



Four essential principles for Rhode Island's funding formula

A sound funding formula can unlock—and is unlocking—Rhode Island's potential for educational excellence. When the General Assembly passed legislation creating a funding formula in 2010,¹ our system of school finance took a giant leap forward. As we consider next steps, research and common sense tell us that, while there may be room for refinements, there are four principles to which our formula must adhere.

1. *The formula must remain student-centered.*

The 2010 formula places students and their needs at the heart of the funding system. Maintaining this standard will require Rhode Island to:

- *Continue funding local education agencies by average daily membership, so LEAs receive dollars for the students they serve.* This commonsense approach places Rhode Island among the majority of states that fund LEAs by ADM or enrollment.²
- *Continue funding students based on educational need.* Research shows that students who start out with disadvantages often need additional resources to reach their potential.³ A majority of states weight student funding by income level (like Rhode Island), English-language learner status and disability status.⁴ If Rhode Island adjusts funding for these groups, it must act strategically to avoid creating perverse incentives that could cause LEAs to over-identify students as disabled or ELL; that is why the state created a categorical funding stream for students with disabilities in 2010, rather than adding a weight to the per-pupil formula.⁵ Still, funding for student need is important and prevents funding inequities that were commonplace before implementation of the new formula (for example, in 2008, Glocester received \$240 more per pupil in state aid than East Providence, despite having half the percentage of students eligible for free and reduced-price lunch⁶).
- *Continue funding students, not programs.* Sending dollars to LEAs as per-pupil funding gives districts the flexibility to adapt to changing demands and to innovate and provide services that best meet their students' needs.⁷ As schools move toward personalized learning and implement new instructional delivery models, funding flexibility is even more critical. Rhode Island is a national leader in flexible, student-centered funding, and other states are following suit: Between 2008 and 2013, 29 states decreased their number of restricted, categorical funding programs, while only 14 states increased the number of these programs.⁸ California is an especially strong example: In 2013, the state streamlined its funding formula in a fashion very similar to Rhode Island, eliminating dozens of categorical funding streams and funneling those dollars instead toward flexible, student-based funding.⁹

¹ R.I. General Laws § 16-72-3.

² Amy M. Hightower, Hajime Mitani and Christopher B. Swanson, "State Policies That Pay: A Survey of School Finance Policies and Outcomes," Editorial Projects in Education, Inc. (2010), page 4, accessed October 9, 2015, <http://www.mikemcmahon.info/StateFundingStudy10.pdf>.

³ Duncombe, William D., and Yinger, J. "Measurement of Cost Differentials." In Handbook of Research in Education Finance and Policy, edited by Helen F. Ladd and Edward B. Fisk (New York: Routledge, 2008), 238 - 256.

⁴ Amy M. Hightower, Hajime Mitani and Christopher B. Swanson, "State Policies That Pay: A Survey of School Finance Policies and Outcomes," Editorial Projects in Education, Inc. (2010), page 7, accessed October 9, 2015, <http://www.mikemcmahon.info/StateFundingStudy10.pdf>.

⁵ Kenneth K. Wong, "The Design of the Rhode Island School Funding Formula: Toward a Coherent System of Allocating State Aid to Public Schools," Center for American Progress (2011), page 14, accessed October 26, 2015, https://www.americanprogress.org/wp-content/uploads/issues/2011/08/pdf/rhode_island_reform.pdf.

⁶ Martin West, "Fund the Student: A Plan to Fix Rhode Island's Broken Public School Finance System," Public Impact (2009), page 15, accessed October 9, 2015, http://publicimpact.com/publications/Fund_the_Student_Rhode_Island.pdf.

⁷ Larry Miller, Marguerite Roza and Suzanne Simburg, "Funding for Students' Sake: How to Stop Financing Tomorrow's Schools Based on Yesterday's Priorities," Edvance Research (May 2014), accessed October 9, 2015, http://edonomicslab.org/wp-content/uploads/2014/05/chap2_SEAF3_Miller_Roza_Simburg.pdf.

⁸ Joanna Smith et al., "Categorical Funds: The Intersection of School Finance and Governance," Center for American Progress (2013), accessed October 10, 2015, <http://www.americanprogress.org/wp-content/uploads/2013/11/CategoricalSpendingI-brief-4.pdf>.