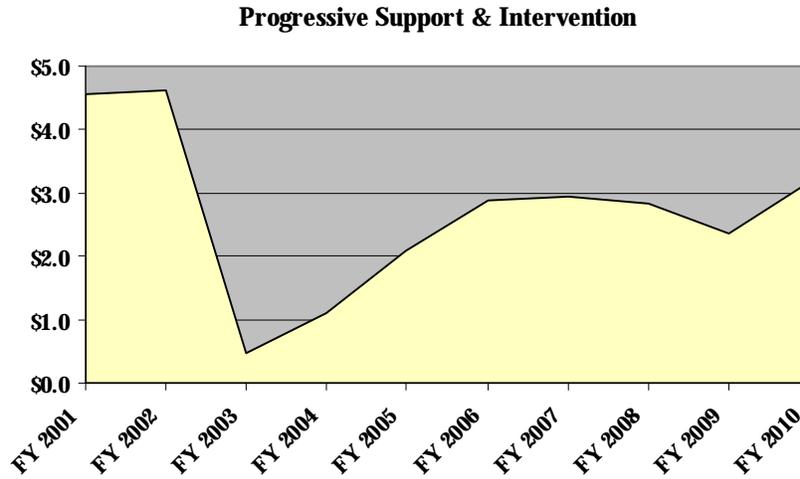
Funding. The 2009 Assembly enacted \$3.2 million or \$0.8 million more than the FY 2009 allocation for support of reform efforts in selected school districts. The additional funding is to fund two initiatives recommended by the Governor's Urban Education Task Force. This includes \$0.7 million for a preschoolers' pilot program to increase school readiness and \$0.1 million for extended learning time in the urban districts.

For FY 2001 and FY 2002 the Assembly provided \$4.7 million for progressive support of reform efforts in selected school districts. Actual spending was slightly lower. The funds were to primarily be used to assist the Providence school district in its education reform efforts, in conjunction with its Excellence in Education Compact with the state. FY 2003 funding was enacted at \$0.5 million. It was increased to \$1.1 million for FY 2004 to reflect a \$0.6 million appropriation specifically targeted at achieving school improvement at Hope High School in Providence. For FY 2005, the budget included the Governor's recommendation for adding \$1.0 million to achieve school improvement at the state's urban high schools. This increased total funding to \$2.1 million.

The 2005 Assembly increased funding by \$0.8 million to \$2.9 million, as recommended by the Governor for FY 2006. Funding continues providing the \$0.6 million first allocated for Hope High School in FY 2004 and \$1.0 million to achieve school improvement at the state's urban high schools. The 2006 Assembly enacted \$2.9 million for FY 2007.

The 2007 Assembly included \$2.8 million for FY 2008 or \$93,212 less than the FY 2007 enacted level for support of reform efforts in selected school districts. The 2007 enacted budget contained legislation that dedicated \$100,000 from progressive support and intervention funds to support the Rhode Island Consortium for Instructional

Leadership and Training. The 2007 Assembly included this funding as a community service grant and reduced progressive support and intervention funds by \$100,000 and increased community service grants by that same amount. The 2008 Assembly provided \$2.7 million for FY 2009. This is \$0.1 million less than enacted for FY 2008. The reduction reflects the elimination of funding for a Principal Fellow position responsible for developing district leadership in both schools and central offices.



Hasbro Children's Hospital School

Statute(s). §16-7-20 (e)

Description. The Hasbro Children's Hospital School program supports expenditures for educational personnel, supplies, and materials for students in the hospital. The Assembly also incorporated support for the Hasbro Children's Hospital School into the state aid program, which had formerly only been reflected in the operating budget of the Department of Elementary and Secondary Education.

Funding. The Assembly has provided \$100,000 annually from FY 2001 through FY 2009 for the Hasbro Children's Hospital School program. This level of funding was \$4,804 greater than FY 2000 and \$20,000 greater than the several years prior to FY 2000.

The 2009 Assembly opted to treat the grant to the Hasbro Children's Hospital as a community service grant; the \$100,000 grant is now budgeted elsewhere in the Department's budget and no longer treated as education aid.

School Visits

Statute(s). §16-7.1-10

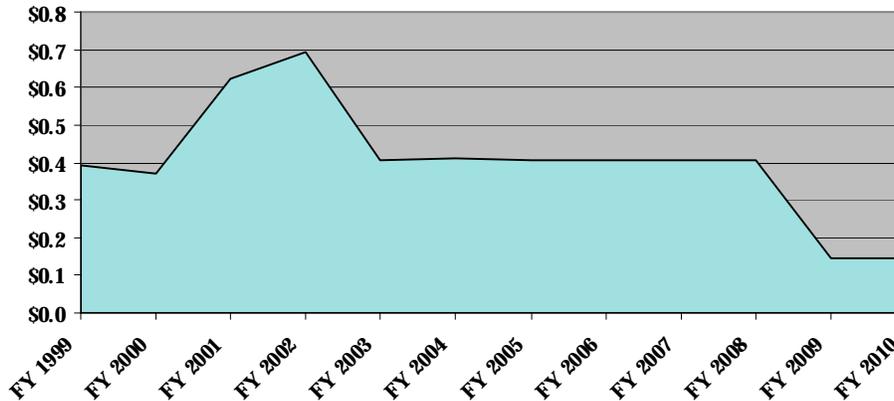
Description. Legislation establishing the Targeted Aid fund for FY 1999 also required an appropriation for comprehensive on-site school reviews as part of the School Accountability for Learning and Teaching system, known as SALT, and other accountability measures to carry out the purposes of the accountability legislation. These measures have included training sessions and the contracting of Master Teachers, called Regents Fellows, to work directly in the districts.

Funding. The Assembly appropriated \$461,273 for this purpose in FY 1999 and \$408,635 in FY 2000. For FY 2001 and FY 2002, the Assembly enacted appropriations of \$658,635 for each year. The increase was intended to fund 20 additional school visits to fully implement SALT at 60 visits per year. This implementation schedule was to allow all of the state's schools to be visited every five years.

For FY 2003 funding dropped to \$0.4 million. This change continued support for the concept but required the Department to review the visit schedule and reallocate resources to the most essential expenditures. It remained at this level through FY 2008.

The 2008 Assembly included \$145,864 to support school visits, which is \$262,071 less than enacted. Combined with other reductions in the Department's budget, the total FY 2009 reduction for SALT is \$0.6 million. The 2009 Assembly provided \$145,864 for FY 2010, the same as for FY 2009.

School Visits



Textbook Loans

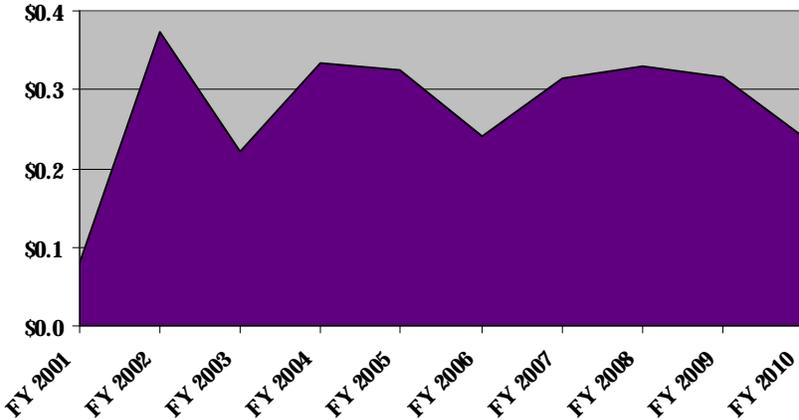
Statute(s). §16-23-2; §16-23-3; §16-23-3.1

Description. The 2000 Assembly enacted legislation expanding the class subjects covered by the Textbook Loan program. Prior to that, the law mandated that school committees of every community furnish at the expense of the community textbooks in the field of mathematics, science, and modern foreign languages appearing on the list published by the Commissioner of elementary and secondary education to all pupils of elementary and secondary school grades resident in the community. The expansion required that English, history and social studies textbooks be among those that must be available for loan to students that are in grades K-8. Since communities already provide books for all subjects to public school students, the additional costs relate to loaning books to non-public school pupils.

Although this expenditure is incurred at the local level, expanding the program without supporting appropriations would have presented an unfunded mandate to local communities. Therefore, the change included a provision that the state would reimburse districts for the expenditures incurred in providing English, history and social studies textbooks to non-public school students that are in grades K-8. The 2003 Assembly further expanded the availability of English, history and social studies textbooks to non-public school students in all grades.

Funding. The Assembly initially provided \$320,000 for the textbook loan program in FY 2001. Actual expenditures were \$80,253. Since the low level of expenditures was likely related to late implementation of the program, the FY 2002 funding level was enacted at the \$320,000 level and the final reimbursement was \$372,630. FY 2003 expenditures were \$221,811. The FY 2004 and FY 2005 appropriation was \$325,000. Funding for FY 2006 was \$240,000. The program required \$313,500 for FY 2007 and \$329,000 for FY 2008. Final FY 2009 expenditures were \$316,677 and FY 2010 was enacted at \$240,000.

Textbook Loans



School Breakfast

Statute(s). §16-8-10.1

Description. In Rhode Island, the School Breakfast Program provides balanced, low-cost or free breakfasts to an average of about 7,000 children daily. Program participants include public school districts, private schools, residential child care centers, and state schools.

As in the lunch program, children from families with incomes at or below 130 percent of poverty level are eligible for free meals. Children between 130 percent and 185 percent of poverty level are eligible for reduced-price meals. Children from families over 185 percent of poverty pay a regular price for their subsidized meal. About 95 percent of the breakfasts served in Rhode Island are served free or at a reduced price.

State law currently mandates that all public schools provide a breakfast program. The 2000 Assembly adopted this as a universal requirement. Previously the requirement was limited to districts based on specific poverty guidelines. That same statute provides that any costs (other than transportation costs) associated with this program in excess of available federal money shall be borne exclusively by the state of Rhode Island and not by municipalities.

The 2005 Assembly concurred with the Governor's proposal, effective July 1, 2005, that would provide a per breakfast subsidy, subject to appropriation, to school districts based on each district's proportion of the number of breakfasts served in the prior school year relative to the statewide total in the same year.

As part of his FY 2009 and FY 2010 budgets, the Governor proposed eliminating the administrative reimbursement, which would shift the cost to communities. Food is paid from federal sources. The 2008 and 2009 Assemblies did not concur with this proposal.

Funding. Reimbursement began as a pilot program in FY 1996 with funds from the Legislature's budget. Expenditures were \$168,068 in that year and reflected reimbursements for costs during the 1994-1995 school year. The 2003 Assembly transferred the responsibility to the Department of Elementary and Secondary Education. The 2004 Assembly included \$0.7 million for the estimated FY 2005 cost. FY 2004 expenditures were \$647,872. The appropriation for FY 2006 through FY 2008 was \$600,000. The 2008 Assembly provided \$300,000 for FY 2009. The 2009 Assembly provided \$300,000 for FY 2010.

Speech Pathologist Salary Supplement

Statute(s). §16-25.3-2

Description. The 2006 Assembly created an annual \$1,750 salary supplement for any licensed speech language pathologist who is employed by a school district and who has met the requirements and acquired a certificate of clinical competence from the American Speech-Language-Hearing Association. Payments are made to the employee by the school department upon proof of certification and the state reimburses the local school district for these costs.

Funding. The 2006 Assembly provided \$265,000 for FY 2007. The 2007 Assembly increased funding to \$304,500 for FY 2007 to pay the supplement to all full-time speech language pathologists as reported by the Department of Elementary and Secondary Education. The Assembly also repealed this law for FY 2008 and beyond.

Teacher Retirement

Statute(s). §16-16-22

Description. The state funds a percentage of the employer's share of the necessary contribution to the Teacher Retirement System, and municipalities contribute the balance. The employer's share is determined annually, based on actuarial reports by the State Employees Retirement System and is applied to the covered payroll.

The state's share has varied over the years, but since FY 1993 it has been fixed at 40.0 percent, with the municipalities contributing 60.0 percent. The share does not vary by wealth of each district. Neither does the state limit what communities pay its teachers. Teacher contribution rates are set in the General Laws and are currently 9.5 percent of their salaries. In the early 1990s, there were proposals that were never adopted, that would have wealth equalized the state's contribution through by use of the share ratio.

Significant Legislative Revisions. The state deferred its contributions to Teacher Retirement in both FY 1991 and FY 1992. These deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be paid back over 20 years. The calculation now used to determine the state's contribution to Teacher Retirement includes an adjustment to accommodate the deferral liability.

Five municipalities including Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield did not participate in these deferrals. Because they do not have to make up a deferral liability, they contribute a smaller percentage of teachers' salaries.

The 2005 Assembly made changes in teacher retirement benefits for new and non-vested teachers including changes to accrual of benefits, retirement age, maximum benefits and cost-of-living adjustments. The changes include: increasing the minimum retirement age eligibility from age 60 with ten years of service, or 28 years to age 65 with ten years, or age 59 with 29 years or age 55 with 20 years of service with a decreased benefit; decreasing the maximum benefit from 80 percent of the highest 3 years salary at 35 years of service to 75 percent at 38 years; revising the benefit accrual; and lowering the retirement pay cost of living adjustment from three percent to the lower of Consumer Price Index, or three percent.

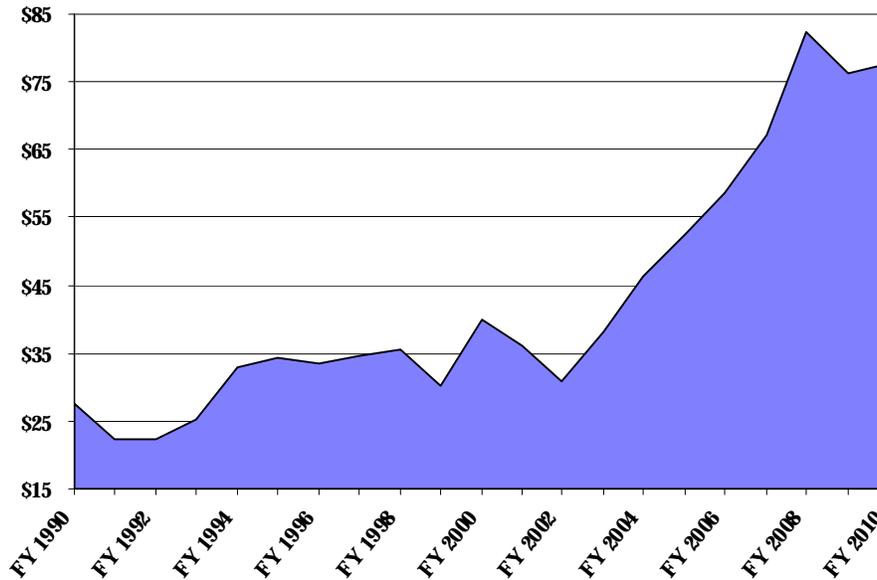
The 2009 Assembly adopted pension changes that apply to those eligible to retire on or after October 1, 2009. The changes include a minimum retirement age of 62 with a proportional application of that minimum age to current members based on their current service as of October 1, 2009. This means that those closest to retirement eligibility would have the smallest change in their current minimum retirement age.

Changes also include freezing service credits for those in Plan A, shifting all future accrual to Plan B. Members in both plans would retain the respective 80.0 and 75.0

percent caps on their accruals. The cost-of-living adjustment would all be based on the Plan B model of the lesser of inflation or 3.0 percent on the third anniversary. Finally, the salary basis for benefits would be changed to the five consecutive highest years, from the current three.

Funding. The following graph depicts the state's contributions to Teacher Retirement since 1989. Because of occasional problems with System accounting, year-end expenditure data does not always reflect the obligations in the proper fiscal year.

**Teacher Retirement (in millions)
FY 1990-FY 2010**



The Employee Retirement System completed a full actuarial study of the state's retirement system in the summer of 1998. This study replaced outdated life expectancy information and revealed that, among other things, retired teachers were living longer. Based in part on this study, the employer contribution rates for teachers rose from the FY 1999 level of 11.52 percent of salaries to 14.64 percent for FY 2000.

The increase seen in FY 2000 was essentially reversed with the 2001 change in the actuarial method used to determine liability, which resulted in a significant rate decrease. The FY 2002 budget initially assumed a total rate of 11.72 percent based on the proposed change; subsequently, the Retirement Board adopted a rate of 9.95 percent. The FY 2002 final expenditures were \$30.8 million, a \$5.2 million reduction from FY 2001. FY 2003 expenditures are estimated to be \$38.1 million, a \$7.3 million increase over FY 2002.

The 2004 Assembly included \$45.4 million to fully fund projections for the state's share of teacher retirement costs in FY 2004. The Assembly did not concur with the Governor's proposal to increase teachers' contributions to their retirement costs from 9.5 percent of salaries to 11.5 percent. The 2004 Assembly provided \$52.6 million to fully fund estimated costs for FY 2005 under current law. The 2005 Assembly provided \$58.6 million for the state's share of teacher retirement costs, or 11.5 percent more than enacted for FY 2005. Funding reflected an updated teacher payroll base and the changes in teacher retirement benefits.

The 2006 Assembly provided \$69.2 million for the state's share of teacher retirement costs, or 18.0 percent more than enacted for FY 2006. The Assembly did not concur with the Governor's proposal to increase the state's share of teacher retirement costs from 40.0 percent of the employer share to 50.0 percent.

The 2007 Assembly provided \$78.1 million for the state's share of retirement costs for FY 2008. This is \$8.9 million or 12.8 percent more than enacted for FY 2007.

The 2008 Assembly included \$97.0 million to fund the state's 40.0 percent share of the employer contribution for teacher retirement costs, an increase of \$18.9 million or 24.2 percent to the FY 2008 enacted budget. The Assembly also added \$2.2 million for teacher retirement costs for payments due to the system for FY 2003 through FY 2007 that were mistakenly never billed to the state by the System.

The 2009 Assembly included \$77.8 million to fund the state's 40.0 percent share of the employer contribution for teacher retirement, an increase of \$1.5 million or 1.9 percent to the FY 2009 final budget based on adopted pension changes. Based on final actuarial analysis of adopted pension changes, the budget assumes a FY 2010 employers' contribution rate, shared between the state and local school districts, of 20.07 percent of payroll. Savings for the employer's share is estimated to be \$37.2 million for both the state and locals. The state's savings for FY 2010 are estimated to be \$14.9 million.

The table below shows the employer and employee rate for FY 1980 through FY 2010. Under Rhode Island General Laws, the Employees' Retirement Board adopts the employer contribution rates for state employees, judges, state police and teachers annually. These rates are determined using actuarial valuations, which consider the current benefit provisions along with demographic assumptions such as mortality rates and age at retirement and economic assumptions such as salary increases and investment earnings. Changes in these variables result in rate changes. An actuarial experience study is also now performed every three years to test the appropriateness of these economic and demographic assumptions. The actuaries also report the plans' funded ratios.

Despite major pension changes in the 1992 and 2004 legislative sessions, the contribution rates have continued to increase and funding ratios have declined. Employee rates are fixed in statute, with the last increase imposed in the 1995 legislative session for FY 1996. Therefore, increased costs to the system appear in the employer rates, absent legislative action. FY 2009 and FY 2010 rates were proposed to be 25.03 percent and 23.88 percent absent 2009 pension changes.

Fiscal Year	Employer Rate	Employee Rate	Total Rate	Annual Change
1980	15.40%	6.50%	21.90%	
1981	10.80%	6.50%	17.30%	-21.00%
1982	13.20%	6.50%	19.70%	13.87%
1983	14.60%	7.00%	21.60%	9.64%
1984	16.20%	7.00%	23.20%	7.41%
1985	18.70%	8.00%	26.70%	15.09%
1986	19.80%	8.00%	27.80%	4.12%
1987	18.90%	8.50%	27.40%	-1.44%
1988	18.60%	8.50%	27.10%	-1.09%
1989	20.30%	8.50%	28.80%	6.27%
1990	21.60%	8.50%	30.10%	4.51%
1991	15.40%	8.50%	23.90%	-20.60%
1992	15.10%	8.50%	23.60%	-1.26%
1993	14.74%	8.50%	23.24%	-1.53%
1994	16.02%	8.50%	24.52%	5.51%
1995	16.02%	8.50%	24.52%	0.00%
1996	14.71%	9.50%	24.21%	-1.26%
1997	14.57%	9.50%	24.07%	-0.58%
1998	14.25%	9.50%	23.75%	-1.33%
1999	11.52%	9.50%	21.02%	-11.49%
2000	14.64%	9.50%	24.14%	14.84%
2001	12.01%	9.50%	21.51%	-10.90%
2002	9.95%	9.50%	19.45%	-9.58%
2003	11.97%	9.50%	21.47%	10.39%
2004	13.72%	9.50%	23.22%	8.15%
2005	14.84%	9.50%	24.34%	4.82%
2006	20.01%	9.50%	29.51%	21.24%
2007	19.64%	9.50%	29.14%	-1.25%
2008	22.01%	9.50%	31.51%	8.13%
2009	20.07%	9.50%	29.57%	-6.16%
2010	20.07%	9.50%	29.57%	0.00%

Construction Aid (School Housing Aid)

Statute(s). §16-7-35

Description. The state provides local districts with partial reimbursement for school construction projects through the School Housing Aid fund, also known as Construction Aid. The Commissioner and the Board of Regents review and certify the need for the local community's request, which qualifies the project for reimbursement under the program. The program reimburses a community for expenditures after the project is completed.

The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The housing aid share ratio calculation is similar to the operations aid share ratio calculation, i.e., based on a district's wealth compared to the aggregate state wealth. For this program, however, the minimum share for each district is 30 percent. It should be noted that although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, the FY 2009 allocations are based on 2007 enrollment levels.

Bonuses of four percentage points are given for projects that demonstrate that at least 75 percent of their costs are for energy conservation, asbestos removal, and/or handicapped access. Regional districts receive a two-percent bonus for each regionalized grade for new construction projects and an additional four-percent bonus for renovation projects. The calculation also includes a debt service adjustment for heavily burdened districts.

Reimbursement is based on total expended project cost, not on the amount of the original bond issuance. For example, if a community issued \$6.5 million for 10 years for a capital improvement to a school, but only spent \$6.0 million, the Department would only reimburse the community for the \$6.0 million spent on the completed project, as well as the bond interest payments over a ten-year period. If the community has a share ratio of 30.0 percent, which is the minimum share ratio, the state would reimburse the community approximately \$180,000 for ten years (\$6.0 million divided by 10 years, multiplied by the share ratio).

The share ratio formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census. Property value is certified annually by the Department of Revenue, Office of Property Valuation, based on local sales data and appraisals. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the Equalized Weighted Assessed Valuation (EWAV).

The valuations are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent

federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property. Each community's share ratio for FY 2009 is in a table in Appendix IV at the back of this book.

Significant Legislative Revisions. Prior to FY 1998, only projects supported by general obligation bonds were reimbursable under the school housing aid program. In 1997, the General Assembly passed legislation to qualify projects supported by three additional financing mechanisms: lease revenue bonds, capital leases and capital reserve funds. The expansion of qualified projects contributed to the growth of this program.

The 2003 Assembly enacted changes to the program in an effort to control growth. The legislation limits bond interest reimbursements for new projects to only those financed through the Rhode Island Health and Educational Building Corporation. It also eliminated debt impact aid and made other changes to this program, largely to codify existing practice into the General Laws. Governor Carcieri had proposed eliminating the reimbursement of all interest costs on new projects. The FY 2004 budget assumed no savings from these changes, as they would apply only to new projects, for which the state would not likely begin reimbursing for at least a year or two. None of the projects for which reimbursement is included in the FY 2005 budget were financed through the Rhode Island Health and Educational Building Corporation.

Under current law, a community's reimbursement is based on the total principal owed divided by the number of years of the bond and interest is reimbursed based on the actual amount owed. The community receives an equal principal reimbursement throughout the life of the bond, even if the debt is structured so that the principal payments are lower in the early years and increase over time. The 2005 Assembly passed legislation to ensure that the reimbursement is based on the debt service payments made by a community in any given year. The Assembly also passed legislation that allows housing aid to be paid to the Rhode Island Health and Educational Building Corporation or its designee. These actions were intended to strengthen the bond rating by showing a more stable link to aid programs and thereby reduce borrowing costs.

The 2007 Assembly increased its diligence over the program by requiring every school construction project to receive Assembly approval because of concern over the escalating cost of the school construction aid program. It also passed legislation providing incentive for communities to refund bond projects at a lower interest rate by allocating the net interest savings between the community and the state, by applying the applicable school housing aid ratio at the time of the refunding bonds.

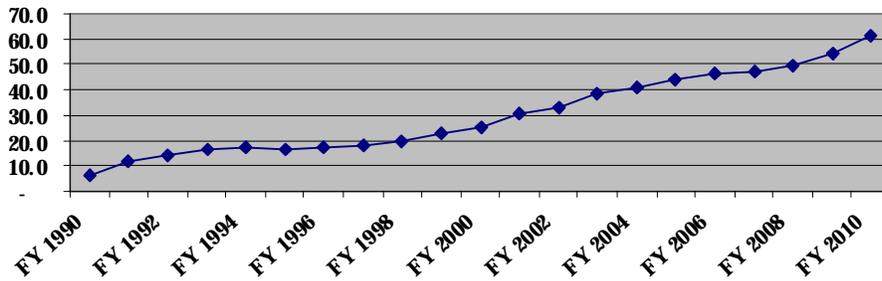
The 2008 Assembly enacted legislation that mandates school housing aid bonds be refunded when net present value savings, including any direct costs normally associated with such a refunding, of at least \$100,000 and 3.0 percent are possible for

the state and the communities or public building authorities. The legislation allows for the refunding through the Rhode Island Health and Educational Building Corporation without additional legislative authority for projects that have already received enabling authorization from the Assembly.

The 2009 Assembly amended the education aid statutes to establish a repayment schedule for communities that have been overpaid school housing aid. The repayment schedule is based on the total amount of overpayment in relation to the amount of local revenues reported by the school district.

Funding. The following chart depicts statewide expenditures for the program from FY 1990 through FY 2010. During this time, funding for the program has increased from \$3.4 million to \$61.5 million. More recently from FY 1998 to FY 2004, the cost of the program doubled from \$19.7 million to \$40.7 million. The figure for FY 2010 is an estimate. It is based on the ongoing costs, net of retired obligations and a projection of the additional costs to the program from newly completed projects.

Construction Aid (millions)
FY 1990-FY 2010



FY 2003 through FY 2005 funding also includes a payment to the Town of Burrillville to lessen the impact of a change in the way the General Laws treat income that communities receive from certain tax treaties. This change affected the calculation of the reimbursement rate for school construction, causing a significant reduction in construction aid for Burrillville, which was the only community affected in this manner. The 2002 Assembly provided \$0.2 million for FY 2003 as part of a three year plan to phase in the impact of this change, with the understanding that \$0.1 million would be provided in FY 2004 and nothing additional in FY 2005. The impact of the law change continued to be greater than originally anticipated, and the Assembly provided \$225,000 in impact aid for FY 2004 and FY 2005. The 2005 Assembly repealed the tax treaty legislation.

As part of his FY 2009 revised budget, the Governor reduced Providence's education aid by \$9.5 million, which is the amount of overpaid school construction aid it received on expenditures not eligible for reimbursement. In previous years, when it has been determined that a community owes the state for overpayments it received

through the school construction aid program such in the case of Burrillville, the community has been able to repay the state over a number of years. Applying the same treatment to Providence would result in a seven-year payback at \$1.4 million a year. The FY 2009 final and FY 2010 budgets reduce Providence's aid by \$1.4 million each year.

Tables in Appendix II offer reimbursement detail by community for FY 1990 through FY 2009.

Recurring Funding Issues

Lottery Revenues. Since the establishment of the Rhode Island Lottery in 1974, the notion of a link between lottery revenue and education aid surfaces from time to time. State education aid for FY 2010 is over \$850 million. Conversely, projected deposits to the general fund from lottery revenues are \$338.0 million.

The 2008 Assembly enacted legislation that became law on May 6, 2008 to allow Twin River and Newport Grand to operate video lottery games on a twenty-four hour basis on weekends and federally recognized holidays. The state share of any additional revenue from the additional hours, up to \$14.1 million through June 30, 2009 only, will be allocated to the Permanent School Fund. Those funds are to be distributed as aid to local education authorities in the same proportion as the general revenue aid distribution. The FY 2010 budget does not include this funding, as the law sunset on June 30, 2009. The Department of Administration administratively extended the overnight hours; the 2009 Assembly did not adopt legislation to direct those proceeds to the Permanent School Fund.

60-40 Funding. Efforts were made in the late 1980's to achieve 60 percent state funding of statewide education costs. Funding constraints in the early 1990's resulted in the elimination of programs designed to promote this ideal. The 1985 General Assembly passed the "Omnibus Property Tax Relief and Replacement Act." Among the provisions of this act was language requiring a two percent annual increase in the state share of local education expenditures, until the state share reached 50 percent.

In 1988, the language was amended to increase the goal of average state support to 60 percent. The additional funds appropriated to reach the 60 percent state share were not distributed through the operations aid program; rather they were restricted for use in block grants. Although 50 percent state funding was achieved in FY 1990, block grants have not been funded since FY 1990. The goal of reaching 60 percent state funding remains as §16-69 of the Rhode Island General Laws, but financial constraints faced by the state continue to prevent funding for realization of this goal.

Upon implementation of the Rhode Island Student Investment Initiative in FY 1998, the statewide share of education aid increased from 42.9 percent to 43.7 percent of total education expenses. That increased to 45.6 percent in FY 1999 and 46.6 percent in FY 2000. By FY 2003 the share grew to an estimated at 50.1 percent. The state share for FY 2004 was 48.9 percent, 46.8 percent for FY 2005, 43.6 percent for FY 2006, 43.2 percent for FY 2007, and 42.3 percent for FY 2008. The estimate for FY 2009 is 44.5 percent. Because state and local education expenses are now over \$1.5 billion, increasing support by one-percent increments requires over \$15 million, plus funds to cover expenditure increases.

The following table shows the state share for the past two decades. These calculations are based on a comparison of the statewide reimbursable expenditures reported for the

reference year and the aid allocation to local districts, excluding Teacher Retirement and Construction aid. Funds set aside for department use such as professional development and school visits as well as the Hasbro allocation are excluded from the aid total.

FY 2003 uses FY 2001 actual expenditure data, the first year for which data collected through the InSite program is being used. It replaces the old expenditure data collection system, which was designed to report reimbursable expenditures under the old aid formula. InSite is designed to allow for the disaggregating of expenditure data in a number of different ways. Expenditures included in FY 2003 through FY 2010 data have been adjusted to be as comparable to the old system as possible.

		Reference Year	State Aid	
		Reimbursable	Excluding	
		Expenditures	Retirement and	State
			Construction	Share
FY 1990	\$	604,228,110	\$ 312,541,162	51.7%
FY 1991		662,362,821	336,869,955	50.9%
FY 1992		733,496,034	308,894,886	42.1%
FY 1993		786,179,924	322,119,499	41.0%
FY 1994		805,934,876	333,175,422	41.3%
FY 1995		842,799,851	381,761,726	45.3%
FY 1996		900,116,358	400,749,768	44.5%
FY 1997		960,254,518	412,197,645	42.9%
FY 1998		1,001,549,032	437,757,473	43.7%
FY 1999		1,051,570,024	479,507,364	45.6%
FY 2000		1,106,305,803	515,088,325	46.6%
FY 2001		1,170,980,829	567,546,261	48.5%
FY 2002		1,260,763,697	608,824,420	48.3%
FY 2003		1,269,360,060	636,095,389	50.1%
FY 2004		1,342,823,753	656,758,572	48.9%
FY 2005		1,421,887,254	664,930,195	46.8%
FY 2006		1,579,311,672	688,358,909	43.6%
FY 2007		1,676,241,941	724,520,724	43.2%
FY 2008		1,726,447,528	730,407,664	42.3%
FY 2009		1,685,407,791	726,281,139	43.1%
FY 2010		1,767,161,609	750,367,573	42.5%

If the expressions of the state share were adjusted to accommodate both expenditures and aid for teacher retirement and construction, the data show a greater level of state support. The adjustments add the value of the state contribution for retirement to both the expenditure and aid side of the equation. This is done because state support for teacher retirement is paid directly to the retirement system and is not otherwise reflected as a reimbursable expenditure.

The expenditures side is then adjusted for the full value of the projects covered by the construction aid allocation. The corresponding construction aid allocation is then added to the aid total.

Making these adjustments to incorporate all direct education aid to communities increases the state share for FY 2010 by 160 basis points to 47.2 percent.

This is shown in the table below.

	Reference Year Reimbursable Expenditures	State Aid Excluding Retirement and Construction	Expenditures Adjusted for Retirement and Construction	Total State Aid	Total State Share
FY 1990	604,228,110	312,541,162	\$ 644,662,945	\$ 346,425,297	53.7%
FY 1991	662,362,821	336,869,955	706,642,862	371,073,935	52.5%
FY 1992	733,496,034	308,894,886	782,487,057	345,165,717	44.1%
FY 1993	786,179,924	322,119,499	843,004,429	363,549,750	43.1%
FY 1994	805,934,876	333,175,422	872,375,383	383,116,082	43.9%
FY 1995	842,799,851	381,761,726	909,316,463	432,227,881	47.5%
FY 1996	900,116,358	400,749,768	968,812,299	451,100,866	46.6%
FY 1997	960,254,518	412,197,645	1,034,051,145	464,824,027	45.0%
FY 1998	1,001,549,032	437,757,473	1,079,723,737	493,048,860	45.7%
FY 1999	1,051,570,024	479,507,364	1,130,323,318	532,279,253	47.1%
FY 2000	1,106,305,803	515,088,325	1,200,303,742	580,591,125	48.4%
FY 2001	1,170,980,829	567,546,261	1,269,277,607	634,309,502	50.0%
FY 2002	1,260,763,697	608,824,420	1,358,506,654	672,809,950	49.5%
FY 2003	1,269,360,060	636,095,389	1,390,873,545	712,400,097	51.2%
FY 2004	1,342,823,753	656,758,572	1,467,272,941	743,711,785	50.7%
FY 2005	1,421,887,254	664,930,195	1,555,304,465	761,369,067	49.0%
FY 2006	1,579,311,672	688,358,909	1,722,214,073	794,163,592	46.1%
FY 2007	1,676,241,941	724,520,724	1,820,115,256	838,595,616	46.1%
FY 2008	1,726,447,528	730,407,664	1,844,759,363	862,409,469	46.7%
FY 2009	1,685,407,791	726,281,139	1,831,167,027	856,707,209	46.8%
FY 2010	1,767,161,609	750,367,573	1,883,696,381	889,658,795	47.2%

In addition to substantially increasing education aid over the past few years, the Assembly has initiated property tax reduction initiatives. Since the local property tax is the means by which communities finance education aid, direct aid allocated to phase out the Auto Excise and Inventory taxes can be viewed as indirect education aid. Based on an assumed statewide average education share of municipal budgets of 52.5 percent, this indirect aid has increased from roughly \$16 million in FY 1999 to \$108.0 million in FY 2008. The 2009 Assembly reduced general revenue sharing for FY 2009 and eliminated it for FY 2010 lowering indirect aid to \$83.2 million for FY 2009 and \$70.1 million for FY 2010.

Including this indirect aid lifts the state share of education aid, including adjustments for construction and retirement, to 48.5 percent in FY 1999 and 50.7 percent in FY 2000. In FY 2001 and FY 2002 that share is estimated to be 53.2 and 53.8 percent, respectively. For FY 2003 and FY 2004 it would be 55.5 and 54.8 percent, respectively. For FY 2005 it would be 52.9 percent and for FY 2006 it would be 50.2 percent. For FY 2007 it would be 51.9 percent and 50.9 percent for FY 2008. For FY 2009 it would be 51.3 percent. The FY 2010 estimate is 50.9 percent.

Special Education. Many communities have cited the cost of special education services as a major factor in the rising cost of providing a public education. Consequently, they have called for the reinstatement of the special education funding formula. The now-suspended formula for Special Education Aid was based on the difference, or excess cost, between educating a regular student and a special education student, and it is not based on wealth. Using a two-year reference, districts were entitled to 110 percent of the state median excess cost. If the statewide appropriation were less than the entitlement, each district's entitlement was ratably reduced. In FY 1998, special education funding of \$33.4 million represented 36 percent of the statewide entitlement. In FY 1996 and FY 1997, special education funding represented 40 and 37 percent, respectively, of the statewide entitlement.

Calculating full funding of special education aid in FY 1999 under the suspended formula shows a statewide entitlement of \$100.3 million. This is 22.1 percent of total aid distributed to local districts. However, because this formula was not wealth based, the special education entitlement represents as little as 10.8 percent of total FY 1999 education aid appropriation in the state's poorer communities. Conversely, in some wealthier communities, appropriation of the full special education aid entitlement would actually exceed the district's total FY 1999 aid.

The 1999 General Assembly commissioned the Children with Disabilities Study Group to review special education within the context of Rhode Island school reform. The findings of that study were released in 2002 and generated recommendations and areas that needed further study. The 2002 Assembly, as part of Article 18 of the FY 2003 Appropriations Act, recommended addressing the needs of all children and preventing disability through scientific, research-based reading instruction and the development of Personal Literacy Programs for students in the early grades performing below grade level in reading, and a system of student accountability that will enable the state to track individual students over time. The article language indicated that additional study was needed to determine factors that influence programming for students with low incidence disabilities and alternatives for funding special education required examination.

Urban Issues. One of the challenges in the state's education funding system, which is so heavily reliant on the local property tax, is that the urban property tax base supporting students has not grown at the same pace as the suburban and rural communities. In fact, data suggest that a significant portion of the state's property

wealth has shifted from the urban communities to non-urban communities. In addition, the influx of needy students to several of the urban communities has had an adverse impact on the amount of property value per student. Many of these students require additional services, such as language instruction, that are not directly related to general instruction activities.

Wealth Equalization. In order to promote a goal of equity in the distribution of aid, the state employs methods that allocate funds to districts that are not as able, relative to the rest of the state, to raise sufficient funds through the property tax. Use of the share ratio, tax equity indices and student wealth factors in distributing aid does promote equity. Construction, Core Instruction Equity, Student Equity, and Targeted Aid are among the current state programs that use these methods.

Distributions based on student or teacher population, hold-harmless guarantees and minimum increases are “disequalizing.” This means that community and student wealth are not considered in the allocation of aid. These categories of aid include the Early Childhood funds, Professional Development funds, and Teacher Retirement support. Without additional funds, only a radical redistribution of existing resources, resulting in funding cuts to many communities, would achieve an equity ideal under a system that relies heavily on the local property tax.

School Budget Dispute Resolution. Rhode Island General Law, Section 16-2-21.4 establishes the procedure when a school committee of a city, town or regional school district determines that its budget is insufficient to comply with the provisions of state law. State law requires each community to contribute local funds to its school committee in an amount not less than its local contribution for schools in the previous year. This is expressed in Rhode Island General Law, Section 16-7-23.

The appropriation appeal process was created as part of the 1995 Public Laws and is often referred to as the Caruolo Act. Prior to enactment of this legislation, there was no statute that addressed the recourse available to school committees in the event of a budget dispute. The Department of Elementary and Secondary Education indicated that prior to the 1995 law, school committees appealed to the Commissioner of Elementary and Secondary Education when budget disputes between school communities and municipalities arose.

The procedure established in Section 16-2-21.4 is a multi-step process. First, the chairperson of the city, town or regional school committee, must petition the Commissioner of Elementary and Secondary Education, in writing, to seek alternatives for the district to comply with state regulations and/or waivers to state regulations that would allow the school committee to operate within the authorized budget.

If the Commissioner does not provide waivers or approve the alternatives sought by the school committee, the school committee may submit a written request to the city or town council within ten days of receiving the Commissioner’s response for

increased appropriations for schools to meet expenditure requirements. In the event of a negative vote by the appropriating authority, the school committee has the right to seek additional appropriations by bringing actions in the Superior Court for Providence County and shall be required to demonstrate that the school committee lacks the ability to adequately run the schools for that school year.

Since the enactment of this budget dispute process, six school districts have brought action to Superior Court. In all but one of the cases, the court found in favor of the school committee.

The Governor proposed legislation to the 2008 Assembly as part of his original FY 2009 budget to modify the Caruolo process beginning with a negative vote by the appropriating authority. The article would have removed the school committee's right to bring action in the Superior Court. The new process would allow the school committee to request non-binding fact-finding and mediation within five days of the negative vote. Upon such request, the auditor general would conduct an audit of the school department and identify and recommend opportunities to increase the efficiency of the school district.

The proposed legislation also established a fact-finding and mediation panel comprised of the Auditor General and the Commissioner of Elementary and Secondary Education or their designees. The panel would meet separately with members of the school committee and with representatives of the city or town in an effort to mediate resolution of the pending budget dispute. The panel would be empowered to hold public hearings and take testimony.

If a budget dispute continues to exist after the fact-finding and mediation process is completed, an education budget resolution committee would be appointed. The Committee would be comprised of one member of the city or town council appointed by the city or town council; one member appointed by the mayor, city or town manager or the chief elected official of the city or town; two members of the school committee appointed by the school committee, and one member appointed by the Director of Revenue. The education budget resolution committee would be empowered to render a binding decision within 30 days after it is established. The 2008 Assembly did not enact this legislation.

The Governor proposed legislation to the 2009 Assembly part of his FY 2009 revised budget requiring that when a category of state aid to education or general revenue sharing is reduced or suspended to any local school district or municipal government, the appropriation appeal process shall be suspended for the fiscal year in which the reduction or suspension of any aid is implemented. The article created a three-member budget resolution panel to determine a remedy. The panel would be comprised of the Commissioner of Education or his/her designee, the Director of Revenue or his/her designee, and the Auditor General or his/her designee and shall act as binding arbitrators. The panel would develop a corrective action plan within 60

days of convening. The plan could include the suspension of any contracts or non-contractual provisions to the extent that state aid has been reduced and to the extent legally permissible. The 2009 Assembly did not enact this legislation.

Tax Credit for K-12 Scholarship Contributions. The 2005 Assembly enacted a tax credit against corporate income tax liability for business entities that make contributions to Section 501(c)(3) scholarship organizations that provide tuition assistance grants to eligible students to attend non-public K-12 schools in Rhode Island. The 2007 Assembly amended the statutes to expand the private tuition tax credit to add Subchapter S Corporations, Limited Liability Corporations, and Limited Liability Partnerships to the definitions of business entities able to take the credit.

Students who are members of households with annual household income of 250 percent of the federal poverty level or less are eligible. The credit is 75 percent of the contribution for a one year contribution and 90 percent for a two year contribution provided the second year contribution is at least 80 percent of the first year's contribution. The maximum credit per tax year is \$100,000 and must be used in the year it is awarded. There is an annual total program cap of \$1.0 million awarded on a first-come-first-serve basis.

Glossary of Terms

Ratably Reduced. Ratably reduced refers to a group of numbers decreased by the same percentage. Certain aid programs allow for a ratable reduction of the aid in the event that a full entitlement is not appropriated.

Reference Year. The year, established by law, that provides the variable or data used in determining aid allocations is the reference year. Calculation of a formula with a two-year reference in FY 2007 would require using FY 2005 data.

Share Ratio. The share ratio is a measure of a community's per pupil wealth as compared to the per pupil wealth of the rest of the state. The formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census. Once community wealth is determined, it is divided by pupil counts to calculate the wealth per pupil for each community compared to the per pupil wealth for the state as a whole. The relative per pupil community wealth is then multiplied by 50 percent for the calculation of charter school aid, and 62 percent for the calculation of school housing aid, the mean state reimbursement, and subtracted from one, yielding the district's share ratio.

Tax Equity Index. The tax equity index is used in calculation and distribution of the Core Instruction Equity, Targeted Aid and Full Day Kindergarten funds. For FY 2000 through FY 2002, it was used to determine the minimum aid increases guaranteed to communities. This tool is used to promote equity in education aid funding because it measures a community's effort and capacity to raise local resources to finance education relative to the state's other communities. It is calculated by measuring the actual municipal tax yield, *tax effort*, against a hypothetical yield on the same property value at the state average tax rate, *tax capacity*.

If a community were taxing its property at the statewide average, then it would have a tax equity index of one. Those communities taxing property at greater than the average would have an index of less than one. Conversely, those taxing at less than the average would have an index of more than one. The data and formulas used to calculate the equity index are outlined below. Two sample calculations are also shown. Community A has an equity index greater than 1, and Community B's equity index is less than one.

Data

1. Population for state and municipal is from the most recent census.
2. Equalized weighted assessed valuations (ewav) are from the most recently completed and certified study. This expression of community wealth measures the total assessed local property values of the communities and adjusts them for

differences in local assessment rates to allow the reporting of figures comparable on a statewide basis. The values are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent federal census data.

3. The tax yields are from the most recent tax data certified by the local assessors to the Department of Administration.

Methodology

Step 1. Calculate state average tax rate:

$$\frac{\text{Total statewide property tax yield}}{\text{Total statewide property tax base (ewav)}} = \text{State average tax rate}$$

$\frac{\$ 1,381,790,345.00}{\$ 53,630,883,084} = \$ 0.02576$
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Step 2. Calculate statewide yield per capita:

$$\frac{\text{Total statewide property tax yield}}{\text{State population}} = \text{State property tax yield per capita}$$

$\frac{\$ 1,381,790,345}{1,003,464} = \$ 1,377$

Step 3. Calculate municipal property tax yield per capita:

$$\frac{\text{Municipal property tax yield}}{\text{Municipal population}} = \text{Municipal property tax yield per capita}$$

<p><i>Community A</i></p> $\frac{\$ 40,225,840}{23,786} = \$ 1,691$

<p><i>Community B</i></p> $\frac{\$ 40,198,980}{32,090} = \$ 1,253$

Step 4. Calculate municipal property tax capacity:

$$\frac{\text{Municipal property tax yield per capita}}{\text{State property tax yield per capita}} \times 100 = \text{Municipal property tax capacity index}$$

<i>Community A</i>	<i>Community B</i>
$\frac{\$ 1,691}{\$ 1,377} \times 100 = 122.80$	$\frac{\$ 1,253}{\$ 1,377} \times 100 = 90.99$

Step 5. Calculate hypothetical municipal property tax yield per capita:

$$\frac{\text{Municipal property tax base (ewav)}}{\text{Community Population}} \times \text{State average tax rate} = \text{Hypothetical municipal property tax yield per capita}$$

<i>Community A</i>	<i>Community B</i>
$\frac{\$0.02576 \times \$1,898,349,460}{23,786} = \$2,056$	$\frac{\$0.02576 \times \$1,387,106,541}{32,090} = \$1,114$

Step 6. Calculate tax capacity index:

$$\frac{\text{Hypothetical municipal yield per capita}}{\text{State average property tax yield per capita}} \times 100 = \text{Total tax capacity index}$$

<i>Community A</i>	<i>Community B</i>
$\frac{\$ 2,056}{\$ 1,377} \times 100 = 149.31$	$\frac{\$ 1,114}{\$ 1,377} \times 100 = 80.90$

Step 7. Calculate property tax effort index:

$$\frac{\text{Municipal property tax yield per capita}}{\text{Hypothetical municipal yield per capita}} \times 100 = \text{Tax effort index}$$

<i>Community A</i>				<i>Community B</i>			
$\frac{\$ 1,691}{\$ 2,056}$	x	100	=	82.25	$\frac{\$ 1,253}{\$ 1,114}$	x	100 = 112.48

Step 8. Calculate the equity index:

$$\frac{\text{Tax capacity index}}{\text{Tax effort index}} = \text{Equity index}$$

<i>Community A</i>				<i>Community B</i>			
$\frac{149.31}{82.25}$	=	1.82	$\frac{80.90}{112.48}$	=	0.72		

Step three illustrates that both communities in the example yield about the same amount of money through the property tax. However, step six shows that Community A's property is valued about 37 percent greater than Community B. This suggests that Community A has the ability to generate more local resources through the property tax.

The formula considers this information on a per capita basis. This accentuates the differences between the example communities, as the community with more valuable property has 25 percent fewer residents. If Community B had the same population as Community A, and all other data was unchanged, Community B would have an equity index of 0.97.

If a community raises its property taxes, it is essentially increasing its tax effort, which in theory would lower its Equity Index. It should be noted, however, that the Equity Index is a relative measure, and as such, a change in one community affects that measure for all communities. Therefore, the effect such a tax increase would have on the community's equity index depends on actions taken statewide.

Appendix I
Education Aid by Community
FY 1987-FY 2010

Education Aid By Community

Community	FY 1987	FY 1988	FY 1989	FY 1990
Barrington	\$3,134,712	\$3,404,085	\$3,620,769	\$3,559,362
Burrillville	5,459,731	5,988,696	7,082,968	8,183,642
Charlestown	1,003,094	1,150,161	1,201,038	1,436,039
Coventry	9,035,899	10,361,426	11,522,467	12,554,333
Cranston	11,506,564	13,580,243	14,539,821	17,617,420
Cumberland	6,322,991	7,354,740	7,894,258	9,243,082
East Greenwich	2,545,515	2,694,833	2,804,976	3,306,901
East Providence	9,354,522	9,598,386	11,233,501	12,559,035
Foster	581,415	673,586	782,891	935,816
Glocester	987,596	1,240,848	1,415,725	1,709,433
Hopkinton	3,286,274	3,699,579	3,823,782	4,086,774
Jamestown	664,528	716,357	750,849	816,249
Johnston	4,740,269	5,206,785	6,141,612	6,741,404
Lincoln	3,060,376	3,258,168	3,435,518	4,252,359
Little Compton	516,593	548,168	618,134	700,797
Middletown	3,573,990	3,544,518	4,093,849	5,065,090
Narragansett	1,869,557	2,139,355	2,251,193	2,643,617
Newport	4,599,740	5,023,577	5,344,902	6,138,396
New Shoreham	148,938	174,105	193,518	190,669
North Kingstown	5,873,875	6,713,782	7,716,674	8,741,843
North Providence	4,328,432	5,391,847	6,258,544	7,275,762
North Smithfield	2,655,174	3,129,087	3,566,454	4,033,119
Pawtucket	18,112,658	20,977,982	23,604,531	25,729,683
Portsmouth	3,140,102	3,355,885	3,876,416	4,518,790
Providence	40,429,049	46,205,383	50,176,136	54,693,230
Richmond	2,233,042	2,821,318	3,093,559	4,154,371
Scituate	1,827,869	2,344,139	2,725,901	3,225,483
Smithfield	2,962,825	3,048,238	3,857,642	4,370,067
South Kingstown	3,263,684	3,526,826	3,952,229	4,561,623
Tiverton	3,911,433	4,062,298	4,447,090	4,916,576
Warwick	18,951,542	21,099,507	22,974,410	25,391,110
Westerly	2,899,990	3,134,453	3,266,642	3,983,447
West Warwick	7,478,300	7,779,477	9,309,869	9,916,074
Woonsocket	15,257,976	17,151,492	18,430,748	19,582,260
Bristol/Warren	7,378,245	8,148,116	8,681,630	9,781,046
Exeter/W Greenwich	2,686,946	3,121,980	3,622,817	4,197,216
Chariho	45,256	54,548	444,932	502,179
Foster/Glocester	2,021,775	2,494,435	3,056,807	3,399,843
Central Falls	5,015,226	5,925,157	6,705,975	7,827,022
Subtotal	\$222,865,703	\$250,843,566	\$278,520,777	\$312,541,162
Teacher Retirement	29,659,627	32,229,400	36,891,788	27,590,735
Construction Aid	3,420,996	2,903,445	3,288,315	6,293,400
Total	\$255,946,326	\$285,976,411	\$318,700,880	\$346,425,297

Education Aid By Community

Community	FY 1991	FY 1992	FY 1993	FY 1994
Barrington	\$3,672,693	\$3,012,624	\$1,971,802	\$1,650,771
Burrillville	8,317,938	8,694,188	8,697,771	8,650,576
Charlestown	2,037,748	2,086,517	1,519,979	1,474,736
Coventry	13,620,016	12,146,133	13,230,028	13,146,355
Cranston	18,591,175	17,860,641	18,000,480	18,501,147
Cumberland	9,692,433	8,584,049	8,774,235	8,779,212
East Greenwich	3,254,152	2,832,168	1,727,621	1,360,018
East Providence	14,098,180	13,282,741	12,243,005	12,625,677
Foster	1,096,567	952,858	949,962	921,641
Glocester	1,928,285	1,941,760	1,803,496	2,198,779
Hopkinton	5,117,607	4,430,895	4,806,810	4,783,133
Jamestown	847,909	710,451	488,000	408,126
Johnston	7,579,479	6,687,327	5,776,380	6,333,960
Lincoln	5,183,954	4,347,108	4,702,669	4,724,030
Little Compton	747,233	588,702	407,575	324,769
Middletown	5,640,077	6,052,264	6,521,213	6,732,072
Narragansett	2,757,270	2,220,428	1,954,078	1,419,082
Newport	5,941,287	4,886,052	5,193,753	4,908,163
New Shoreham	221,962	199,002	127,136	106,397
North Kingstown	9,914,958	9,032,261	8,100,427	7,852,346
North Providence	7,819,993	6,474,400	6,508,359	6,698,599
North Smithfield	4,011,262	3,755,606	3,623,574	3,426,384
Pawtucket	27,770,627	23,026,504	24,351,019	25,112,522
Portsmouth	5,021,047	4,619,605	4,949,351	4,736,710
Providence	59,020,113	58,495,112	60,800,777	68,743,193
Richmond	4,777,665	4,411,138	4,379,596	4,831,565
Scituate	3,402,297	3,013,843	2,841,997	2,739,289
Smithfield	4,380,463	3,700,016	3,094,916	3,419,893
South Kingstown	6,365,852	4,969,294	5,481,771	5,976,655
Tiverton	5,176,309	4,547,510	4,241,204	4,088,482
Warwick	25,620,977	23,327,819	24,649,582	24,477,481
Westerly	4,485,370	3,605,696	3,207,459	3,124,127
West Warwick	11,061,769	10,047,790	10,472,843	10,605,875
Woonsocket	19,674,748	17,025,970	19,543,504	19,790,958
Bristol/Warren	10,445,424	8,708,277	12,971,062	13,258,764
Exeter/W Greenwich	4,711,978	4,343,189	4,953,660	4,799,996
Charlho	556,991	487,194	435,825	443,552
Foster/Glocester	3,816,618	3,533,100	3,591,580	3,852,746
Central Falls	8,489,529	10,254,654	15,025,000	16,147,639
Subtotal	\$336,869,955	\$308,894,886	\$322,119,499	\$333,175,422
Teacher Retirement	22,436,000	22,200,000	25,276,134	32,932,225
Construction Aid	11,771,980	14,070,831	16,154,117	17,008,435
Total	\$371,077,935	\$345,165,717	\$363,549,750	\$383,116,082

Education Aid By Community

Community	FY 1995	FY 1996	FY 1997	FY 1998
Barrington	\$ 1,668,106	\$ 1,692,513	\$ 1,714,875	\$ 1,845,479
Burrillville	9,065,322	9,364,224	9,506,648	9,725,426
Charlestown	1,039,082	1,131,983	1,165,216	1,455,289
Coventry	14,420,985	14,890,966	15,103,517	15,464,764
Cranston	21,652,818	22,534,696	23,022,977	23,933,839
Cumberland	9,445,524	9,628,420	9,757,601	10,081,007
East Greenwich	1,071,266	1,102,385	1,144,504	1,258,719
East Providence	15,641,888	16,177,101	16,600,249	17,239,374
Foster	997,683	1,030,295	1,042,453	1,075,870
Glocester	2,275,386	2,348,549	2,376,339	2,453,703
Hopkinton	4,389,459	4,479,194	4,806,810	4,896,244
Jamestown	260,961	267,560	276,027	318,647
Johnston	6,915,349	7,142,571	7,246,567	7,467,703
Lincoln	5,257,584	5,360,480	5,428,870	5,628,166
Little Compton	163,376	181,972	192,176	222,570
Middletown	7,298,471	7,399,838	7,511,867	7,713,312
Narragansett	834,376	948,559	1,006,310	1,126,281
Newport	6,585,095	7,048,861	7,321,769	7,692,235
New Shoreham	36,102	36,102	36,970	42,109
North Kingstown	8,591,791	8,849,057	8,970,856	9,258,078
North Providence	8,668,400	8,843,076	8,943,164	9,215,443
North Smithfield	3,409,519	3,477,534	3,520,522	3,610,676
Pawtucket	30,450,679	32,192,673	33,265,198	36,262,521
Portsmouth	4,478,224	4,530,091	4,581,980	4,727,029
Providence	87,814,504	93,951,873	97,987,955	108,499,534
Richmond	4,373,697	4,457,967	4,524,768	4,847,976
Scituate	2,438,647	2,464,815	2,502,592	2,594,370
Smithfield	3,947,424	4,005,569	4,055,939	4,193,817
South Kingstown	7,339,124	7,433,939	7,539,672	7,787,460
Tiverton	4,213,554	4,264,510	4,335,288	4,481,663
Warwick	26,328,104	27,187,916	27,638,203	28,464,625
Westerly	4,075,651	4,320,704	4,452,707	4,702,928
West Warwick	12,208,841	12,487,388	12,736,414	13,113,895
Woonsocket	23,489,478	25,802,389	26,578,776	28,621,117
Bristol-Warren	13,511,908	15,192,295	15,404,195	15,769,324
Exeter-West Greenwich	4,826,494	5,077,427	5,144,295	5,690,556
Charlton	299,457	301,595	301,596	301,596
Foster-Glocester	3,926,390	4,057,499	4,152,388	4,519,602
Central Falls	18,351,007	19,085,182	19,636,642	21,454,420
Met School Operations	-	-	400,000	800,000
Subtotal	\$381,761,726	\$400,749,768	\$411,934,895	\$438,557,367
Teacher Retirement	34,312,346	33,348,192	34,521,869	35,565,169
Construction Aid	16,153,807	17,002,906	18,104,513	19,726,218
Hasbro School	-	-	80,000	80,000
School Breakfast	-	165,068	178,850	196,931
School Visits	-	-	-	-
Professional Development	-	-	-	-
Direct Charter School Aid	-	-	-	-
Progressive Support	-	-	-	-
Textbook Loans	-	-	-	-
Total	\$432,227,879	\$451,265,934	\$464,820,127	\$494,125,685

Education Aid By Community

Community	FY 1999	FY 2000	FY 2001	FY 2002
Barrington	\$ 2,005,421	\$ 2,065,075	\$ 2,168,873	\$ 2,294,840
Burrillville	10,112,186	10,783,631	11,593,651	12,458,207
Charlestown	1,567,379	1,624,314	1,705,908	1,776,443
Coventry	16,113,590	16,657,015	17,491,176	18,103,867
Cranston	25,372,860	27,046,566	29,062,257	31,098,284
Cumberland	10,522,993	10,873,076	11,417,319	11,816,925
East Greenwich	1,408,020	1,459,571	1,533,092	1,642,030
East Providence	19,431,746	20,718,133	22,271,132	23,830,537
Foster	1,119,668	1,157,431	1,215,376	1,257,914
Glocester	2,555,961	2,642,259	2,774,666	2,871,779
Hopkinton	5,036,614	5,207,822	5,468,492	5,659,889
James town	369,423	391,046	415,535	453,231
Johnston	7,827,586	8,343,132	8,963,511	9,607,836
Lincoln	5,942,178	6,137,023	6,443,726	6,669,256
Little Compton	262,788	274,495	288,426	312,417
Middletown	8,080,269	8,352,910	8,770,837	9,194,316
Narragansett	1,305,047	1,398,842	1,505,383	1,616,920
Newport	8,346,291	8,783,522	9,569,026	10,065,853
New Shoreham	53,028	59,037	67,076	79,523
North Kingstown	9,657,163	9,978,867	10,478,908	10,851,375
North Providence	9,653,497	10,292,025	11,064,498	11,937,013
North Smithfield	3,749,585	3,874,506	4,068,328	4,258,219
Pawtucket	41,381,578	46,931,978	52,978,940	56,785,845
Portsmouth	4,931,266	5,093,615	5,348,784	5,535,991
Providence	124,843,132	136,400,819	151,980,243	165,275,304
Richmond	4,974,230	5,143,462	5,400,935	5,589,968
Scituate	2,727,581	2,816,362	2,957,624	3,068,641
Smithfield	4,388,767	4,532,091	4,759,338	4,986,915
South Kingstown	8,197,603	8,468,205	8,892,982	9,219,644
Tiverton	4,741,236	4,898,999	5,144,427	5,324,482
Warwick	29,819,040	30,817,788	32,347,660	33,502,797
Westerly	5,108,037	5,393,170	5,691,315	5,994,381
West Warwick	14,331,218	15,284,719	16,432,161	17,658,912
Woonsocket	32,166,967	35,861,818	38,728,073	41,551,538
Bristol-Warren	16,359,443	16,917,340	17,764,213	18,393,960
Exeter-West Greenwich	5,868,194	6,065,919	6,369,693	6,862,455
Charlho	301,596	312,152	327,759	341,021
Foster-Glocester	4,605,195	4,760,602	4,998,829	5,173,788
Central Falls	24,268,988	27,268,988	31,496,700	33,271,624
Met School Operations	1,200,000	1,800,000	1,980,000	2,155,000
Subtotal	\$480,707,364	\$516,888,325	\$561,936,872	\$598,548,943
Teacher Retirement	30,202,943	39,962,520	35,987,467	30,763,337
Construction Aid	22,568,946	25,540,280	30,775,773	33,222,193
Hasbro School	80,000	95,196	100,000	100,000
School Breakfast	215,478	268,636	420,640	610,529
School Visits	394,165	372,798	621,757	694,313
Professional Development	-	251,300	544,251	479,290
Direct Charter School Aid	-	2,768,767	3,781,547	6,174,888
Progressive Support	-	-	4,571,840	4,621,507
Textbook Loans	-	-	80,253	372,630
Total	\$534,168,896	\$586,147,822	\$638,820,400	\$675,587,630

Education Aid By Community

Community	FY 2003	FY 2004	FY 2005	FY 2006
Barrington	\$ 2,352,211	\$ 2,393,375	\$ 2,398,582	\$ 2,479,907
Burrillville	12,851,288	13,076,186	13,076,186	13,145,661
Charlestown	1,820,855	1,852,720	1,852,720	1,910,676
Coventry	18,556,464	18,881,202	18,881,202	19,151,316
Cranston	31,875,741	32,907,994	33,029,207	33,943,638
Cumberland	12,112,348	12,594,809	12,594,809	12,646,981
East Greenwich	1,765,450	1,796,345	1,810,042	1,860,042
East Providence	24,579,320	25,009,458	25,064,677	25,530,776
Foster	1,289,362	1,311,926	1,311,926	1,351,283
Glocester	2,943,574	2,995,087	2,995,087	3,065,960
Hopkinton	5,801,386	5,902,911	5,902,911	5,954,153
Jamestown	478,137	486,504	492,652	507,432
Johnston	9,962,918	10,137,270	10,188,342	10,413,088
Lincoln	6,835,988	6,955,618	7,012,603	7,062,603
Little Compton	320,227	325,831	341,592	351,839
Middletown	9,699,260	9,916,122	9,916,122	10,014,086
Narragansett	1,657,343	1,709,968	1,725,404	1,809,860
Newport	10,870,512	11,060,746	11,060,746	11,253,278
New Shoreham	86,319	93,128	93,128	101,451
North Kingstown	11,122,659	11,317,305	11,384,463	11,434,463
North Providence	12,235,439	12,449,559	12,511,050	12,623,955
North Smithfield	4,462,302	4,540,392	4,541,694	4,611,787
Pawtucket	60,024,535	61,074,964	61,615,711	63,782,029
Portsmouth	5,711,351	5,811,300	5,854,978	6,632,443
Providence	174,934,589	181,224,594	181,224,594	185,142,176
Richmond	5,729,717	5,829,987	5,829,987	5,903,843
Scituate	3,145,357	3,200,400	3,200,400	3,250,400
Smithfield	5,215,581	5,306,854	5,332,948	5,407,726
South Kingstown	9,598,923	9,766,904	9,766,904	9,948,816
Tiverton	5,457,594	5,553,102	5,553,102	5,659,091
Warwick	34,340,367	34,941,323	35,195,464	35,894,621
Westerly	6,146,521	6,284,205	6,386,546	6,528,189
West Warwick	18,643,537	19,275,597	19,341,994	19,499,965
Woonsocket	43,059,505	43,813,046	43,913,617	45,425,511
Bristol-Warren	18,853,809	19,183,751	19,267,184	19,554,956
Exeter-West Greenwich	7,092,069	7,216,180	7,227,202	7,308,493
Charibo	352,610	360,305	368,936	380,004
Foster-Glocester	5,303,133	5,395,937	5,395,937	5,466,199
Central Falls	34,430,272	35,635,332	37,804,406	41,319,965
Met School Operations	3,982,350	5,750,000	7,261,970	8,814,530
Subtotal	\$625,700,921	\$643,338,236	\$648,727,029	\$667,143,195
Teacher Retirement	38,072,353	46,212,606	52,583,171	58,632,638
Construction Aid	38,232,355	40,740,608	43,855,701	47,172,045
Hasbro School	100,000	100,000	100,000	100,000
School Breakfast	672,118	647,872	700,000	600,000
School Visits	407,002	407,935	407,935	407,935
Professional Development	120,000	120,000	120,000	120,000
Direct Charter School Aid	9,407,634	12,645,077	16,913,929	21,138,978
Progressive Support	471,986	1,112,500	2,100,000	2,896,883
Textbook Loans	221,811	325,000	325,000	240,000
Speech Path. Supplement	-	-	-	-
Total	\$713,406,179	\$745,649,834	\$765,832,765	\$798,451,674

Education Aid By Community

Community	FY 2007	FY 2008	FY 2009*	FY 2010*
Barrington	\$ 2,599,526	\$ 2,599,526	\$ 1,907,570	\$ 2,342,597
Burrillville	13,854,743	13,854,743	13,789,047	14,087,160
Charlestown	2,002,838	2,002,838	1,824,817	1,796,445
Coventry	20,075,081	20,075,081	19,167,853	19,838,160
Cranston	35,580,911	35,580,911	34,241,412	35,599,895
Cumberland	13,257,009	13,257,009	12,749,195	13,230,934
East Greenwich	1,949,761	1,949,761	1,457,699	1,859,716
East Providence	26,762,254	26,888,254	26,404,603	27,070,742
Foster	1,416,463	1,416,463	1,372,428	1,409,949
Glocester	3,213,847	3,213,847	3,150,714	3,229,408
Hopkinton	6,241,352	6,241,352	5,758,687	5,986,133
Jamestown	531,908	531,908	445,251	515,157
Johnston	10,915,364	10,915,364	10,412,388	10,803,283
Lincoln	7,403,268	7,403,268	6,762,647	7,233,647
Little Compton	368,810	368,810	324,893	382,493
Middletown	10,497,116	10,497,116	10,102,194	10,435,779
Narragansett	1,897,159	1,897,159	1,601,846	1,846,220
Newport	11,871,080	11,871,080	11,718,446	11,930,403
New Shoreham	106,345	106,345	40,148	88,746
North Kingstown	11,986,005	11,986,005	11,342,544	11,847,392
North Providence	13,262,872	13,382,872	12,949,606	13,384,734
North Smithfield	4,834,237	4,834,237	4,542,906	4,808,900
Pawtucket	67,023,559	67,023,559	67,589,810	68,379,236
Portsmouth	6,480,042	6,700,042	6,235,178	6,561,398
Providence	194,109,756	194,109,756	198,173,499	200,284,528
Richmond	6,188,615	6,188,615	5,711,973	5,958,086
Scituate	3,407,183	3,407,183	3,136,637	3,350,864
Smithfield	5,668,568	5,743,568	5,265,557	5,581,588
South Kingstown	10,548,698	10,548,698	9,759,935	10,316,834
Tiverton	5,932,058	5,932,058	5,620,900	5,861,009
Warwick	37,626,000	37,626,000	35,667,487	37,236,621
Westerly	6,843,077	6,843,077	6,132,170	6,649,210
West Warwick	20,440,547	20,440,547	20,065,546	20,493,937
Woonsocket	47,616,613	47,661,613	47,937,431	48,448,675
Bristol-Warren	20,498,190	20,498,190	19,987,011	20,395,918
Exeter-West Greenwich	7,661,019	7,661,019	7,159,892	7,423,450
Charlho	398,334	398,334	892,154	898,536
Foster-Glocester	5,729,861	5,729,861	5,522,536	5,673,466
Central Falls	43,873,873	44,358,224	44,524,530	46,146,618
Met School Operations	10,406,956	11,487,734	11,830,303	13,023,467
Subtotal	\$701,080,898	\$703,232,027	\$693,279,442	\$712,411,335
Teacher Retirement	67,259,910	80,225,355	76,286,018	77,752,559
Construction Aid	46,814,982	49,652,976	54,140,052	61,538,663
Hasbro School	100,000	100,000	100,000	-
School Breakfast	600,000	600,000	300,000	300,000
School Visits	407,935	407,935	145,864	145,864
Professional Development	670,000	605,000	495,000	-
Direct Charter School Aid	24,339,885	26,844,840	29,280,724	34,106,942
Progressive Support	2,930,109	2,831,023	2,363,432	3,163,432
Textbook Loans	313,500	329,000	316,677	240,000
Speech Path. Supplement	304,500	-	-	-
Total	\$844,821,719	\$864,828,156	\$856,707,209	\$889,658,795

**Reflects final appropriations by 2009 Assembly. Actual pension savings and stimulus distributions will be updated in subsequent edition.*

Appendix II
Construction Aid By Community
FY 1990-FY 2009

Construction Aid by Community

Community	FY 1990	FY 1991	FY 1992	FY 1993
Barrington	\$ 2,250	\$ -	\$ -	\$ 73,648
Burrillville	645,022	1,258,034	1,180,285	1,178,691
Charlestown	18,000	18,000	18,000	18,000
Coventry	220,708	356,255	533,284	750,284
Cranston	284,214	368,327	412,907	686,549
Cumberland	45,278	101,110	57,297	58,555
East Greenwich	55,501	27,001	27,001	27,001
East Providence	124,275	319,515	639,721	564,328
Foster	200,429	174,600	126,255	117,635
Glocester	27,645	26,251	183,372	362,591
Hopkinton	-	-	-	-
Jamestown	27,492	27,492	61,036	182,365
Johnston	117,326	92,227	89,317	130,658
Lincoln	42,937	16,500	-	-
Little Compton	8,801	8,801	8,801	72,929
Middletown	3,000	3,000	3,000	3,000
Narragansett	66,765	270,167	456,430	449,796
Newport	-	-	-	38,128
New Shoreham	-	33,977	107,314	86,622
North Kingstown	155,004	165,295	231,424	214,882
North Providence	1,347	1,347	1,347	-
North Smithfield	-	242,993	252,858	257,919
Pawtucket	254,810	256,263	276,923	334,060
Portsmouth	132,349	152,134	172,001	152,790
Providence	840,091	1,658,931	2,427,376	3,063,303
Richmond	-	-	-	-
Scituate	41,460	82,495	145,482	121,115
Smithfield	139,125	90,750	68,251	111,769
South Kingstown	123,000	226,638	288,721	308,589
Tiverton	86,852	86,852	86,852	86,852
Warwick	258,811	258,811	311,115	243,017
Westerly	42,000	153,814	142,626	158,850
West Warwick	109,125	274,817	267,399	513,369
Woonsocket	124,545	124,078	123,805	23,185
Bristol-Warren	828	828	828	828
Exeter-West Greenwich	-	1,865,338	1,830,165	1,855,504
Charlho	2,014,060	2,626,934	2,229,250	1,980,525
Foster-Glocester	-	-	308,506	684,452
Central Falls	80,346	402,404	1,001,882	1,242,328
Total	\$ 6,293,400	\$ 11,771,980	\$ 14,070,831	\$ 16,154,117

Construction Aid by Community

Community	FY 1994	FY 1995	FY 1996	FY 1997
Barrington	\$ 114,717	\$ 112,740	\$ 110,797	\$ 108,796
Burrillville	1,093,146	1,028,953	985,283	1,229,915
Charlestown	18,000	18,000	18,000	-
Coventry	627,350	602,282	451,758	410,126
Cranston	668,032	603,774	588,736	822,082
Cumberland	42,456	161,588	268,338	277,246
East Greenwich	27,001	27,001	335,209	388,206
East Providence	622,306	603,206	605,274	613,840
Foster	106,360	105,838	97,904	97,446
Glocester	384,176	373,454	346,856	323,615
Hopkinton	-	-	-	-
Jamestown	180,521	178,624	166,115	163,991
Johnston	183,512	179,603	176,152	172,676
Lincoln	-	-	-	-
Little Compton	74,425	72,313	70,201	68,089
Middletown	3,000	73,606	141,905	126,413
Narragansett	437,010	429,635	292,388	388,051
Newport	47,393	46,458	223,960	195,966
New Shoreham	85,206	83,774	80,807	77,621
North Kingstown	190,330	184,618	179,749	175,251
North Providence	-	-	-	315,543
North Smithfield	188,028	176,399	166,995	161,701
Pawtucket	442,790	502,314	858,208	911,929
Portsmouth	151,008	148,413	144,953	141,493
Providence	3,995,710	4,878,197	4,695,202	4,583,925
Richmond	-	-	-	-
Scituate	109,583	185,681	309,990	296,234
Smithfield	110,063	107,626	59,438	57,001
South Kingstown	623,362	554,343	857,790	873,159
Tiverton	86,852	73,538	-	-
Warwick	213,100	396,048	531,299	635,185
Westerly	152,401	148,208	354,184	783,917
West Warwick	539,698	525,354	449,945	452,872
Woonsocket	23,386	23,139	136,353	171,652
Bristol-Warren	828	-	-	-
Exeter-West Greenwich	1,832,586	1,764,727	1,698,297	1,498,735
Charlho	1,669,977	-	-	-
Foster-Glocester	704,661	679,339	657,835	618,696
Central Falls	1,259,456	1,105,016	942,983	963,141
Total	\$ 17,008,435	\$ 16,153,809	\$ 17,002,906	\$ 18,104,513

Construction Aid by Community

Community	FY 1998	FY 1999	FY 2000	FY 2001
Barrington	\$ 106,819	\$ 104,823	\$ 329,374	\$ 736,749
Burrillville	1,250,502	1,317,312	1,358,795	1,386,663
Charlestown	-	-	-	-
Coventry	385,165	370,899	349,836	292,558
Cranston	846,259	829,548	947,157	1,176,208
Cumberland	343,542	472,354	608,920	664,204
East Greenwich	373,966	335,573	349,977	393,879
East Providence	571,282	527,757	403,819	725,693
Foster	94,041	-	-	-
Glocester	300,704	248,603	263,049	247,856
Hopkinton	-	-	-	-
Jamestown	161,701	159,240	156,601	153,834
Johnston	164,988	402,460	271,508	362,554
Lincoln	337,434	307,193	300,260	311,733
Little Compton	65,977	63,865	61,753	59,641
Middletown	118,546	195,951	349,274	230,868
Narragansett	388,799	381,036	398,099	391,152
Newport	191,324	186,535	181,763	177,096
New Shoreham	76,360	80,292	70,339	69,343
North Kingstown	244,527	381,844	442,776	526,160
North Providence	443,383	736,017	671,034	594,629
North Smithfield	210,036	151,127	145,731	140,293
Pawtucket	944,534	1,030,431	912,627	1,281,242
Portsmouth	120,701	149,705	182,103	306,114
Providence	5,642,166	6,645,457	8,064,957	10,827,562
Richmond	-	-	-	-
Scituate	290,603	329,368	407,600	382,176
Smithfield	54,563	245,389	297,058	292,257
South Kingstown	896,791	949,989	919,950	926,198
Tiverton	-	36,903	61,791	32,959
Warwick	709,287	734,320	889,448	915,390
Westerly	678,234	647,208	629,677	608,075
West Warwick	424,095	749,955	987,317	775,009
Woonsocket	165,256	159,764	263,810	654,225
Bristol-Warren	79,525	968,320	840,963	966,529
Exeter-West Greenwich	1,430,320	1,243,251	1,260,968	1,250,807
Charlho	-	-	-	305,472
Foster-Glocester	580,074	505,087	491,572	485,957
Central Falls	1,034,715	921,368	1,670,374	2,124,688
Total	\$ 19,726,218	\$ 22,568,946	\$ 25,540,280	\$ 30,775,774

Construction Aid by Community

Community	FY 2002	FY 2003	FY 2004	FY 2005
Barrington	\$ 763,712	\$ 680,023	\$ 679,257	\$ 614,948
Burrillville	1,704,074	1,690,099	1,393,697	1,419,023
Charlestown	-	-	-	-
Coventry	264,620	934,966	1,592,507	1,813,886
Cranston	1,292,596	1,609,528	1,589,157	1,550,705
Cumberland	770,952	676,877	653,823	520,220
East Greenwich	417,557	405,672	422,974	412,271
East Providence	861,524	766,765	721,151	1,075,975
Foster	-	-	55,150	-
Glocester	237,071	227,449	207,673	213,948
Hopkinton	-	-	-	-
Jamestown	150,925	177,900	228,515	232,410
Johnston	382,561	314,011	234,039	270,528
Lincoln	393,965	421,457	325,255	319,376
Little Compton	57,512	55,384	53,255	51,109
Middletown	255,460	150,461	137,771	387,513
Narragansett	422,786	397,450	346,715	383,997
Newport	172,304	826,094	834,466	790,722
New Shoreham	68,284	67,183	67,749	67,219
North Kingstown	439,170	2,270,636	1,623,002	1,651,078
North Providence	597,656	490,948	787,476	915,008
North Smithfield	134,779	222,921	248,284	235,168
Pawtucket	1,276,880	1,357,902	1,650,933	1,592,391
Portsmouth	298,105	523,026	454,278	436,594
Providence	11,548,717	11,817,799	13,558,759	13,114,528
Richmond	-	-	-	-
Scituate	365,977	378,149	370,131	338,548
Smithfield	241,807	284,907	312,165	396,374
South Kingstown	1,126,476	1,200,296	1,129,383	1,152,452
Tiverton	87,865	67,792	47,058	51,161
Warwick	1,075,149	1,055,278	1,197,483	1,278,695
Westerly	619,000	585,775	604,000	620,356
West Warwick	768,523	698,286	1,369,414	1,483,809
Woonsocket	1,107,541	2,279,387	2,539,895	2,491,814
Bristol-Warren	1,151,542	1,076,656	1,415,828	1,743,840
Exeter-West Greenwich	1,290,728	1,244,556	1,034,431	1,200,307
Charlho	184,021	453,264	419,486	558,928
Foster-Glocester	471,425	498,585	429,683	593,620
Central Falls	2,220,929	2,324,875	2,005,765	2,201,324
Total	\$ 33,222,193	\$ 38,232,355	\$ 40,740,608	\$ 42,179,845

Construction Aid by Community

Community	FY 2006	FY 2007	FY 2008	FY 2009
Barrington	\$ 667,377	\$ 655,830	\$ 722,908	\$ 758,680
Burrillville	1,703,941	1,500,710	2,252,182	2,209,816
Charlestown	-	-	-	-
Coventry	1,871,366	1,841,708	1,977,580	1,646,976
Cranston	1,971,752	2,043,736	2,066,982	3,019,930
Cumberland	509,941	1,076,972	1,018,502	1,746,602
East Greenwich	215,410	230,462	370,018	316,700
East Providence	1,017,009	1,053,867	1,046,005	1,245,633
Foster	18,843	5,970	-	-
Glocester	257,045	241,344	220,824	266,605
Hopkinton	-	-	-	-
Jamestown	150,840	132,666	133,450	149,954
Johnston	292,170	492,804	411,664	441,354
Lincoln	429,951	787,172	1,122,712	1,200,798
Little Compton	48,931	46,720	67,530	41,454
Middletown	447,880	384,664	419,902	401,574
Narragansett	396,063	323,606	413,798	307,488
Newport	631,616	708,200	677,718	667,718
New Shoreham	65,339	387,282	238,550	234,620
North Kingstown	1,398,210	1,157,222	1,219,743	1,401,829
North Providence	1,296,766	1,307,986	1,436,066	1,209,018
North Smithfield	229,029	344,134	246,430	846,191
Pawtucket	1,555,338	1,512,210	1,734,462	1,933,960
Portsmouth	458,573	540,615	521,034	538,467
Providence	15,198,821	15,039,118	14,590,152	15,849,982
Richmond	-	-	-	-
Scituate	303,605	307,400	268,304	271,174
Smithfield	416,859	360,104	360,434	353,668
South Kingstown	1,166,211	1,134,488	1,116,126	1,009,808
Tiverton	61,400	135,344	297,190	605,269
Warwick	1,378,705	1,357,818	1,324,518	1,295,770
Westerly	1,318,770	1,538,292	1,457,842	1,463,772
West Warwick	1,458,541	1,349,824	1,377,910	1,280,858
Woonsocket	2,428,040	2,328,168	2,285,854	2,260,336
Bristol-Warren	1,718,956	1,201,418	2,054,268	2,589,745
Exeter-West Greenwich	1,278,791	1,223,466	1,223,644	1,172,380
Charlho	631,669	510,056	580,760	782,536
Foster-Glocester	542,123	378,440	1,327,459	1,454,114
Central Falls	2,137,947	2,002,196	1,963,701	2,006,909
Subtotal	\$ 45,673,828	\$ 45,642,012	\$ 48,546,222	\$ 52,981,688
Charter Schools	949,827	1,172,970	1,205,860	1,158,364
Total	\$ 46,623,655	\$ 46,814,982	\$ 49,752,082	\$ 54,140,052

Appendix III

Share Ratio Calculation Charter School Aid FY 2010

Calculation of Share Ratio for Charter School Aid. The following table shows the calculation for each community's share ratio for FY 2010 for the purpose of charter school aid. The share ratio formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census.

A. The equalized weighted assessed property valuations for the third preceding calendar year per current law, as of December 31, 2005, as reported by the Department of Administration's Office of Municipal Affairs. Property value is certified annually by the Department of Administration, Office of Municipal Affairs, based on local sales data and appraisals. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the Equalized Weighted Assessed Valuation (EWAV).

The valuations are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property. Once community wealth is determined, it is divided by pupil counts to calculate the per pupil wealth for each community compared to the per pupil wealth for the state as a whole.

B. The FY 2008 student counts are shown in column *B* based on the resident average daily membership as of December 2008. Average daily membership calculates an average of the number of days all students are formally members of a district and/or a school per year.

C. The resulting relative per pupil community wealth is then multiplied by 50.0 percent, the mean state reimbursement, and subtracted from 1.0, yielding the district's share ratio.

D. Column *D* shows the final share ratios with each community receiving at least a 30 percent share ratio. The 2005 Assembly provided for a 30 percent minimum for each district; there was previously no minimum.

<i>District</i>	<i>A</i> <i>Property Values</i> <i>12/31/05</i>	<i>B</i> <i>FY 2008</i> <i>Student</i> <i>Count</i>	<i>C</i> <i>Base Share</i> <i>Ratio</i>	<i>D</i> <i>Adjust for</i> <i>30%</i> <i>Minimum</i>
Barrington	\$ 4,284,459,606	3,385	26.8%	30.0%
Burrillville	1,572,492,722	2,581	64.8%	64.8%
Coventry	3,706,775,434	5,216	58.9%	58.9%
Cranston	7,865,231,176	10,247	55.6%	55.6%
Cumberland	4,221,471,034	4,820	49.3%	49.3%
East Greenwich	3,793,887,031	2,364	7.2%	30.0%
East Providence	4,012,867,524	5,639	58.8%	58.8%
Foster	247,853,839	268	46.5%	46.5%
Glocester	442,917,407	558	54.1%	54.1%
Jamestown	2,858,807,170	702	-135.5%	30.0%
Johnston	2,907,985,339	3,215	47.7%	47.7%
Lincoln	3,192,262,015	3,345	44.8%	44.8%
Little Compton	2,039,862,170	437	-170.0%	30.0%
Middletown	2,788,114,100	2,386	32.4%	32.4%
Narragansett	5,499,803,922	1,476	-115.5%	30.0%
Newport	5,068,340,003	2,170	-35.1%	30.0%
New Shoreham	2,136,886,651	142	-770.4%	30.0%
North Kingstown	4,909,142,457	4,245	33.1%	33.1%
North Providence	2,739,610,511	3,140	49.5%	49.5%
North Smithfield	1,639,315,710	1,876	49.5%	49.5%
Pawtucket	3,284,962,653	8,876	78.6%	78.6%
Portsmouth	3,929,406,962	2,695	15.7%	30.0%
Providence	7,320,941,991	25,052	83.1%	83.1%
Scituate	1,931,149,409	1,734	35.6%	35.6%
Smithfield	3,062,301,293	2,497	29.1%	30.0%
South Kingstown	5,656,487,030	3,776	13.4%	30.0%
Tiverton	2,465,575,985	2,004	28.8%	30.0%
Warwick	10,468,089,836	10,723	43.5%	43.5%
Westerly	4,921,526,772	3,380	15.8%	30.0%
West Warwick	2,030,516,358	3,579	67.2%	67.2%
Woonsocket	1,560,354,986	6,222	85.5%	85.5%
Bristol/Warren	4,187,672,583	3,456	29.9%	30.0%
Exeter/West Greenwich	2,172,394,427	1,943	35.3%	35.3%
Charlton	4,450,083,984	3,683	30.1%	30.1%
Foster/Glocester	1,273,661,753	1,523	51.6%	51.6%
Central Falls	321,258,790	3,605	94.8%	94.8%
Davies/Deaf/Met		1,590		
Total	\$124,964,470,633	144,550		

Appendix IV
Share Ratio Calculation
Housing Aid FY 2010

Calculation of School Housing Aid Ratio. The following table shows the calculation for each community's share ratio for FY 2010 for the purpose of school housing aid. The share ratio formula measures state and community wealth using two factors: the full value of local property and the median family income as determined by the most recent census.

A. The equalized weighted assessed property valuations for the third preceding calendar year per current law, as of December 31, 2005 as reported by the Department of Administration's Office of Municipal Affairs. Property value is certified annually by the Department of Administration, Office of Municipal Affairs, based on local sales data and appraisals. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the Equalized Weighted Assessed Valuation (EWAV).

The valuations are then adjusted by the ratio that the community's median family income bears to the statewide median family income, as reported in the most recent federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property. Once community wealth is determined, it is divided by pupil counts to calculate the per pupil wealth for each community compared to the per pupil wealth for the state as a whole.

B. The FY 2008 student counts are shown in column *B* based on the resident average daily membership as of September 1. Average daily membership calculates an average of the number of days all students are formally members of a district and/or a school per year.

C. The resulting relative per pupil community wealth is then multiplied by 62.0 percent, the mean state reimbursement, and subtracted from 1.0, yielding the district's share ratio. This represents the approximate average district share of school support as mandated in Rhode Island General Laws, Section 16-7-39. The result is subtracted from 100 percent to yield the share ratio.

D. Column *D* adjusts the share ratio so that each district receives at least 30 percent as set in law.

E. Regional districts receive a two percent bonus for each regionalized grade for new construction projects and an additional four percent bonus for renovation projects in accordance with Rhode Island General Laws, Section 16-7-40. Additionally, bonuses of four percentage points are given for projects that demonstrate that at least 75 percent of their costs are for energy conservation, asbestos removal, and/or handicapped access.

F. Column *F* shows the final share ratio with the inclusion of any regional bonuses.

<i>District</i>	<i>A</i> <i>Property Values</i> <i>12/31/05</i>	<i>B</i> <i>FY 2008</i> <i>Student</i> <i>Count</i>	<i>C</i> <i>Base</i> <i>Share</i> <i>Ratio</i>	<i>D</i> <i>Adjust for</i> <i>30%</i> <i>Minimum</i>	<i>E*</i> <i>Regional</i> <i>Bonus</i>	<i>F</i> <i>Final</i> <i>Share</i> <i>Ratio</i>
Barrington	\$ 4,284,459,606	3,385	9.2%	30.0%		30.0%
Burrillville	1,572,492,722	2,581	56.3%	56.3%		56.3%
Coventry	3,706,775,434	5,216	49.0%	49.0%		49.0%
Cranston	7,865,231,176	10,247	45.0%	45.0%		45.0%
Cumberland	4,221,471,034	4,820	37.2%	37.2%		37.2%
East Greenwich	3,793,887,031	2,364	-15.1%	30.0%		30.0%
East Providence	4,012,867,524	5,639	49.0%	49.0%		49.0%
Foster	247,853,839	268	33.7%	33.7%		33.7%
Glocester	442,917,407	558	43.1%	43.1%		43.1%
Jamestown	2,858,807,170	702	-192.1%	30.0%		30.0%
Johnston	2,907,985,339	3,215	35.1%	35.1%		35.1%
Lincoln	3,192,262,015	3,345	31.6%	31.6%		31.6%
Little Compton	2,039,862,170	437	-234.8%	30.0%		30.0%
Middletown	2,788,114,100	2,386	16.2%	30.0%		30.0%
Narragansett	5,499,803,922	1,476	-167.2%	30.0%		30.0%
Newport	5,068,340,003	2,170	-67.5%	30.0%		30.0%
New Shoreham	2,136,886,651	142	-979.2%	30.0%		30.0%
North Kingstown	4,909,142,457	4,245	17.1%	30.0%		30.0%
North Providence	2,739,610,511	3,140	37.4%	37.4%		37.4%
North Smithfield	1,639,315,710	1,876	37.3%	37.3%		37.3%
Pawtucket	3,284,962,653	8,876	73.5%	73.5%		73.5%
Portsmouth	3,929,406,962	2,695	-4.6%	30.0%		30.0%
Providence	7,320,941,991	25,052	79.0%	79.0%		79.0%
Scituate	1,931,149,409	1,734	20.1%	30.0%		30.0%
Smithfield	3,062,301,293	2,497	12.0%	30.0%		30.0%
South Kingstown	5,656,487,030	3,776	-7.4%	30.0%		30.0%
Tiverton	2,465,575,985	2,004	11.8%	30.0%		30.0%
Warwick	10,468,089,836	10,723	30.0%	30.0%		30.0%
Westerly	4,921,526,772	3,380	-4.4%	30.0%		30.0%
West Warwick	2,030,516,358	3,579	59.3%	59.3%		59.3%
Woonsocket	1,560,354,986	6,222	82.0%	82.0%		82.0%
Bristol/Warren	4,187,672,583	3,456	13.1%	30.0%	28.0%	58.0%
Exeter/West Greenwich	2,172,394,427	1,943	19.8%	30.0%	26.0%	56.0%
Charlho	4,450,083,984	3,683	13.3%	30.0%	26.0%	56.0%
Foster/Glocester	1,273,661,753	1,523	40.0%	40.0%	14.0%	54.0%
Central Falls	321,258,790	3,605	93.6%	93.6%		93.6%
Davies/Deaf/Met		1,590				
TOTAL	\$124,964,470,633	144,550				

**Only regional bonuses are shown here. Other bonuses are project specific.*