



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
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State Fiscal Note for Bill Number:

2025-S 0102

Date of State Budget Office Approval: Monday, February 24, 2025

Date Requested: Friday, January 31, 2025

Date Due: Saturday, February 15, 2025

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2025	\$0	FY 2025	N/A
FY 2026	\$15,185,594	FY 2026	N/A
FY 2027	\$16,218,986	FY 2027	N/A

Explanation by State Budget Office:

This Act amends RIGL § 16-7.2-4, entitled "Determination of State's Share," by limiting any reduction in education aid distributed to any Local Education Authority (LEA) to be no more than 1.0 percent of the municipal education appropriation in the previous year.

Summary of Facts and Assumptions:

The bill takes effect upon passing, which is assumed to be July 1, 2025.

The bill defines education aid received by a LEA as the education aid calculated by the funding formula and the aid distributed through the categorical funds. These categorical funds are explicitly subject to annual appropriations, and this analysis assumes that all categorical fund appropriations to each LEA will be level funded with the FY 2025 enacted budget for each fiscal year contained in this analysis.

This analysis calculates regional School district aid at the aggregate level of funding for all municipalities that comprise the regional school district. If an individual municipality experiences a reduction in formula aid of more than 1.0 percent of the municipal education appropriation, but the entire regional district experiences an increase in aid, it is assumed funding to the district complies with provisions of the bill.

The Division of Municipal Finance (DMF) tracks and publishes each municipality's annual education appropriation. At the time this fiscal note was produced, the most recent audited expenditure data published by DMF is for FY 2023. This data is used as the municipal appropriation for each fiscal year contained in this analysis. This assumption likely underestimates the municipal appropriation for some LEAs as RIGL 16-7-23 requires a municipality's education appropriation to be at least equal to the previous fiscal year's appropriation. It is likely some municipalities have increased their education appropriation compared to FY 2023. An increase to the municipal appropriation would also increase the maximum allowable decrease in state education aid, potentially reducing the reported fiscal impact of this bill. It is anticipated that the potential overstate is minimal, as an increase of \$1.0 million in municipal education appropriation would only increase the maximum allowable reduction in State education aid by \$10,000.



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RIGL § 16-7.2-4(c) establishes the Poverty Loss Stabilization Fund (PSLF) and dictates that any district that experiences a year-over-year decline in the state share ratio of education aide of greater than 2.0 percent shall be entitled to additional aid equal to half of the year-over-year reduction. As such, many LEAs with scheduled aid reductions for FY 2026 are already slated to receive a payment from the PSLF to offset the reduction. This analysis therefore considers the cost of this bill to be equal to only the funds needed to bring LEAs up to a total reduction equal to 1.0 of their respective municipal appropriations from the current funding level inclusive of the scheduled PSLF payment. For some LEAs, the PSLF payment brings the overall funding cut back within the maximum reduction levels as defined by this bill, and this analysis assumes that such LEAs will not require any additional disbursement of funds as a consequence of this bill's passage. This analysis further assumes that in such scenarios, it is not the intention of this bill's language that any excess PSLF payment be recouped from a LEA so as to bring their overall reduction back to an even 1.0 percent cut.

FY 2025:

Due to the assumed date of passage there will be no fiscal impact in FY 2025.

FY 2026:

The estimated fiscal impact for FY 2026 is based on current law and does not contemplate any recommended adjustments to the funding formula included in the FY 2026 Governor's Recommended Budget.

The calculated total education aid based on current law for FY 2026 would result in decreased state education aid for 24 LEAs, 17 of which are projected to experience a reduction greater than 1.0 percent of their municipal education appropriation. Five of those 17 LEAs (Charlestown, Glocester, Johnston, Richmond, and Tiverton) are scheduled to receive a PLSF payment of an amount sufficient that their net aid funding reduction will be less than 1.0 percent of their municipal appropriation. Therefore, this analysis assumes that no additional FY 2026 disbursement of funds would be granted to those four LEAs given the passage of this bill. The financial summary of the ten impacted LEA is as follows:

Barrington:

FY 2026 Reduction Compared to FY 2025: \$2,083,499

Maximum FY 2026 Reduction: \$494,405

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$1,041,750

Additional Disbursement Required: \$547,344



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Burrillville:

FY 2026 Reduction Compared to FY 2025: \$526,051

Maximum FY 2026 Reduction: \$211,601

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$0

Additional Disbursement Required: \$314,449

Cranston:

FY 2026 Reduction Compared to FY 2025: \$2,341,554

Maximum FY 2026 Reduction: \$985,119

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$0

Additional Disbursement Required: \$1,356,436

East Greenwich:

FY 2026 Reduction Compared to FY 2025: \$2,074,575

Maximum FY 2026 Reduction: \$387,696

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$1,037,288

Additional Disbursement Required: \$649,592

Middletown:

FY 2026 Reduction Compared to FY 2025: \$925,565

Maximum FY 2026 Reduction: \$299,774

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$462,782

Additional Disbursement Required: \$163,008



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Newport:

FY 2026 Reduction Compared to FY 2025: \$1,710,829

Maximum FY 2026 Reduction: \$272,777

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$855,415

Additional Disbursement Required: \$582,638

North Kingstown:

FY 2026 Reduction Compared to FY 2025: \$1,254,979

Maximum FY 2026 Reduction: \$577,735

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$627,490

Additional Disbursement Required: \$49,755

North Providence:

FY 2026 Reduction Compared to FY 2025: \$1,076,238

Maximum FY 2026 Reduction: \$328,503

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$0

Additional Disbursement Required: \$747,736

Pawtucket:

FY 2026 Reduction Compared to FY 2025: \$3,997,150

Maximum FY 2026 Reduction: \$328,059

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$0

Additional Disbursement Required: \$3,669,091



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Providence:

FY 2026 Reduction Compared to FY 2025: \$7,995,272

Maximum FY 2026 Reduction: \$1,300,466

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$0

Additional Disbursement Required: \$6,694,806

Warren:

FY 2026 Reduction Compared to FY 2025: \$772,196

Maximum FY 2026 Reduction: \$132,701

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$386,098

Additional Disbursement Required: \$253,397

Foster-Glocester Regional:

FY 2026 Reduction Compared to FY 2025: \$656,529

Maximum FY 2026 Reduction: \$171,122

Pre-existing Poverty Loss Stabilization Fund Disbursement: \$328,465

Additional Disbursement Required: \$157,342

In total, the additional FY 2026 disbursement of funds to LEAs is estimated to be \$15.2 million. It should be noted that this fiscal note was completed prior to the Rhode Island Department of Education's release of the March update to the FY 2026 funding formula calculation, which will likely change the reported fiscal impact of this bill.

A description of each calculated item is as follows:

FY 2026 Reduction compared to FY 2024: This item calculates the reduction of education aid in FY 2026 compared to FY 2025. For each LEA the FY 2026 distribution is subtracted from the FY 2025 distribution (FY 2026 Distribution - FY 2025 Distribution = FY 2026 Reduction compared to FY 2025).



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Maximum FY 2026 Reduction: This item calculates the maximum amount education aid can be reduced in FY 2026 compared to the FY 2025 distribution. For each LEA the most recent municipal education appropriation published by DMF (FY 2023) is multiplied by 0.01 to calculate 1.0 percent of the municipal education appropriation (Most Recent Municipal Education Appropriation * 0.01 = Maximum FY 2026 Reduction).

Additional Distribution Required: This item calculates the additional state aid distribution needed to comply with the provisions of this bill. For each LEA with a reduction of education aid in FY 2026 compared to FY 2025, the amount of the reduction is subtracted from the maximum reduction allowed. From this calculated variance is subtracted the sum of any scheduled PLSF payment, ultimately totaling to the additional distribution needed in FY 2026 to comply with the provisions of this bill ((FY 2026 Reduction compared to FY 2025 * 0.01 * -1) - Maximum FY 2026 Reduction = Additional Distribution Required).

FY 2027:

The FY 2027 education aid distribution has not been calculated at the time of this analysis. The aid each LEA will receive in FY 2027 is unknown, thus the FY 2027 fiscal impact of this bill's passage cannot be rigorously estimated.

The Governor's Recommended FY 2026 budget published in January included a General Revenue Outyear Expenditure Forecast which, among other itemized forecasts, lists projected annual expenses for statewide education aid from FY 2026 to FY 2030. From FY 2026 to FY 2027, education aid expenditures are projected to grow by a rate of 6.8 percent. This analysis assumes this forecasted growth rate to be a reasonable proxy for the expected growth rate of costs related to this bill from FY 2026 to FY 2027, and further assumes that all exogenous input factors such as school age population and socioeconomic distribution will in FY 2027 remain at levels comparable to FY 2026. Given that the total estimated FY 2026 cost of this bill is \$15.2 million, applying a 6.8 percent growth rate to that total leads to an estimated cost of \$16.2 million for FY 2027. Given the variety of exogenous factors that could affect FY 2027 education aid disbursements, such as enrollment changes and what audited actuals expenses may reflect for FY 2024 onward, this FY 2027 estimate should be considered to have a much larger margin of error than the FY 2026 estimate.

Comments on Sources of Funds:

All costs associated with the bill would be financed with general revenue.



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Summary of Fiscal Impact:

FY 2025: No fiscal impact due to assumed timing of passage.

FY 2026: \$15,185,594

FY 2027: \$16,218,986

Budget Office Signature: _____

A handwritten signature in black ink, appearing to read "John M. Delaney", written over a horizontal line.

Fiscal Advisor Signature: _____

A handwritten signature in blue ink, written over a horizontal line. To the right of the signature, the words "(see attachments)" are written in blue ink and enclosed in a large blue parenthesis.



SENATE FISCAL OFFICE COMMENTS

2025-S-0102: An Act Relating to Education – the Education Equity and Property Tax Relief Act

The bill limits the year-over-year reduction in education aid to a community, including funding formula and categorical aid, to 1.0 percent of the local appropriation to the local education agency for the previous fiscal year. The fiscal note uses FY2026 state aid values based on the October 1, 2024, enrollment data; however, pursuant to law, the enacted education aid calculation must be based on calendar year 2025 (March 2025) enrollment data.

The most recent local appropriation data available through the Division of Municipal Finance is for FY2023; consequently, Senate Fiscal Staff looked at how this bill would have impacted the FY2024 Budget as Enacted.

In the FY2024 Budget as Enacted, eight communities experienced a decrease in total, distributed education aid relative to the FY2023 Budget. Of the eight, only six would have triggered this bill by experiencing a decrease greater than 1.0 percent of the local appropriation to education, resulting in an additional aid appropriation of \$622,506. It should be noted that, since Central Falls does not

Districts	FY2024 Education Aid	Change to FY2023 Enacted	1.0 Percent of Local FY2023 Appropriation to Education	Additional Aid per 2025-S- 0102
Burrillville	\$14,124,619	(\$285,498)	(\$211,601)	\$73,897
Little Compton	362,327	(86,551)	(76,385)	10,166
Middletown	7,897,254	(579,134)	(299,774)	279,359
Narragansett	2,256,135	(15,143)	(276,108)	-
Newport	15,212,109	(486,843)	(272,777)	214,066
New Shoreham	151,991	(88,801)	(53,728)	35,073
Portsmouth	3,593,687	(178,558)	(359,699)	-
Tiverton	6,961,353	(275,416)	(265,472)	9,944
Total				\$622,506

currently appropriate funding to the local education agency, under this bill the district would not see a decrease in education aid unless a local appropriation was made.

This illustrates the impact in one fiscal year and results could vary widely based on appropriations.

Of note, local appropriation data is several years behind and would have to be provided in a more timely manner to effectuate this legislation.



