

# **Newport School District Management Study**



**RIPEC**

**Rhode Island Public Expenditure Council**

April 2004

April 5, 2004

Mr. Terrence Maguire  
Chairman - Newport School District Advisory Committee  
63 Eustis Avenue  
Newport, RI 02840

Dear Chairman Maguire:

On behalf of RIPEC, I am pleased to present to you the findings and recommendations from our analysis of the Newport's School District's FY 2004 operating budget and the peer district benchmarking analysis. The report includes a number of observations and suggestions about how the School District can strengthen its budget management systems.

The Advisory Commission provided valuable insight and guidance in developing the work, making significant contributions to the direction, findings and recommendations in this report. Several School District employees were very helpful in developing the information used and discussed in this report, and their efforts were appreciated.

RIPEC hopes the following report serves as a catalyst to addressing the fiscal issues facing the School District, and RIPEC stands ready to assist the City in these efforts.

Sincerely,

Gary S. Sasse  
Executive Director

cc: Mary Canole, Superintendent of Newport Public Schools  
David S. Gordon, School Committee Chair  
The Honorable Richard C. Sardella, Mayor  
James C. Smith, City Manager

# Newport School District Management Study

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## I. Executive Summary

The following highlights key findings and recommendations from the RIPEC Newport School District Management Study presented April 5, 2004.

### Selected Findings:

- Newport's FY 2004 operating budget for schools totals \$34,672,216, representing an operating deficit no greater than \$434,335. Given projected savings in selected special education accounts, there is the potential to reduce this operating gap to approximately \$200,000;
- The five-year forecast of School District operating budgets show an FY 2005 deficit of \$1.0 million with gaps increasing to nearly \$5.5 million by FY 2009. Future collective bargaining agreements could have an additional impact on the five-year forecast. How the FY 2004 budget gap is closed will determine how the FY 2005 gap emerges;
- The gains the City of Newport has experienced in both Median Family Income and overall property wealth appear counter-intuitive to the increasing concentration of poor children attending Newport public schools; and
- Newport's declining enrollment combined with greater concentrations of students with economic and special needs, pose significant challenges to managing both the District's operating budget and facility use.

### Major Recommendations:

- *All Funds Budgeting* - Given that Newport Schools could spend nearly \$4.0 million in Federal Funds annually, the school district budget should integrate these expenditures in detail into the annual operating budget;
- *Indirect Cost Recovery* – The School District currently does not pursue Federal indirect cost recoveries, which permit school districts to allocate a portion of the Federal grant to offset administrative costs associated with the grant. This has the potential for generating nearly \$150,000 in annual relief to the general fund.
- *Internal Financial Management* – There is a need to improve internal expenditure and financial management practices within the School District. While there has been recent improvement in budgeting practices, the ambiguity in the School District/City FY 2004 budget discussions represent a symptom of this issue.
- *Modernize Annual Budget Documents* - The Budget Document itself, while an improvement over previous documents, could be improved. For example, there should be greater detail on personnel expenditures, which would serve as a valuable addition to the document.



## II. Introduction

On January 5, 2004, the City of Newport and the Newport School Department engaged RIPEC to direct the preparation of a five-year financial forecast of school spending and a benchmarking analysis that includes six peer Rhode Island school districts. The forecast will be used as a tool for the City and its school district to begin addressing any issues raised by the analysis. The benchmarking analysis will permit local policymakers and taxpayers to review how Newport schools compare in terms of spending, revenue sources and student populations, and can be used to raise questions regarding Newport's relative position on certain issues.

### Work Plan

Financial Status Report: In cooperation with the Advisory Group, the City Administration and the School Department, RIPEC developed a status report on the School Department's FY 2004 operating budget, including estimating spending needs, reviewing estimated revenue and projecting year-end closing. This was used as the baseline for developing a five-year forecast.

In cooperation with the Advisory Group, the School Department and City personnel, RIPEC collected information and evaluated the various aspects of each major expenditure and revenue activity in the School Department. This included interviews with key officials as well as a wide range of documentation. Examples of key documents reviewed included, but were not limited to:

- Operating and Capital Budgets;
- Detailed In\$ite documentation;
- Annual Financial Reports and Auditor's Reports and Management Letters;
- Existing employee labor agreements; and
- City tax base information (I.e. valuation data, overall revenue sources and yields).

Five-year Financial Forecast: The forecast includes an analysis and projections of school expenditures in order to identify the factors driving school spending. Revenue projections included all revenue items currently included in the School Committee's annual operating budget. The forecast was designed in a manner that will permit some degree of sensitivity analysis based on the assumptions used. In order to ensure the forecast reflected local needs, RIPEC asked the Advisory Group to:

- Review findings regarding the FY 2004 financial position;
- Review and assess assumptions used in the five-year forecast;
- Discuss and evaluate preliminary forecasts; and
- Review and comment on final RIPEC five-year forecast.

Benchmarking Analysis: The benchmarking analysis compares Newport schools to six peer school districts in Rhode Island. Based on criteria suggested by RIPEC, the districts included in the benchmarking study were selected by the Advisory Group. The Advisory Group considered factors such as district size, socio-economic characteristics, and the community's economic base. The

analysis benchmarked spending for student groups, major expenditure categories, as well as the City's relative tax base and burden. RIPEC requested that the Advisory Group:

- Select six peer school districts to include in the benchmarking study;
- Identify key comparisons to be made as part of the benchmarking study (salaries, benefits, program costs, selected student performance measures, etc);
- Select the key characteristics to include in the socio-economic profiles of Newport and the peer school districts (students, teachers, tax base, etc);
- Discuss and evaluate preliminary findings of the benchmarking study; and
- Review the RIPEC findings and analysis developed from the benchmarking study.

The following report summarizes the findings of the work presented to the Newport Advisory Group. The report includes, but is not limited to:

- A status report of the Newport School District's FY 2004 operating budget;
- A forecast of School District revenue and spending patterns over a five-year period that includes a sensitivity analysis given certain assumptions; and
- A Benchmarking analysis that includes Newport and six Rhode Island school districts that reviews socio-economic data, expenditure, revenues, and student performance.

### III. Status Report of the FY 2004 Operating Budget

**Overview of School District Request** - In FY 2004, the Newport School District requested \$35.3 million in total operating spending, of which \$22.4 million would be required from City appropriations. This represented 63.5 percent of the total resources needed to support the District's request. The \$22.4 million request in City funds would have been \$2.6 million more than the FY 2003 City appropriation (\$19.8 million) – a 13.1 percent increase during this period. The \$12.8 million balance of the School District budget request is supported with State Education Aid, selected Federal funds and several local revenues (primarily tuition).

The School District based its State Education Aid Program on the Governor's FY 2004 Budget request, which included \$10.9 million – no change from the FY 2003 appropriation. The School District did not forecast any growth in School aid given the uncertainty at the State level.

While the School District reported that it would lose approximately \$139,000 in State aid based on the Governor's FY 2004 budget request, this change does not adversely affect school operations. The reduction in State aid is related to the State's school housing aid program, which assists local communities in financing school-related capital expenditures through a cost-sharing program. The State fully-funds this program each year. However, each community's State aid under this program is a function of the level of debt service eligible under the program and the community's relative pupil wealth to the State average, which is then converted into a share ratio. The Newport School District has shifted both the debt-related expenditures and the revenues required for financing the debt from its accounts to the City's books. Therefore, while the School District's FY 2004 budget displays a loss in State aid, it is only the case in that previous fiscal years are not adjusted to account for the shift of the revenue and expenses to the City accounts.

The School District's Direct Aid Federal Budget request of \$1.4 million represents a \$290,000 net reduction in anticipated aid. This is principally driven by an anticipated reduction of \$242,000 in Federal Impact Aid (PL-847). Another program of note is the School Department's efforts to receive reimbursement under Federal Medicaid programs, where the anticipated revenue is projected to decline by \$50,000.

In the spring of each year the Department prepares and the School Committee approves the Consolidated Resource Plan, which outlines other sources of funding, including a number of other Federal Funds that are received annually by the School Department. These funds are considered Special Revenue Funds, and therefore are not presented as part of the District's operating plan, but are presented in the Consolidated Resource Plan. These funds serve a key purpose in supporting fundamental operations of the School Department. These funds include Title I funds, Title II funds as well as others related to supporting special needs, teacher professional development and anti-violence in schools. These funds also support additional staff that may not otherwise appear in District budget documents. In FY 2003, the Department expects to receive nearly \$2.5 million in

#### Capital Improvement Fund

The Newport School District requested \$460,000 in capital improvement funding for various projects within the school system.

The City has appropriated \$500,000 in support of the District's capital improvement needs, representing an 8.7 percent increase over the request.

These funds are not for general operations, and therefore have been excluded from this discussion.

Federal funding under these programs. In FY 2004, the School Department's estimate of these funds was level-funded. However, the School District is entitled to approximately \$2.8 million, which does not include carry-over from previous fiscal years. There is additional discussion regarding Federal funding below.

### **Actions on the Budget to Date**

The City has appropriated \$20.8 million to support the Newport School District general operations, representing a \$1.0 million increase over the FY 2003 appropriation. This represents a 5.1 percent increase in City funds dedicated to support school operations. This level of support would result in a total budget for the School District of \$33.6 million – a \$1.6 million decrease from the original Department request. In other words, the School Department's approved budget is 95.4 percent of the amount requested.

Therefore, efforts have begun to close the \$1.6 million gap between the School District request of \$35.3 million and the approved budget of \$33.6 million. The School District has submitted and approved \$365,062 in spending reductions, reducing its budget request to \$34.9 million. However, in conversations with the School Department, it appears that the \$20,000 in projected savings through position consolidation will not transpire, therefore, the District anticipates \$345,062 in projected savings from the following actions:

- \$135,000 in reductions in personnel expenditures, including a \$75,000 savings in teacher retirement costs (replacing retirees with lower-cost employees) and \$60,000 savings for eliminating the marine occupations teacher position;
- \$90,000 in various reductions in existing expenditures for electricity, supplies, travel, equipment replacement and repair, and audio-visual equipment;
- \$75,000 in reductions in the District's computer hardware replacement program; and
- \$46,000 in savings from the energy education program.

In addition to the spending reduction noted above, an additional \$521,600 in revenues to support the spending plan have been identified:

- \$410,396 in funds derived from the School District's ending balance from FY 2003 due in part to recognized revenues and shifting certain expenditures to Federal accounts; and
- \$111,201 in additional State education aid that was included in the FY 2004 Budget as Enacted for the City of Newport. As noted earlier, the School District Budget request and the City's approved budget were based on the Governor's request prior to any actions taken by the State's General Assembly.

Therefore, budget reduction actions and unanticipated revenues to date have reduced the estimated gap between the School District's request and approved spending to **\$752,365**. This remaining gap represents approximately 2.2 percent of the revised budget request of \$34.9 million.

**Newport School District Budget Statement  
As of January 20, 2004**

Budget Status	Total	City	Other
School District Budget Request	\$35,256,275	\$22,420,353	\$12,835,922
Adopted Budget Per City Budget as Enacted	33,637,251	20,801,329	12,835,922
<b>Differential in Request</b>	<b>(\$1,619,024)</b>	<b>(\$1,619,024)</b>	\$0
Gap as Percent of Request	4.6%	7.2%	
<b>Expenditure Reduction Actions</b>	<b>(\$345,062)</b>	<b>(\$345,062)</b>	\$0
<b>Revised School District Request</b>	<b>\$34,911,213</b>	<b>\$22,075,291</b>	<b>\$12,835,922</b>
<b>Revised Estimated Spending Differential</b>	<b>(1,273,962)</b>	<b>(1,273,962)</b>	0
<b>Revenue Changes</b>			
FY 2003 General Fund Ending Balance	\$410,396	\$410,396	\$0
Unanticipated State Education Aid	111,201	0	111,201
<b>Net Change in Revenues</b>	<b>\$521,597</b>	<b>\$410,396</b>	<b>\$111,201</b>
<b>Net Approved Spending Plan</b>	<b>\$34,158,848</b>	<b>\$21,211,725</b>	<b>\$12,947,123</b>
<b>Estimated Budget Gap from Revised Request</b>	<b>(\$752,365)</b>	<b>(\$863,566)</b>	\$111,201
Gap as Percent of Budget	2.2%	4.1%	
<i>Note: Does not include any capital improvement funds (\$500,000 in FY 2004) because they do not affect operations</i>			
Source: RIPEC Calculations Based on Newport School District Data			

**Potential Actions to Close FY 2004 Operating Budget Gap** - There are clearly no easy solutions to developing an action plan to close an estimated gap between the District's budget request and the enacted budget of \$752,365 half way through the fiscal year. Potential actions require making difficult choices, and one must often forego expenditures and/or programs that are significant. However, developing, enacting and managing complex budgets must work within an environment of limited resources. Therefore, the following suggestions are put forth for discussion to identify those that may serve to meet the City and School District's needs in closing the estimated budget gap.

\$39,900 - Retiree Dental Typographical Error – In FY 2004, the School District budgeted \$166,805 for Retiree dental insurance, rather than \$126,905 – a \$39,900 typographical error. This change reduces the projected budget gap by said amount.

\$30,213 - Budgeted Salary Adjustments – The School Committee decided to provide salary increases to administrative and non-union support staff similar to those included in collective bargaining unit agreements. The FY 2004 School Budget has \$30,213 in its general fund remaining set aside for this action. Therefore, given the school committee's decision, these funds can be used to reduce the expenditure plan.

\$35,000 – School District Management of Spending – The school department has essentially “shut-down” all non-essential expenditures as of November 2003. This is an effective method of managing down the expenditures over a period of time to begin closing the anticipated budget gap. The school department has already experienced some savings through declining to purchase certain items. RIPEC encourages the school district to continue its aggressive review of all non-essentials and to target savings of \$5,000 per month over a seven-month period (December through June).

\$133,844 – Realized Attrition – Through December 31, 2003, the School District has achieved an additional savings of \$133,844 in personnel costs through attrition and holding positions open. The School District should continue to be aggressive in this area, and it should report to the School Committee, City Council and the Advisory Group with any progress on a monthly basis.

\$79,000 - Unrecognized State Education Aid – The School District built its FY 2004 budget based on the Governor’s FY 2004 Budget Request. The School District would not be able to forecast General Assembly actions in the Enacted Budget. However, the School district did not adequately recognize additional school aid that was enacted by the General Assembly. The School District’s FY 2004 budget was built assuming the Governor’s budget request. The FY 2004 State budget included an additional \$190,234 in aid to the Newport School District. The School District recognized \$111,201 of the additional State funds, adjusting the figure for what was thought to be FY 2003 school aid. This adjustment was not necessary – therefore there is approximately \$79,000 in State education aid that was not accounted for in previous budget discussions.

*FY 2004 Revised Budget:* Given these expenditure and revenue adjustments, RIPEC estimates that the School District’s FY 2004 operating budget would total \$34,672,216, and revenues would total \$34,237,881, thereby resulting in an estimated budget gap of \$434,335. This figure represents RIPEC’s evaluation of existing obligations of the School District. One should note that this revised budget represents expenditures prior to any additional reductions that may be discussed by the Advisory Group. Therefore, RIPEC estimates that total expenditure reductions from the School District’s original budget request represent 1.0 percent of the total budget. One should note that the change in the District’s FY 2004 plan includes \$380,000 in net reductions in actual expenditures. The remaining adjustments represent errors, uncommitted funds, or common management practices of vacancies.

As of February 9, 2004, the School District indicated that there were no other outstanding issues to consider, and agreed that the projected operating deficit of \$434,335 was accurate. However, recent information has developed indicating that the School district expects to experience an additional \$950,000 in out-of-district special education expenditures. Given current allocations to out-of-district accounts, the District believes it will have a \$500,000 shortfall.

However, further School District analysis indicates that other special education accounts within the school district’s budget would experience surpluses, totaling approximately \$600,000, resulting in a net surplus of approximately \$100,000. RIPEC’s preliminary analysis concurs, although the net surplus could range between \$100,000 and \$250,000 given the School District has already experienced nearly three full quarters of expenditures for the fiscal year. Given this information, the projected operating deficit for FY 2004 could range from a low of \$200,000 to a high of \$434,335.

**Newport School District Budget Statement  
As of February 23, 2004**

Budget Status	Budget
<b>School District Original Budget Request</b>	\$35,716,275
School District Reductions	(\$345,062)
<b>School District Revised Budget Request</b>	\$35,371,213
Less Asset Protection Expenditures	(\$460,000)
<b>Net School District Budget Request</b>	\$34,911,213
<b>Expenditure Changes</b>	
Retiree Dental Coverage - Data Entry Error	(39,900)
Salary Adjustments - Non Committed Funds	(30,213)
School Attrition Savings to Date (12/31/03)	(133,884)
School District Management of Spending (RIPEC Forecast)	(35,000)
<b>Revised FY 2004 Spending Plan</b>	<b>\$34,672,216</b>
<b>FY 2004 Adopted Revenues</b>	\$33,637,251
<b>Proposed Revenue Actions</b>	
FY 2003 General Fund Ending Balance	\$410,396
Unanticipated State Education Aid	111,201
Unrecognized State Education Aid	79,033
<b>Revised Revenues</b>	<b>\$34,237,881</b>
<b>Revised Budget Differential</b>	<b>(\$434,335)</b>

*Note: Does not include any capital improvement funds (\$500,000 in FY 2004 - a \$40,000 increase from request) because they do not affect operations*

Source: RIPEC Calculations Based on Newport School District Data

**Other Resources – Federal Funds** - The School District level-funded its budget for most of the Federal funds supporting school-spending programs – due to the difficult timing of budgeting the amount in the spring verses receiving confirmation of the actual entitlement in the following December. Again, there appears to be a difference in what the school district has budgeted for Federal funds and what the school district is entitled to in FY 2004. In Title I and Special Needs Federal Grants alone, there appears to be over \$150,000 in Federal funds that the School District is entitled to that are not proposed for expenditure in FY 2004.

Based on Rhode Island Department of Education data, there appears to be significant unspent Federal funds accumulated over several fiscal years. Federal grants often permit school districts to carry-forward unspent funds into subsequent fiscal years. In Title I and Special Needs Federal Grants alone, there appears to be over \$250,000 in unspent Federal funds since FY 2001.

Recently, school districts were permitted to seek reimbursement for selected special education related expenditures under the Federal Medicaid Program. The School Department has been successful in pursuing these funds and expects to collect more than \$650,000 annually from the program. CompuClaim is the private administrative operation that assists the school district in maximizing Medicaid funds. An area identified as having potential for reimbursement that the school district currently does not seek reimbursement is in the area of case management claims. There are issues regarding these expenditures that may require clarity from the Federal Government in how they can be treated under the reimbursement rules and regulations, but it is clear that there is potential for additional resources based on other school district experience. Should the Federal government decline the District's request to apply these expenditures for reimbursement, the District should continue monitoring this area to ensure that it is maximizing Medicaid eligible expenditures.

Most Federal grants permit the local entity to collect what are called "indirect cost recoveries" to assist school districts in supporting the administrative functions associated with managing the Federal grant. In other words, a portion of the Federal grant can be used to support general operations that are associated with managing the grant. Each Federal grant has different rules associated with indirect cost recovery, often ranging from 3.0 - 7.0 - percent, depending on the grant. The school district has chosen to use those funds for direct program support rather than to offset ongoing costs of administering Federal grants.

Some of these resources should be available to offset the projected \$434,000 operating deficit in FY 2004. However, these additional funds will have a greater impact in FY 2005 and thereafter. There is clearly a need for greater discussion regarding indirect cost recovery. To pursue additional indirect cost recovery may be at the expense of program expenditures. Therefore, policy choices may require further review. At a minimum, any growth in Federal grants should be allocated towards what can be recovered through indirect cost incentives in Federal Grants.

**Other Noteworthy Budget Issues to Consider** - Developing a School District budget is a complex process. One often has to make a number of assumptions on State school aid, Federal grants, staffing and enrollment. Timing of intergovernmental revenue and program decisions can have an impact on budget development. For example, the Newport School District begins and completes its annual budget process before the State agrees on school aid distributions. The District builds a budget that includes school aid as proposed by the Governor, who presents his budget in February. However, the school committee and the City will take action on the local budget prior to any changes included in the State Budget as Enacted. Similarly, Federal funding requires a Consolidated Resource Plan to be acted on in the spring, while actual Federal entitlements are not known until the following December.

*All Funds Budgeting - Federal and Other Funding* – A key issue facing the School District is that while it is often aggressive in pursuing Federal and other non-traditional funding to provide some relief to the general fund, these expenditures may require support after the alternative funding has ceased to exist. However, one must understand that the school department, and the City for that matter, experienced temporary budget relief during the life of the grant(s). Decision-makers must understand the implications of alternative funding sources, and the potential impact they will have on the operating budget in the future.

Given that the School District could spend nearly \$4.0 million in Federal Funds annually; all these funds and related staffing should be reflected in its annual operating budget and integrated into its annual spending decisions for the school committee. This is accomplished in part through the approval of the Consolidated Resource Plan, but it is a separate action and does not complete the picture of the District's total spending plan. These funds play a critical role in the overall fiscal health of the school district and support over 10.0 percent of the total school district spending plan. All funds budgeting also permits decision-makers to identify potential shifts in what resource can support ongoing program and administration expenditures, such as indirect cost recovery. This is critical, especially when finances are finite and there is limited flexibility in program due to laws and regulations.

For example, an important FY 2004 budget action was shifting approximately \$460,000 and 12.0 positions from a special revenue account to the School District's general operating budget. These expenditures were previously supported with a special Federal grant secured by Congressman Patrick Kennedy. The grant funding has expired as of June 2003, and the related expenditures have been moved onto the School District's general operating budget. According to the School Department, the grant provided \$750,000 each year for two years. The School Department used the funding to support a wide range of special education-related services. The Department shifted those expenditures that are mandated under current law and regulation to the general fund.

Clearly the School Department was able to take advantage of unique Federal funding opportunities to help support general operations. The Department should be encouraged to continue pursuing these opportunities when they arise. However, while it is critical to maximize Federal and non-traditional funding sources to relieve general funds from supporting all programs, it is important to understand the entire spending picture of the School District. This program is a good example of how changes in these funding streams can affect the entire school district budget. To put in terms of the FY 2004 budget debate, the program's related expenditures absorbed half of the City's increase in school funding from FY 2003.

*Internal Budgeting and Financial Management* - Another concern is the financial information of the FY 2004 budget and prior fiscal years. There are a number of issues raised by the data, and it makes it increasingly difficult to establish a good baseline from which to develop recommendations. However, the FY 2004 budget documents and supporting information represent an improvement over previous budget information and materials, enabling the School District to provide somewhat greater transparency in articulating the District's budget, its details and goals. However, there are a few actions that should be considered to further improve upon the strides made in the past year.

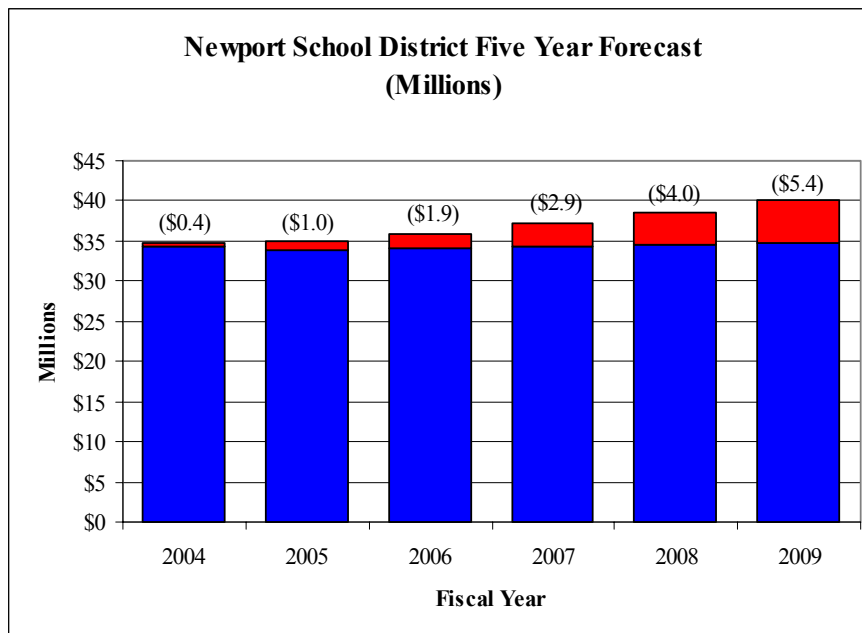
While there has been improvement in the budget and financial management process in the school district, there are certain areas that could use additional attention. For example, the budget tracking process lacks sufficient documentation to ensure that one can return to original budget requests and the rationale for changing budget proposals. Being able to track changes to the original budget request is essential for maintaining a coherent budget development process. The inability to provide documentation regarding potential FY 2004 shortfalls in a timely and accurate fashion is a symptom of this problem. The School District does develop a monthly financial summary report by major budget object to track expenditures over the course of the fiscal year. While it certainly could use greater detail, properly maintained, it could serve as a good management tool for the School District.

For example, many of the issues revolving around the out-of-district special education tuition liabilities should have shown up much earlier regardless of when the School District is billed in order to ensure that mid-year adjustments could be made to live within appropriations.

The Budget Document itself, while an improvement over previous documents, could be improved by a similar, less detailed version of the monthly document. A summary of the School District's expenditures that includes two years of actual data, the current year's enacted budget, the revised current year budget and the proposed (enacted) budget would be a valuable addition to the document. This summary budget information should include a level of detail that clearly identifies salaries, benefits (i.e. health care, pension contributions, etc), purchased services, supplies, and capital-related expenditures. This type of reporting will provide decision-makers and taxpayers with a clear summary of the District Budget. In addition, it may be helpful to taxpayers, decision makers, and for the School District to develop a personnel supplement that articulates the staffing patterns and costs of the school system. This of course should reflect all funding sources in order to provide a complete picture of the system's personnel obligations.

## IV. Five Year Forecast

The following section is a five-year financial projection to provide School and City policymakers a tool to identify issues that may arise in the near future. A forecast is designed to provide a baseline fiscal outlook for Newport taxpayers. While a forecast is a useful benchmark to assess various policy options, one should use caution when interpreting the data presented. **A forecast is only as good as the assumptions it is built upon.**



In summary, RIPEC projects the FY 2005 school district operating deficit to total approximately \$1.0 million – representing 3.0 percent of projected expenditures of \$34.9 million. The forecasted deficits continue to increase to \$5.4 million in FY 2009. The principle budget driver is the related health care costs for teachers and administrators. Expenditures are projected to increase at an average annual rate of approximately 2.6 percent, while revenues over the same period would grow by less than 1.0 percent annually. As the discussion below demonstrates, there are many variables to consider that could affect this estimate in either direction. The graph below displays the projected budget and operating deficits for the School District over the next five fiscal years.

In FY 2005, the projected operating deficit is a function of several actions and assumptions. For example, the FY 2004 revenues supporting expenditures included \$410,400 from FY 2003 ending balances. These funds will not be available in FY 2005. FY 2005 forecasted revenues also level-fund State aid for education. On the expenditure side of the equation, the FY 2005 projected expenditure program includes all contract obligations and projected staffing changes.

**Forecast Assumptions** - One should consider the following risks when developing a forecast – the economic outlook, external actions taken (State tax policy, non-local aid distributions and school funding decisions), and City and School District policies (Contract negotiations and debt management). Clearly, the economy is a moving target in that changes occur often. A forecast cannot anticipate future actions taken by the State or Federal government or how they might affect

Newport revenues and expenditures. Therefore, the forecast assumes current law and relies on existing economic forecast data from the State’s Revenue Estimating Conference. Finally, the School District could enact policies or redirect resources to a range of priorities. Contract agreements and bond proposals will also impact the School District and City financial position.

The following analysis forecasts a number of key variables to develop a more comprehensive picture of the School District’s revenue and expenditure structure. Some of the data relied upon is based on data reported by the School District and the City, while others are RIPEC estimates. It should be noted that the RIPEC estimate was designed to be somewhat conservative in nature in that there are a wide range of variables that are difficult to forecast. The following outlines some assumptions and related data used in the forecast:

<b>Forecast Assumptions for Newport School District</b>					
<b>Assumptions</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b><u>Revenues:</u></b>					
State Education Aid	0.0%	1.5%	1.5%	1.5%	1.5%
City Appropriations	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Salary Adjustments - (COLA only - Steps not included)</u></b>					
Administration	3.5%	0.0%	0.0%	0.0%	0.0%
Professional (Contract)	3.5%	0.0%	0.0%	0.0%	0.0%
Administrative Support	3.5%	0.0%	0.0%	0.0%	0.0%
Support Staff (Contract)	3.9%	0.0%	0.0%	0.0%	0.0%
<b><u>Employee Benefits (Active and Retiree)</u></b>					
Health Insurance	12.0%	15.0%	15.0%	15.0%	15.0%
Dental and Life Insurance	5.0%	5.0%	5.0%	5.0%	5.0%
<b><u>Operations</u></b>					
General Inflation	1.5%	1.8%	2.2%	2.2%	2.2%

**Revenue Structure:** The following estimates various components of the School District’s revenue structure in order to build a forecast for policy decisions. Again, this only represents an estimate of the School District’s resources over the next five years. However, changes in the economy and/or State and local policy could have a significant impact on this analysis. The following discusses in detail the assumptions used in developing the forecast.

*City Appropriations:* Property taxes will continue to be the largest single-source of revenue for the School District. The net property tax appropriation from the City is estimated to remain constant over the forecast period.

*State School Aid to the City of Newport* –How the State will handle school aid in the near future is difficult to forecast. Since FY 1995, the State has distributed school aid on an annual, ad-hoc basis, with little predictability in the amount and method for distribution. While the State has increased State aid over the past decade by more than \$300.0 million, the rate of increase has begun to decline. In FY 2004, the State increased aid by 2.6 percent. This represents the smallest rate of increase

since FY 1997. Given estimated operating deficits at the State level of nearly \$190.0 million for FY 2005, it is unlikely that the State will direct significant new revenues to the cities and towns.

The following forecast assumes that FY 2005 State school aid to Newport would be level funded and that the State will increase State education aid to Newport at an average annual rate of 1.5 percent thereafter.

The School Department includes selected Federal funds as part of its general fund budget. The forecast projects these funds to increase by inflation per the CPI over the forecast period. It should be noted that the forecast does not include additional Federal funds that are part of the school district's total spending plan. These are currently reflected as special revenue funds.

*Miscellaneous Revenues* – Miscellaneous revenues, such as tuition and fees, are projected to increase by inflation per the CPI over the forecast period.

*Ending Balance:* The School Department ended FY 2003 with approximately \$410,400 which represents 1.2 percent of the operating budget. These funds are reflected as one-time revenue in FY 2004 and the forecast reflects no balances in each of the subsequent fiscal years.

**Expenditure Structure:** Education expenditures are clearly the largest single component of the City of Newport's budget – representing 42.3 percent of all City spending. The changes made in this function of local government play the greatest role in how the City manages its finances. Estimating School District expenditures is a difficult process. Given the school system is funded with property taxes and State aid, how the City's property tax base performs and how the State's overall fiscal health evolves will be critical. The following forecast is designed to provide a tool to get a feel for the impact financial decisions today will have on the School District's fiscal health tomorrow. The following are some general assumptions that one should be aware of when reviewing this forecast:

*FY 2004 Baseline:* The forecast relies on the RIPEC analysis of the FY 2004 budget as discussed earlier in the report to establish a baseline for projections. In order to establish the most conservative position in the forecast, RIPEC assumed that the FY 2004 operating budget was on the high end of the range discussed earlier in the report. Therefore, RIPEC assumed that the \$434,000 operating deficit is resolved and the proposed budget reductions are fully implemented. In addition, the forecast does not include the asset protection funds allocated by the City – these are not considered on-going operating expenditures. Rather, these expenditures are considered capital-related.

*FY 2005 Budget Adjustments:* The FY 2005 forecast includes the recommended layoffs and retirements by the Superintendent, which realigns the base for the forecast of subsequent fiscal years. This includes approximately \$1.3 million in net savings in payroll costs.

*Contract Negotiations:* The School District is currently negotiating contract provisions to begin in FY 2006. Contracts impact salaries, medical benefits, time-off and other related costs. Given that it is impossible to know what will be agreed upon during this process, the forecast does not take into account potential changes in compensation agreed to in contract negotiations.

For example, the forecast includes contracted obligations to increases in pay for FY 2005. This includes 3.5 percent for all personnel except for union support staff, which will receive 3.9 percent in FY 2005. However, there are no additional pay increases included in the forecast for FY 2006 through FY 2009. Each one percent on the salary base is projected to increase personnel costs by \$215,000 per year.

*Health Insurance:* Health insurance premiums, which are borne entirely by the School district, are projected to increase by 12.0 percent in FY 2005 based on preliminary data provided by the school district and Blue Cross/Blue Shield of Rhode Island. The growth in premiums is projected to continue in FY 2006 through FY 2009 at 15.0 percent annually. This growth rate would also be applied to the buyback provisions in the contract where the School District pays 50.0 percent of the premium to employees who voluntarily opt out of the school district health plan due to spousal coverage.

*Dental and Life Insurance:* Both dental and life insurance are projected to increase at an average annual rate of 5.0 percent based on data provided by the City of Newport.

*Inflation:* Inflation figures are based on the Consumer price index, and actual forecast is based on the consensus forecast produced by the State's November Revenue and Caseload Estimating Conference.

<b>Newport School District - Five Year Forecast</b>						
<b>Operating Budget</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Expenditures						
Salaries	\$20.5	\$20.1	\$20.1	\$20.1	\$20.1	\$20.1
Benefits	8.1	8.6	9.5	10.6	11.8	13.3
Purchased Services	4.9	5.0	5.1	5.2	5.3	5.4
Supplies	0.9	0.9	1.0	1.0	1.0	1.0
Capital Outlays	0.1	0.1	0.1	0.1	0.1	0.1
Dues and Fees	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total Expenditures</b>	<b>\$34.7</b>	<b>\$34.9</b>	<b>\$35.9</b>	<b>\$37.2</b>	<b>\$38.5</b>	<b>\$40.1</b>
Revenues						
State Aid	\$11.1	\$11.1	\$11.2	\$11.4	\$11.6	\$11.7
City Appropriation	20.8	20.8	20.8	20.8	20.8	20.8
Other Revenue	0.6	0.6	0.6	0.6	0.7	0.7
Federal Directs	1.4	1.4	1.4	1.4	1.5	1.5
Ending Balance	0.4	0.0	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>\$34.2</b>	<b>\$33.9</b>	<b>\$34.1</b>	<b>\$34.3</b>	<b>\$34.5</b>	<b>\$34.7</b>
<b>Estimated Balance</b>	<b>(\$0.43)</b>	<b>(\$1.02)</b>	<b>(\$1.87)</b>	<b>(\$2.88)</b>	<b>(\$4.04)</b>	<b>(\$5.39)</b>
Source: RIPEC Estimates based on Newport School District Data						

*Annual Spending Choices:* The City Administration, City Council and School committee make decisions annually that impact future finances of the City. These can range from certain capital projects, school operations or facilities and other issues that are deemed appropriate. Therefore, there are no assumptions regarding any changes in City or school district policy in spending priorities.

## V. Benchmarking Analysis

In order to understand how the Newport School District is doing relative to peer school districts in Rhode Island, it is helpful to perform a number of comparative analyses. This section compares the Newport School District with six other school districts in Rhode Island. Efforts were made to find communities that exhibited similar property tax base trends, enrollment trends, and geographic proximity. In selecting school districts to compare Newport, the Newport Advisory Council reviewed spending patterns, enrollment and property value trends, as well as overall demographics.

After evaluating all characteristics, the Advisory Council chose the following school districts: Bristol-Warren, Middletown, North Providence, Portsmouth, Westerly, and West Warwick. It should be noted that each community develops and expresses financial information differently. In order to ensure comparisons were based on consistent data, RIPEC discussed the budgets in detail with business managers in each school district and developed a number of assumptions to build comparisons.

This analysis focuses on six areas:

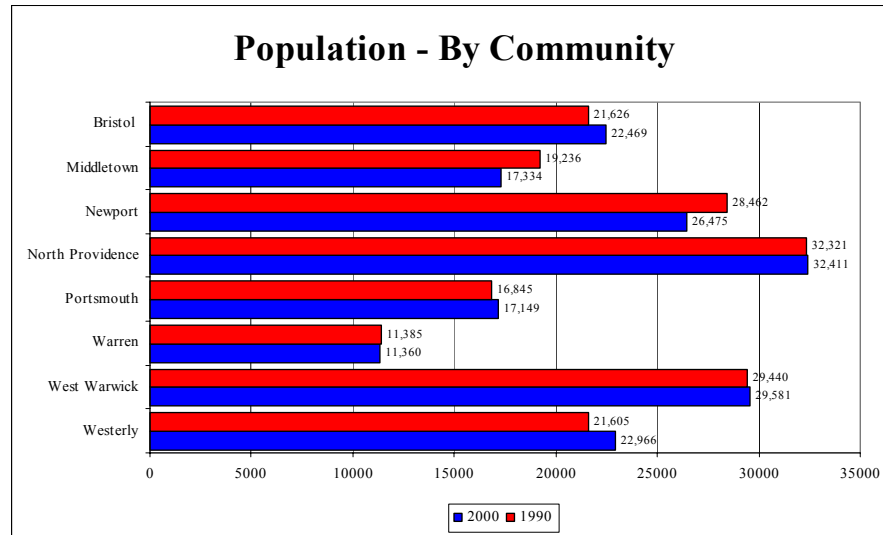
- Property Wealth Trends - Provides data on property values, tax levy, and effective tax rates;
- Socio-Economic Data Trends - Provides data on population trends, median family income, percent of children below poverty, and percent of children from single parent households;
- Student Enrollment Trends - Reviews various socio-economic trends;
- Revenue Trends - Documents the source (Federal, state, local) and the amount of revenues;
- Expenditure Trends - Reviews various expenditure trends including salaries and benefits; and
- Student Performance Trends - Evaluates student performance on the Scholastic Assessment Test (SAT) and Rhode Island's New Standards Reference Exam (NSRE).

### Selected Findings of the Benchmarking Analysis:

- In FY 2004, the Newport school district will spend about \$34.7 million, with approximately \$28.6 million (82.4 percent) of total expenditures relating to salaries and benefits;
- Of the total salary expenses of \$20.5 million, 73.2 percent (\$15.0 million) are projected for professional staff;
- Newport's teacher compensation (salary and benefits) on the 1<sup>st</sup> step is estimated to be \$49,260 and \$77,358 on the 10<sup>th</sup> step in FY 2004, placing the district second highest among the six surveyed districts in both categories;
- Between FY 1999 and FY 2002, Newport's total school district expenditures increased from \$30.1 million to \$36.8 million, translating into an average annual growth rate of 7.4 percent;
- In FY 2004, the special education enrollment is projected to be 27.3 percent (773 students) of the total student enrollment in Newport, compared to 19.8 percent Statewide;
- Newport's total local, State, and Federal revenues increased from \$31.6 million in FY 2001 to an estimated \$35.3 million in FY 2004, representing an increase of \$3.7 million or 11.7 percent; and
- Of every new dollar in revenue, Newport generated \$0.29 from local funds, \$0.40 from State funds, and \$0.31 from federal funds.

## Population Trends

*Population* – Statewide, population increased by 4.5 percent from 1990 to 2000, based on the U.S. Census data. However, among the seven communities used in the benchmarking analysis, net population decreased by 0.7 percent (from 180,920 persons in 1990 to 179,745 in 2000). This decline in population among these communities was driven by declines in population in Newport and Middletown.



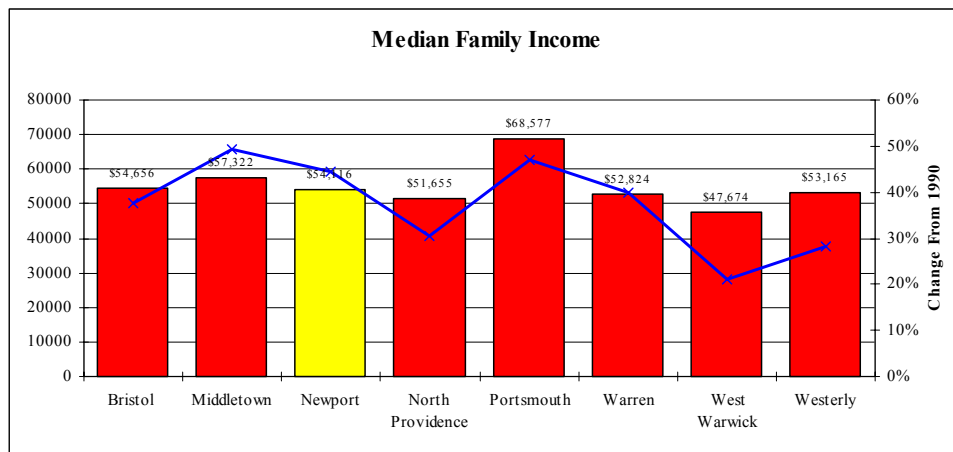
The City of Newport’s population declined from 28,462 in 1990 to 26,475 in 2000 – a net decline of nearly 2,000 people or 7.0 percent. Newport’s total population ranks it third among the peer communities and 13<sup>th</sup> highest in the State.

Similarly, Middletown’s population declined from 19,236 to 17,334 during the same period – a 9.9 percent decline in population. The Town of Westerly’s population gain of nearly 1,400 represented the largest population increase among the peer communities during the same period. While experiencing no change in population over the ten-year period, North Providence remained the most populated community among the peer communities in this analysis.

As the discussion later in this report will document, this population decline translates into declining enrollments, which in turn requires constant examination of school district personnel and facility needs. These changes also have an impact on the municipal services provided by the cities and towns.

*Median Family Income* – A general measure of income wealth in each community is the median family income, which is collected by the U.S. Census each decade. While this data quickly becomes out of date, it is a barometer for differences in overall income wealth. Statewide, the median family income improved 34.7 percent from 1990 to 2000, increasing from \$39,172 in 1990 to \$52,781 in 2000.

The City of Newport’s median family income improved by 44.6 percent - from \$37,427 in 1990 to \$54,116 in 2000. In 1990, Newport’s median family income ranked last among the other peer communities and ranked 35<sup>th</sup> highest among the State’s 39 communities. Newport’s median family income was 95.5 percent of the State median income. In 2000, Newport’s median family income ranked 4<sup>th</sup> highest among the peer communities and 30<sup>th</sup> highest among the 39 communities in the Ocean State. Newport’s median family income of \$54,116 was 102.5 percent of the State median income. Therefore, relatively speaking, the City’s income has increased at a more rapid pace than the State as a whole, as well as among many of its peer communities.



However, the Town of Portsmouth increased its median family income at a slightly faster rate, increasing from \$46,660 in 1990 to \$68,577 in 2000 – a 47.0 percent increase. What is interesting is that in 1990, Newport’s median family income was 80.2 percent of Portsmouth’s income, but it has since declined to 78.9 percent of Portsmouth’s income in 2000.

*Percent of Population Below Poverty Level*– In contrast to median family income is the change in persons and children below the Federal Poverty Level (FPL). In 1990, 9.2 percent of the State’s population was below the FPL. This has since increased to 11.5 percent in 2000. Among the seven communities included in this benchmarking analysis, approximately 7.1 percent of the total population was considered below the FPL in 1990, which has since increased to 8.2 percent in 2000.

Among the peer communities, all but Portsmouth experienced increases in the percentage of people below poverty. Bristol experienced the greatest gain, increasing by 42.3 percent. The City of Newport currently has the highest concentration of people below the FPL (as of 2000) among the peer communities. In Newport, this has increased from 11.4 percent in 1990 to 13.3 percent in 2000 – there was a 9.1 percent increase in the number of people below poverty over the decade.

Among the 120,500 people under the poverty level statewide in 2000, a third (34.1 percent) was children under the age of 18. Approximately 17.0 percent (41,162) of all the children in the State below the age of 18 (247,822) are below the poverty level. Among the seven communities included in this benchmarking analysis, approximately 28.2 percent of the total number of people under the FPL was children in 1990, which has since increased to 31.1 percent in 2000 – slightly less than the State average (34.1 percent). The peer communities overall had 11.9 percent of their children under 18 years of age below the poverty level – compared to 16.6 statewide.

Persons Below Poverty Level								
Community	Total				Under 18 years			
	1990		2000		1990		2000	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Bristol	1,152	5.3%	1,639	7.3%	253	5.6%	436	9.9%
Middletown	883	4.5%	844	4.9%	275	5.9%	264	6.1%
Newport	3,228	11.4%	3,520	13.3%	1,171	20.3%	1,267	24.4%
North Providence	2,040	6.4%	2,584	8.0%	324	5.7%	579	9.8%
Portsmouth	730	4.3%	574	3.3%	182	4.4%	118	2.7%
Warren	792	7.0%	804	7.1%	199	8.1%	205	8.4%
Westerly	1,400	6.5%	1,516	6.6%	440	8.8%	534	9.9%
West Warwick	2,578	8.8%	3,281	11.1%	764	11.6%	1,186	17.9%
Peer Total	12,803	7.1%	14,762	8.2%	3,608	9.4%	4,589	11.9%
<b>State Total</b>	<b>92,670</b>	<b>9.2%</b>	<b>120,548</b>	<b>11.5%</b>	<b>30,842</b>	<b>13.7%</b>	<b>41,162</b>	<b>16.6%</b>

Source: RI Economic Development Corporation, Statewide Planning, based on 1990 and 2000 Census, and RIPEC calculations.

In Newport, approximately 36.0 percent of all people below poverty were children, slightly more than the state overall (34.1 percent). The 1,270 children below poverty in Newport (U.S. Census 2000) represented 24.4 percent of all the children under 18 in the City. This was not only higher than the other peer communities – it was nearly 50 percent higher than the State as a whole.

West Warwick had the second highest concentration of children in poverty among the peer communities, with 36.2 percent of their population below poverty children under the age of 18. This represented 18.0 percent of the Town’s total children population.

*Single Family Households* – Statewide, approximately 31.3 percent of the households are headed by a single parent. This varies among the peer communities, with a low of 18.2 percent in Portsmouth to a high of 45.6 percent in Newport. As noted on the table to the right, Newport’s single parent headed households are nearly 50.0 percent higher than the State.

2000 Family Households (With Own Children under 18 years)			
Community	Total	Single-Parent	% of Total
Bristol	2,345	533	22.7%
Middletown	2,300	513	22.3%
Newport	2,643	1,204	45.6%
North Providence	3,214	934	29.1%
Portsmouth	2,255	410	18.2%
Warren	1,290	385	29.8%
Westerly	2,790	799	28.6%
West Warwick	3,496	1,254	35.9%
Peer Total	20,333	6,032	29.7%
<b>State Total</b>	<b>124,867</b>	<b>39,050</b>	<b>31.3%</b>

Source: Statewide Planning, based on 2000 Census, and RIPEC calculations.

### Property Wealth Trends

*Median Sales Price* – Fleet Bank and RIPEC recently released a report entitled “The Economic Impact of the Housing Crisis on Businesses in Rhode Island” that outlines a range of issues facing the State’s workforce housing market. A key finding was what has happened to the median sales price of housing in the State. Rhode Island’s housing prices continue to increase faster than income.

Personal income in Rhode Island has increased by nearly 25.0 percent from 1998 to 2003, nearly 4.2 percent annually during this period of time (consistent with National trends). During the same period, the State’s median sales price of single family homes has increased from \$122,600 in 1998 to \$230,000 in 2003 – an 87.6 percent increase. This translates into an average annual growth rate of

14.6 percent. Growth in Rhode Island’s median sales price accelerated in 2002 and 2003, with growth rates exceeding 20.0 percent the past two years. Nationally, the median sale price increased from \$128,400 in 1998 to \$169,900 in 2003 – a 32.3 percent increase, translating into an average annual rate of 5.4 percent.

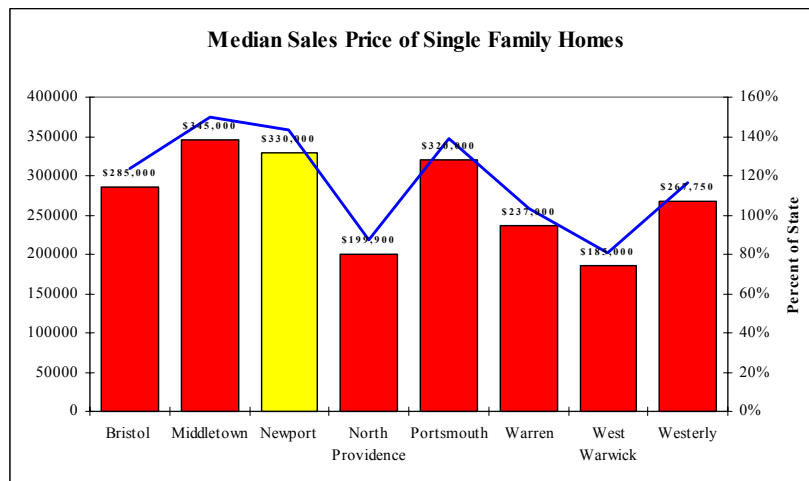
Among the peer communities several key trends are worth noting. First, all but two communities (North Providence and West Warwick) have median sales prices that exceed the State median sales price for a single family home. All the communities except the Town of Warren gained ground as a percentage of the State’s median sales price since 1998. In other words, all peer communities (minus Warren) had faster growth rates in single family home prices than the State as a whole.

Calendar Year	Median Price	Change	Personal Income*	Change
1998	\$122,600	3.90%	\$27.7	5.32%
1999	126,000	2.77%	28.8	3.97%
2000	136,000	7.94%	30.7	6.60%
2001	156,000	14.71%	32.1	4.56%
2002	188,150	20.61%	33.3	3.74%
2003	230,000	22.24%	34.6	3.90%
1998-2003	\$107,400	87.60%	\$6.9	24.91%

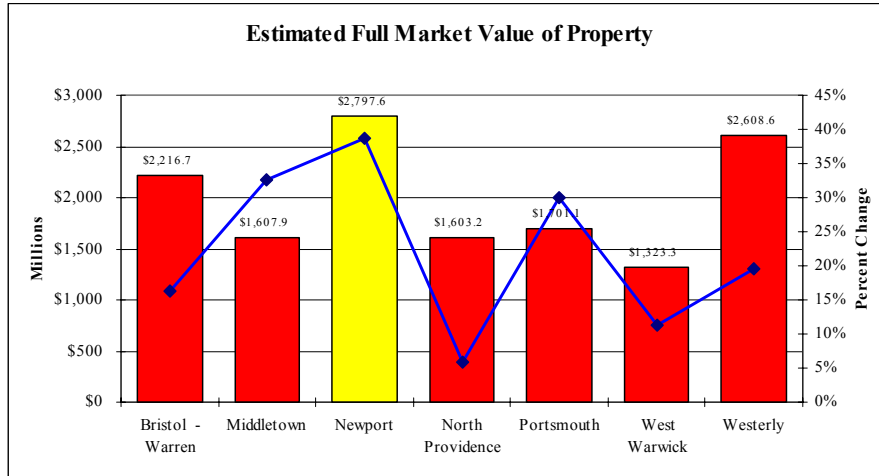
*\*Personal Income data is in billions*

Source: RIPEC Calculations based on Rhode Island Association of Realtors and Bureau of Economic Analysis Data

Middletown leads the peer communities with a median selling price of existing single family homes with \$345,000 in 2003 – 150.0 percent of the State median. Middletown ranked 7<sup>th</sup> highest in the State (excluding New Shoreham). Newport’s \$330,000 median price ranked 8<sup>th</sup> highest in the State and second among the peer group. Newport’s 1998 median sales price of \$140,750 was 114.8 percent of the State median (\$122,600). It has since increased to 143.5 percent of the State median (\$230,000) in 2003. The median sales price in Newport increased by 134.5 percent since 1998 (compared to 87.6 percent statewide) - the fastest growth rate among the peer communities.

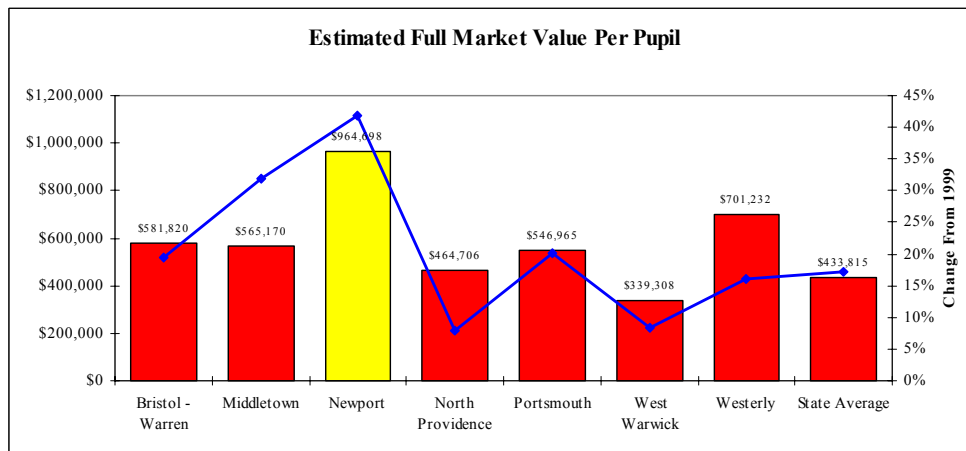


**Property Tax Base** – With the significant changes in the real estate market, one can imagine the impact it has on the total property wealth for each community. Statewide, estimated full market value of property has increased from \$57.5 billion in FY 1999 to \$68.2 billion in FY 2004 – an 18.5 percent increase during this period. Among the peer communities, growth in the estimated full market value of property ranged from 5.9 percent in North Providence to 38.8 percent in Newport. Among its peers, Newport has the greatest amount of value, estimated at \$2.8 billion in FY 2004.



One should note there are some limitations to the data presented. The estimated full market value of property is an estimate developed by the State’s Office of Municipal Affairs based on samples of sales data and the most recent full revaluation or statistical update of property values. Fiscal Year 2004 data is based on the tax roll as of December 31, 2002. However, it is a reasonable estimate of values by community based on available market data.

What is interesting is when one expresses the data on a per pupil basis. This will be a function of changes in student enrollment and property value over time. Statewide, the value per pupil increased from \$370,200 in FY 1999 to \$433,815 in FY 2004 – a 17.2 percent increase during this period. Among the peer communities, the average property value per pupil increased from \$481,783 in FY 1999 to \$583,882 in FY 2004 – a 21.1 percent increase in value per pupil.



Among the peer communities, Newport clearly leads the way with \$964,698 per pupil in property value. This represents a 41.9 percent increase since FY 1999. This represents the fastest growth among the peer communities. Newport’s FY 2004 property value per pupil is 122.0 percent above the State property value per pupil and is 65.4 percent higher than the average among the peer communities. If one removed Newport from the peer community average, the peer community property value per pupil would be \$530,877 in FY 2004. Obviously, as Newport’s enrollment declines, there is an increase in value per pupil.

*Property Tax Rates and Burdens* – Property taxes serve as the largest single source of revenue for the Ocean State’s municipalities, playing a critical role in financing local public services. Rhode Island’s dependence on the property tax is significantly greater than most states. However, within Rhode Island, there is considerable variance among cities and towns.

The following discussion must be put in context. First, communities are on different schedules to complete revaluation and statistical updates of property value. For example, when comparing actual tax rates by community and class of property, one must understand that the rate is a function of assessed value and proposed spending levels.

For example, the Town of Middletown implemented its statistical update of property values for its FY 2004 budget. The actual rate for residential property declined from \$22.05 in FY 2003 to \$15.30 in FY 2004. This is a net reduction in the rate of \$6.75 – a result of both increasing values and changes in spending levels. However, just because the rate declined doesn’t mean property tax levies declined. In Middletown, the Town is expected to collect \$30.6 million in property taxes in FY 2004 – a \$1.8 million, or 6.3 percent increase from FY 2003.

It should be noted that the City of Newport conducted and implemented a full revaluation of property for FY 2003. In FY 2002, the fiscal year prior to implementing the revaluation, the City’s rate on residential property was \$25.10 per \$1,000 of assessed value. The growth in property values and changes in the local levy resulted in a new rate of \$12.85 per \$1,000 of assessed value. The total property tax levy increased by \$839,000, or 1.8 percent from FY 2002 to FY 2003.

Therefore, actual rate information only tells you a portion of the story – it permits the reader to understand how different classes of property are treated under the local property tax structure, but it is limited in that it does not express relative tax burden, or how much the city or town is generating from the tax base.

*Current Property Tax Rates:* The following table shows which communities have homestead provisions and the FY 2004 tax rates by class of property for each peer community. Actual residential tax rates per \$1,000 assessed valuation ranged from \$13.43 per \$1,000 of assessed value in Newport to \$31.24 per \$1,000 of assessed value in West Warwick. Because of classification, homestead exemptions and recent initiatives to phase-out certain property taxes (motor vehicles and inventory), all 39 municipalities essentially have some form of classified property tax structure, which makes inter-jurisdictional comparison difficult.

However, only one peer community – North Providence - has an active homestead provision, where residential property reduces the assessed value of the home by 20.0 percent prior to applying the tax rate. In other words, the North Providence residential tax rate is essentially \$21.06 rather than \$26.32. Once the homestead is taken into consideration, North Providence’s residential rate would rank third highest instead of second highest.

It should be noted that the General Assembly enacted multi-year programs to phase-out inventory and motor vehicle taxes. The ten-year phase out of the inventory tax requires each community to reduce its property tax rate on inventories by 10 percent each year until completely phased-out. The phase-out of the local motor vehicle tax requires that the tax rates imposed by communities in FY

1998 remain frozen (the reimbursement formula includes an annual adjustment on the rates for inflation). The State recently froze this program, so the impact on local communities and their motor vehicle tax rates is uncertain.

Community	Homestead					
	Provision	Residential	Commercial	Inventory	Persoanlty	Vehicles
Bristol	-	\$16.50	\$16.50	\$8.71	\$16.50	\$17.35
Middletown	-	15.30	17.30	8.30	15.30	16.05
<b>Newport</b>	<b>Yes</b>	<b>13.43</b>	<b>15.96</b>	<b>11.85</b>	<b>15.96</b>	<b>23.45</b>
North Providence	20.0%	26.32	28.43	26.31	52.70	41.95
Portsmouth	-	16.46	16.46	11.49	16.46	22.50
Warren	-	25.77	25.77	9.84	25.77	26.00
West Warwick	-	31.24	31.24	14.71	31.24	28.47
Westerly	-	15.35	15.35	6.30	15.35	29.67

Note: Newport has homestead provision but does not employ it.

Source: Office of Municipal Affairs

Looking at actual local property tax rates, homestead provisions and classified tax structures only provide one picture of the differences among the State's 39 cities and towns. This data, while useful, does not provide a full picture of how these differences translate into actual tax burdens, nor does the actual tax rate data clearly demonstrate the differences in the communities' tax base and ability to pay for essential services. Therefore, the remainder of the analysis looks at various ways to evaluate the differences in local property tax burdens.

*Effective Property Tax Rates:* Even with the changes occurring in the property tax structure, one is able to estimate the effective property tax rates for the peer communities for FY 2002. Effective tax rates reflect what each community's tax rate would have been if all property were assessed at 100 percent of its full value as estimated by RIPEC based on recent data provided by the Office of Municipal Affairs. The effective tax rate is the total levy divided by the estimated full market value of property within the community, adjusting for various exemptions and credits provided by the community. The effective tax rate provides a tool to compare the overall property tax burden in each community.

Based on the estimated full value of property and the FY 2002 levy, FY 2002 effective tax rates ranged from \$13.51 per \$1,000 of value in Westerly to \$28.21 per \$1,000 of value in West Warwick. Newport ranked 14<sup>th</sup> in the State in FY 2000 and third highest among its peer communities. Newport's FY 2002 effective tax rate (\$21.16 per \$1,000) ranked 15<sup>th</sup> highest in the State and third highest among the peer communities.

Community	FY 2000	Rank	FY 2002	Rank
Bristol	\$17.34	32	\$17.94	30
Middletown	20.16	18	19.60	23
<b>Newport</b>	<b>22.05</b>	<b>14</b>	<b>21.16</b>	<b>15</b>
North Providence	24.25	9	25.24	7
Portsmouth	20.00	19	20.08	20
Warren	19.71	21	20.21	19
West Warwick	27.98	4	28.21	2
Westerly	16.93	33	13.51	35

Source: RIPEC estimates based on Office of Municipal Affairs data

Although this data is useful in gaining a general idea of property tax burden differences among communities, it does have limited utility. The effective tax rate only compares the overall effective property tax rate by community, not taking into account the various classification systems, homestead exemptions and other taxing authorities (e.g., fire districts) levying property taxes in Rhode Island. All these factors impact property tax burden and rate comparisons among the communities.

*Tax Capacity and Effort Index:* Another method to evaluate relative property tax burdens is the “Equity Index” developed by the Office of Municipal Affairs, which considers the property tax base and levy of each municipality relative to the State average.

FY 2004 Tax Capacity and Tax Effort Index						
Community	Relative Capacity	Rank	Relative Effort	Rank	Equity Index	Rank
West Warwick	58	1	137	2	0.42	1
North Providence	70	2	158	1	0.44	2
Warren	92	3	94	3	0.98	3
Bristol	99	4	74	4	1.33	4
Middletown	145	5	74	4	1.96	5
<b>Newport</b>	<b>156</b>	<b>6</b>	<b>72</b>	<b>5</b>	<b>2.17</b>	<b>6</b>
Westerly	165	7	74	4	2.21	7
Portsmouth	185	8	63	6	2.96	8

Capacity = community with <100, relative tax base (capacity) is less than State average  
 Effort = community with <100, relative tax effort on its base is less than State average  
 Index = community <1.00 has high effort and low tax base relative to State average

Source: Office of Municipal Affairs

The Index uses the adjusted weighted equalized assessed value (EWAV includes an adjustment for Median Family Income) of each community and the gross levy reported by each community. The Index calculates the average state property tax rate and uses the rate to generate a hypothetical per capita tax yield per community and then compares it with the actual per capita property tax yield by community.

The Index then estimates the “gap” between the actual yield and the potential yield if the state average tax rate were used, based on each community’s tax base. The following outlines the differences (excluding New Shoreham) in relative capacity and effort and the composite index based on these factors.

- Tax Capacity - In FY 2004 tax capacity ranged from a high of 409 in Little Compton to a low of 13 in Central Falls. In other words, Little Compton’s relative property tax capacity is estimated to be four times the State average, while Central Falls is practically one-tenth of the State average. Newport’s capacity ranked 26<sup>th</sup> in the State.
- Tax Effort - In FY 2004 tax effort among the communities ranged from a high in Providence (302) to a low in Little Compton (28). In other words, Providence makes three times the effort compared to the State average to generate local resources from the property tax while on the other end of the spectrum; Little Compton's property tax effort is 60.0 percent less than the State average. Newport’s tax effort of 72 suggests that Newport’s relative tax effort is 28 percent below the State average, ranking the City 26<sup>th</sup> in the State.

- Composite Equity Index – The Index is calculated by dividing each community’s relative capacity by its relative effort. In general, those communities that have an Equity Index of 1.00 or less are considered to evidence some level of fiscal stress relative to the rest of the State because of their relative fiscal capacity and tax effort.
- FY 2004 Indices ranged from 0.05 in Central Falls to 14.73 in Little Compton. Ten communities had Indices less than 1.00, three of which are communities included in the benchmarking analysis. Fourteen communities had Indices between 1.00 and 2.00, of which two peer communities were included, and the remaining fifteen communities had Indices of 2.00 or higher, of which three peer communities (includes Newport) were included.

*Percent of Levy:* Rhode Island’s 1985 Property Tax Relief and Replacement Act was designed to restrict the growth in property taxes and to expand the State’s role in funding public education. The Act placed a 5.5 percent cap on property tax levy growth in each city or town. The cap may be applied to either the actual levy or the growth in tax rates.

In 1980 Massachusetts voters approved an initiative designed to reduce property taxes by 40.0 percent. While Proposition 2½ had a number of provisions worth noting, the key to the program was to prohibit property tax levies from exceeding 2½ percent of the full and fair cash value of the local tax base. This was designed to limit the net growth in property tax levies based on the market value of property in the community. There is currently no such provision in Rhode Island’s property tax cap structure.

Should such a provision exist in Rhode Island, in FY 2000, nine communities were at or above the 2.5 percent threshold. In FY 2002, eight communities were at or above the threshold. Among the peer communities, both West Warwick and North Providence exceed the 2.5 percent threshold. Newport’s tax levy as a percent of full market value remains slightly above 2.0 percent, ranking Newport among the top third in the State.

*Property Tax Levies* – The property tax levy is the amount of property taxes raised in the community. Statewide, municipalities raised approximately \$1.6 billion in FY 2004 – a \$288.3 million increase since FY 1999 (22.2 percent). Among the peer communities in this analysis, they raised \$280.2 million during this period – a 23.6 percent increase from FY 1999 to FY 2004.

The City of Newport’s property tax levy increased from \$43.0 million to \$49.7 million during this period – a \$6.7 million increase (15.6 percent) over the five years. The City of Newport’s property tax levy is the largest among the peer communities. However, the Town of Westerly increased its levy from \$30.7 million in FY 1999 to \$43.9 million in FY 2004 – a 43.0 percent increase in a five-year period.

Community	FY 2000	Rank	FY 2002	Rank
Bristol	1.7%	31	1.8%	30
Middletown	1.9%	25	2.0%	23
<b>Newport</b>	<b>2.1%</b>	<b>15</b>	<b>2.1%</b>	<b>15</b>
North Providence	2.5%	6	2.5%	7
Portsmouth	1.9%	22	2.0%	20
Warren	1.9%	21	2.0%	19
West Warwick	2.8%	3	2.8%	2
Westerly	1.6%	35	1.4%	35

Source: RIPEC estimates based on Office of Municipal Affairs data

On a per capita basis, per capita property tax levies increased from \$1,239 in FY 1999 to \$1,514 in FY 2004 Statewide. Westerly raises the most per capita in FY 2004 among the peer groups, raising \$1,912 per capita in the Town. Newport ranks second highest with \$1,875 per capita in FY 2004.

Rhode Island Property Tax Levy (Millions)										
Community	Total Levy		Actual Change	Percent Change	Levy Per Capita		Levy for Municipal		Levy for School	
	FY 1999	FY 2004			FY 1999	FY 2004	FY 1999	FY 2004	FY 1999	FY 2004
Bristol	\$20.0	\$27.1	\$7.1	35.5%	891	1,205	47.6%	40.0%	52.4%	60.0%
Middletown	22.7	30.6	7.9	34.8%	1,310	1,764	40.0%	41.0%	60.0%	59.0%
<b>Newport</b>	<b>43.0</b>	<b>49.7</b>	<b>6.7</b>	<b>15.6%</b>	<b>1,625</b>	<b>1,875</b>	<b>56.5%</b>	<b>66.1%</b>	<b>43.5%</b>	<b>33.9%</b>
North Providence	38.4	43.5	5.1	13.3%	1,184	1,341	53.8%	44.6%	46.2%	55.4%
Portsmouth	25.0	31.3	6.3	25.2%	1,457	1,823	32.4%	29.9%	67.6%	70.1%
Warren	12.1	15.9	3.8	31.4%	1,068	1,399	50.0%	41.5%	50.0%	58.5%
West Warwick	34.8	38.2	3.4	9.8%	1,177	1,291	43.0%	44.0%	57.0%	56.0%
Westerly	30.7	43.9	13.2	43.0%	1,337	1,912	29.0%	28.5%	71.0%	71.5%
<b>State Total</b>	<b>\$1,299.1</b>	<b>\$1,587.4</b>	<b>\$288.3</b>	<b>22.2%</b>	<b>1,239</b>	<b>1,514</b>	<b>47.3%</b>	<b>45.0%</b>	<b>52.7%</b>	<b>55.0%</b>

Source: Office of Municipal Affairs and RIPEC calculations.

On average, Rhode Island communities allocated 45.0 percent of the local property tax levy to municipal services and 55.0 percent for educational purposes in FY 2004, a shift from FY 1999. Newport allocates more of its local property tax levy to municipal services (66.1 percent) than the State average as well as any of its peer communities. Conversely, it allocates less of its levy for schools than both the State and its peer communities. This is partially a function of local municipal service requirements as well as what has evolved over time in terms of State aid for schools and local decisions.

### Student Demographic Trends

The characteristics of school districts begin with examining the student enrollment. While program and curricula initiatives drive many programmatic costs, the core of school funding is driven by enrollment patterns and teaching requirements. As the following analysis will demonstrate, Newport’s declining enrollment, coupled with an increasing concentration of student need, has had and will continue to have a significant impact on the District’s operating budget and future uses of existing school facilities. In addition, these enrollment patterns will also impact the District’s staffing needs, thereby translating into additional changes in the funding environment for the school system. When compared to the peer school districts, there are distinct differences among them that are worth noting and are discussed in detail below.

### Student Enrollment Trends

Statewide, enrollment increased by 1.2 percent or 1,788 students from FY 2000 to FY 2004. Enrollment increased from 155,351 students in public schools in FY 2000 to 157,139 in FY 2004. Enrollment changes varied among the school districts across the state – the net growth in enrollment statewide includes projected reductions in enrollment in several school districts, including Newport.

From FY 2000 to FY 2004, Newport’s student enrollment declined by approximately 140 students, representing a decline of 4.7 percent during that period. Student enrollment declined from 2,965 students in 2000 to 2,826 students in 2004.

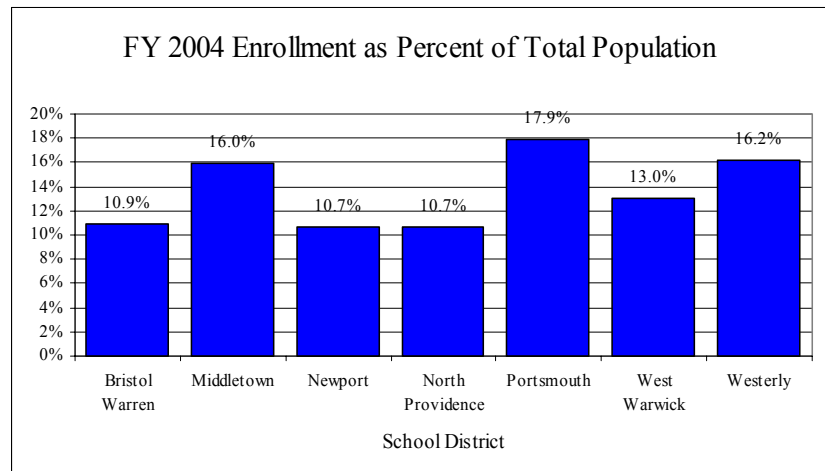
Among the peer school districts, Newport's FY 2004 enrollment ranked 6<sup>th</sup> highest, with only Middletown posting a smaller enrollment. What is interesting is that the City's total population ranked 4<sup>th</sup> highest among the peer school districts (assumes Bristol-Warren is combined). Statewide, public school enrollment represents 15.0 percent of the total population. In Newport and North Providence, the enrollment as a percent of their populations are 10.7 percent, lower than the balance of the peer communities. The Town of Portsmouth's enrollment was 17.9 percent of its population, representing the highest percentage among the peer districts.

Fall Enrollment for Public Schools							
Community	2000	2001	2002	2003	2004	2000-2004 Change	
						Amount	Percent
Bristol Warren	3,916	3,792	3,810	3,824	3,688	(228)	-5.8%
Middletown	2,833	2,817	2,856	2,838	2,769	(64)	-2.3%
<b>Newport</b>	<b>2,965</b>	<b>3,041</b>	<b>2,937</b>	<b>2,915</b>	<b>2,826</b>	<b>(139)</b>	<b>-4.7%</b>
North Providence	3,518	3,549	3,476	3,445	3,473	(45)	-1.3%
Portsmouth	2,874	2,869	2,888	2,995	3,066	192	6.7%
Westerly	3,605	3,659	3,691	3,692	3,838	233	6.5%
West Warwick	3,801	3,736	3,795	3,822	3,710	(91)	-2.4%
<i>Peer Total</i>	<i>23,512</i>	<i>23,463</i>	<i>23,453</i>	<i>23,531</i>	<i>23,370</i>	<i>(142)</i>	<i>-0.6%</i>
<b>State Total</b>	<b>155,351</b>	<b>156,275</b>	<b>156,624</b>	<b>156,932</b>	<b>157,139</b>	<b>1,788</b>	<b>1.2%</b>

Source: RI Dept. of Education, and RIPEC calculations.

The seven communities included in the peer analysis (includes Newport) experienced a net decline in enrollment of 142 students. Five of the seven school districts experienced enrollment declines during this period, with Portsmouth and Westerly experiencing gains in enrollment over the four-year period. Bristol-Warren experienced the greatest decline in enrollment during this period with a 5.8 percent decline in enrollment.

What is more important to understand is the demographic make-up of the student population and how it has changed. The following discusses enrollment in special education, children eligible for free and reduced lunch and children requiring language assistance programs. FY 2004 enrollment data for these three groups were not available when this report was written. Therefore, RIPEC calculated the FY 2004 enrollment, using the FY 2003 percentage of total enrollment of the various programs as a baseline.



*Special Education* – Statewide, the number of children requiring special education services increased from 30,704 in FY 2000 to an estimated 33,165 in FY 2004. This represented an 8.0 percent increase. The percentage of children requiring special education as a percent of all students increased from 19.8 percent in FY 2000 to 21.1 percent in FY 2004.

Special Education Enrollment							
Community	2000	2001	2002	2003	2004*	2000-2004 Change	
						Amount	Percent
Bristol Warren	809	798	831	828	799	(10)	-1.3%
Middletown	563	531	552	611	596	33	5.9%
<b>Newport</b>	<b>750</b>	<b>754</b>	<b>749</b>	<b>797</b>	<b>773</b>	<b>23</b>	<b>3.0%</b>
North Providence	678	738	802	679	685	7	1.0%
Portsmouth	514	493	499	559	572	58	11.3%
Westerly	772	711	703	712	740	(32)	-4.1%
West Warwick	801	802	825	884	858	57	7.1%
<i>Peer Total</i>	<i>4,887</i>	<i>4,827</i>	<i>4,961</i>	<i>5,070</i>	<i>5,022</i>	<i>135</i>	<i>2.8%</i>
<b>State Total</b>	<b>30,704</b>	<b>30,214</b>	<b>31,360</b>	<b>33,121</b>	<b>33,165</b>	<b>2,461</b>	<b>8.0%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education, and RIPEC calculations.

In Newport, the number of children requiring special education services is projected to increase from 750 students in FY 2000 to an estimated 773 students in FY 2004 – a 3.0 percent increase during the period. In FY 2000, the special education enrollment represented 25.3 percent of the total student enrollment in Newport, compared to 19.8 percent Statewide. Given the rate of growth in special education student population, coupled with an overall decline in enrollment in the City, the percentage of enrollment for special education has increased to 27.3 percent in FY 2004. This represents a 4.0 percentage point gain in a four year period.

This contrasts significantly with the State average of 21.1 percent. In other words, the special education population as a percentage of total enrollment is nearly 30 percent higher than the State average. In each of the surveyed years, Newport had the highest number of students enrolled in special education programs when compared to its peer districts and the statewide average. This finding is particularly important when finances are discussed later on in this report.

Overall, the seven peer school districts had 20.8 percent of their enrollment considered special education in FY 2000, which has since increased to 21.5 percent in FY 2004. This trend is only slightly higher than the State average. In addition, generally speaking, there has been little change in the percentage of students eligible for special education programs among the remaining peer communities with West Warwick as

Special Education as a Percentage of Total Enrollment					
Community	2000	2001	2002	2003	2004*
Bristol Warren	20.7%	21.0%	21.8%	21.7%	21.7%
Middletown	19.9%	18.8%	19.3%	21.5%	21.5%
<b>Newport</b>	<b>25.3%</b>	<b>24.8%</b>	<b>25.5%</b>	<b>27.3%</b>	<b>27.3%</b>
North Providence	19.3%	20.8%	23.1%	19.7%	19.7%
Portsmouth	17.9%	17.2%	17.3%	18.7%	18.7%
Westerly	21.4%	19.4%	19.0%	19.3%	19.3%
West Warwick	21.1%	21.5%	21.7%	23.1%	23.1%
<i>Peer Total</i>	<i>20.8%</i>	<i>20.6%</i>	<i>21.2%</i>	<i>21.5%</i>	<i>21.5%</i>
<b>State Total</b>	<b>19.8%</b>	<b>19.3%</b>	<b>20.0%</b>	<b>21.1%</b>	<b>21.1%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education and RIPEC calculations

an exception. The seven peer districts experienced a net increase of 135 additional special education students – a net increase of 2.8 percent. Portsmouth experienced the greatest gain in special education students (58 additional students) during this period.

*Eligibility for Free and Reduced Lunch* - This measure indicates the percent of students who were eligible for free and reduced lunches. Students whose family incomes fall below certain income (poverty or near-poverty) guidelines are eligible for subsidized lunches. Statewide, the number of children eligible for free and reduced lunch programs is projected to increase from 52,787 students in FY 2000 to an estimated 53,353 in FY 2004, an increase of 566 children or 1.1 percent. Eligibility as a percentage of children being eligible for these programs stayed fairly consistent at 34.0 percent.

Free/Reduced Lunch Eligibility							
Community	2000	2001	2002	2003	2004*	2000-2004 Change	
						Amount	Percent
Bristol Warren	1,006	1,026	963	855	825	(181)	-18.0%
Middletown	546	499	482	499	487	(59)	-10.8%
<b>Newport</b>	<b>1,335</b>	<b>1,391</b>	<b>1,398</b>	<b>1,424</b>	<b>1,381</b>	<b>46</b>	<b>3.4%</b>
North Providence	699	703	737	633	638	(61)	-8.7%
Portsmouth	173	137	158	211	216	43	24.9%
Westerly	578	655	681	768	798	220	38.1%
West Warwick	1,221	1,146	1,260	1,268	1,231	10	0.8%
<i>Peer Total</i>	<i>5,558</i>	<i>5,557</i>	<i>5,679</i>	<i>5,658</i>	<i>5,575</i>	<i>17</i>	<i>0.3%</i>
<b>State Total</b>	<b>52,787</b>	<b>52,223</b>	<b>52,425</b>	<b>53,283</b>	<b>53,353</b>	<b>566</b>	<b>1.1%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education, and RIPEC calculations.

Newport has the highest number of children eligible for free and reduced lunches among its peer school districts. Eligibility for the program increased from 1,335 children in FY 2000 to an estimated 1,381 students in FY 2004, an increase of 3.4 percent. The percentage of total enrollment eligible for the subsidized lunch programs increased from 45.0 percent in FY 2000 to 48.9 percent in FY 2004. This represents nearly a 4.0 percentage point gain in a four year period.

The range of enrollment eligible for subsidized lunch was from a low of 7.0 percent in Portsmouth to a high of 48.9 percent in Newport. West Warwick had the second highest eligibility rate among the peer school districts with 33.2 percent in FY 2004. On average, the seven peer school districts had 23.9 percent of their enrollment eligible for free and reduced lunch programs in FY 2004. If one excludes Newport from this calculation, the average drops to 20.4 percent of FY 2004 fall enrollment. Aside from Newport, three peer districts (Westerly, Portsmouth, and West Warwick) are projected to experience an increase in eligibility in 2004. It is estimated that Bristol-Warren, North Providence, and Middletown will see a drop in eligibility for free and reduced lunch programs.

Free/Reduced Lunch Eligibility as a Percentage of Total Enrollment					
Community	2000	2001	2002	2003	2004*
Bristol Warren	25.7%	27.1%	25.3%	22.4%	22.4%
Middletown	19.3%	17.7%	16.9%	17.6%	17.6%
<b>Newport</b>	<b>45.0%</b>	<b>45.7%</b>	<b>47.6%</b>	<b>48.9%</b>	<b>48.9%</b>
North Providence	19.9%	19.8%	21.2%	18.4%	18.4%
Portsmouth	6.0%	4.8%	5.5%	7.0%	7.0%
Westerly	16.0%	17.9%	18.5%	20.8%	20.8%
West Warwick	32.1%	30.7%	33.2%	33.2%	33.2%
<i>Peer Total</i>	<i>23.6%</i>	<i>23.7%</i>	<i>24.2%</i>	<i>24.0%</i>	<i>23.9%</i>
<b>State Average</b>	<b>34.0%</b>	<b>33.4%</b>	<b>33.5%</b>	<b>34.0%</b>	<b>34.0%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education, and RIPEC calculations.

There are a number of observations that can be derived from the student poverty data discussed above. First, the City of Newport has a higher concentration of children from families with economic needs than its peer districts and the State. Second, while Newport's enrollment is declining overall, its student enrollment is getting relatively poorer. And third, as discussed earlier in the report, the City's Median Family Income gained ground compared to the peer school districts and the state from 1990 to 2000. This phenomenon is counter-intuitive to the direction of the data regarding student poverty.

*Limited English Proficiency* - Statewide, an estimated 6.1 percent of the children are enrolled in limited English proficiency programs in FY 2004. The number has declined from 10,196 in FY 2000 to an estimated 9,571 in FY 2004, a decline of 625 students during that time period. As with enrollment in special education and eligibility for free and reduced lunches, Newport has the

Limited English Proficiency Enrollment							
Community	2000	2001	2002	2003	2004*	2000-2004	
						Amount	Percent
Bristol Warren	145	115	142	136	131	(14)	-9.5%
Middletown	45	54	38	52	51	6	12.7%
<b>Newport</b>	<b>68</b>	<b>84</b>	<b>81</b>	<b>115</b>	<b>111</b>	<b>43</b>	<b>64.0%</b>
North Providence	87	115	115	79	80	(7)	-8.5%
Portsmouth	4	2	0	7	7	3	79.1%
Westerly	67	49	73	64	62	(5)	-7.3%
West Warwick	103	74	81	87	90	(13)	-12.2%
<i>Peer Total</i>	<i>519</i>	<i>493</i>	<i>530</i>	<i>540</i>	<i>533</i>	<i>14</i>	<i>2.7%</i>
<b>State Total</b>	<b>10,196</b>	<b>10,119</b>	<b>10,782</b>	<b>9,558</b>	<b>9,571</b>	<b>(625)</b>	<b>-6.1%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education, and RIPEC calculations.

highest percentage of students enrolled in limited English proficiency programs as a percentage of total enrollment, when compared to the other six peer districts.

While the State as a whole has experienced a modest decline in LEP enrollments, Newport's LEP enrollment has increased by 64.0 percent during the same period. The school district's enrollment increased from 68 students in FY 2000 to an estimated 111 students in FY 2004. The percentage of students participating in LEP programs has increased from 2.3 percent in FY 2000 to 3.9 percent in FY 2004.

In contrast to Newport's experience, the net gain among the seven peer communities was 14 additional LEP students during this four-year period. If one were to exclude Newport from the peer communities, there would be a net decline of 30 students enrolled in LEP programs. While the State percentage of children enrolled in LEP program has declined from 6.6 percent in FY 2000 to 6.1 percent in FY 2004 statewide, the percentage among the seven peer communities has remained essentially the same – 2.3 percent in FY 2004. Both Newport (3.9 percent) and Bristol-Warren (3.6 percent) LEP enrollments exceed any other peer community.

Limited English Proficiency as a Percentage of Total Enrollment					
Community	2000	2001	2002	2003	2004*
Bristol Warren	3.7%	3.0%	3.7%	3.6%	3.6%
Middletown	1.6%	1.9%	1.3%	1.8%	1.8%
<b>Newport</b>	<b>2.3%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>3.9%</b>	<b>3.9%</b>
North Providence	2.5%	3.2%	3.3%	2.3%	2.3%
Portsmouth	0.1%	0.1%	0.0%	0.2%	0.2%
Westerly	1.8%	1.3%	1.9%	1.7%	1.7%
West Warwick	2.9%	2.0%	2.2%	2.4%	2.4%
<i>Peer Total</i>	<i>2.2%</i>	<i>2.1%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.3%</i>
<b>State Total</b>	<b>6.6%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>6.1%</b>	<b>6.1%</b>

\*RIPEC calculations based on 2003 enrollment.  
Source: RI Dept. of Education, and RIPEC calculations.

## School District Revenue Structure

This portion of the analysis reviews total school revenues, including local, State and Federal funding sources. The analysis looks at revenues per pupil and how these trends have changed over time. Local revenues include the appropriation the school districts receive from the city or town, as well as other miscellaneous revenues. State revenues include direct state aid. They do not include the state's share of the teacher retirement contribution or the State's housing aid program.

The Federal revenues discussed in this section include the revenues that the districts receive from the Federal government through the Rhode Island Department of Education. The majority of these funds are distributed through the Federal Title I program. Because complete data were not available from all districts on the direct Federal grants for all the peer districts, these grants have not been included in the analysis. Medicaid revenues as well as food service revenues were also excluded from the analysis.

	2001				2004				2001 - 2004 Change			
	Local	State	Federal	Total	Local	State	Federal	Total	Local	State	Federal	Total
Bristol Warren	\$21.3	\$17.8	\$0.8	\$39.9	\$24.8	\$19.2	\$1.9	\$45.9	\$3.5	\$1.4	\$1.0	\$5.9
Middletown	16.2	8.8	0.7	25.7	18.1	9.9	0.9	28.9	1.9	1.1	0.2	3.2
<b>Newport</b>	<b>20.8</b>	<b>9.6</b>	<b>1.3</b>	<b>31.6</b>	<b>21.8</b>	<b>11.1</b>	<b>2.4</b>	<b>35.3</b>	<b>1.1</b>	<b>1.5</b>	<b>1.2</b>	<b>3.7</b>
North Providence	19.2	11.1	1.3	31.6	23.5	12.4	1.2	37.2	4.3	1.4	-0.1	5.6
Portsmouth	18.4	5.3	0.5	24.3	21.2	5.8	0.8	27.8	2.8	0.5	0.3	3.5
Westerly	27.7	5.7	1.0	34.4	33.3	6.3	1.9	41.5	5.6	0.6	0.9	7.0
West Warwick	19.4	16.4	1.5	37.3	21.3	19.3	2.4	43.0	1.9	2.8	1.0	5.7
Peer Group Totals	\$143.0	\$74.6	\$7.2	\$224.8	\$164.0	\$84.0	\$11.5	\$259.5	\$21.1	\$9.3	\$4.3	\$34.7

\*State aid based on House Fiscal Staff reports.  
Source: RI Dept of Education, 2004 School Budgets, and RIPEC calculations.

*Total Revenues* - In Newport, total local, state and Federal revenues increased from \$31.6 million in FY 2001 to an estimated \$35.3 million in FY 2004, representing an increase of \$3.7 million or 11.7 percent. Of the \$3.7 million increase, \$1.1 million was derived from local sources, \$1.5 million from direct State aid, and the \$1.2 million balance from new Federal resources. In other words, for every new dollar in revenue, Newport generated \$0.29 from local funds, \$0.40 from State funds and \$0.31 from Federal Funds.

The Newport School District had different rates of growth by major revenue source. Local funding for Newport schools increased by 5.1 percent from FY 2001 to FY 2004, while State aid increased by 15.6 percent. Federal funds experienced the greatest growth, increasing from \$1.3 million in FY 2001 to \$2.4 million in FY 2004 – a 90.1 percent increase in funding. Please note that Federal revenues discussed here do not include grants that the school district receives directly from the Federal government, such as Federal Impact Aid, which amounts to approximately \$0.6 million in Newport.

Total revenues for the seven peer districts (includes Newport) increased from \$224.8 million in FY 2001 to an estimated \$259.5 million in FY 2004 – a \$34.7 million increase. Overall, the seven peer school districts experienced a 15.5 percent increase in total resources from FY 2001 to FY 2004. Note that Newport experienced an 11.7 percent increase during the same period. For every new dollar in revenue, the seven peer school districts generated \$0.60 from local funds, \$0.27 from State funds and \$0.13 from Federal Funds. Newport’s experience has been one where the majority of revenue growth was from Federal and State resources, rather than from local revenue sources as experienced among the peer districts. Three peer school districts – North Providence, Portsmouth and Westerly – derived at least three-fourths of their revenue growth from local sources during this period of time.

When comparing overall growth in revenues among the peer school districts, growth in revenue ranged from a low of 11.7 percent in Newport to a high of 20.5 percent in Westerly. Where 29.0 percent of the growth in Newport was derived from local revenues, Westerly derived nearly 80.0 percent of its growth from local revenues.

Each community has a different mix of revenues in supporting its budget. Over time, the mixture of revenues has also changed for each community. In Newport, approximately 61.8 percent of the school district’s FY 2004 budget is supported with local funds, 31.3 percent with State funds and the 6.9 percent balance from Federal resources. This has shifted over a short period of time. In FY 2001, 65.7 percent of the school district’s budget was supported with local funds, 30.3 percent with State funds and the 4.1 percent balance from Federal resources. The District has made a concerted effort to pursue Federal and other non traditional funding sources to supplement its spending program.

	2001			2004			Share of Change		
	Local	State	Federal	Local	State	Federal	Local	State	Federal
Bristol Warren	53.4%	44.5%	2.1%	54.1%	41.8%	4.0%	58.8%	23.9%	17.3%
Middletown	63.1%	34.1%	2.8%	62.7%	34.3%	3.1%	59.1%	35.5%	5.4%
Newport	65.7%	30.3%	4.1%	61.8%	31.3%	6.9%	28.6%	40.2%	31.2%
North Providence	60.7%	35.0%	4.2%	63.3%	33.5%	3.2%	77.7%	24.7%	-2.4%
Portsmouth	75.8%	22.0%	2.1%	76.2%	20.9%	2.9%	78.9%	13.1%	8.0%
Westerly	80.5%	16.5%	3.0%	80.3%	15.2%	4.5%	79.5%	8.4%	12.1%
West Warwick	52.0%	44.1%	3.9%	49.5%	44.8%	5.7%	33.0%	49.8%	17.2%
Peer Group Totals	63.6%	33.2%	3.2%	63.2%	32.4%	4.4%	60.6%	26.9%	12.5%

\*State aid based on House Fiscal Staff reports.  
Source: RI Dept of Education, 2004 School Budgets, and RIPEC calculations.

On average, the seven peer school districts have 63.2 percent of their revenues come from local sources, 32.4 percent from State and 4.4 percent from Federal funding sources. This is a modest shift from their FY 2001 experience. However, Newport’s portion of the budget supported by Federal funds is the highest percentage among the peer school districts. Conversely, the Newport revenue structure relies slightly less on local funding compared to the peer group as a whole. The West-Warwick school district relies on 49.5 percent of its revenues from local sources, the lowest among the peer districts, and more than 10.0 percentage points lower than the average among its peers.

From State resources, the Town of Westerly clearly demonstrates the least reliance on State funding, anticipating only 15.2 percent of its funding from State sources. This is half of the peer district average. West Warwick leads the peer districts with 44.8 percent of its resources coming from the State in FY 2004.

In Newport, State revenues increased from \$9.6 million in FY 2001 to \$11.1 million in FY 2004, representing an increase of \$1.5 million or 15.6 percent during that time period. This places Newport second highest in its increase in State revenues. Among its peer districts, only West Warwick increased its State revenues by a higher percentage. West Warwick experienced an increase in State revenues from \$16.4 million in FY 2001 to \$19.3 million in FY 2004, an increase of \$2.8 million or 17.3 percent. Bristol-Warren experienced the lowest increase in state revenues. The district's State revenues increased by \$1.4 million or 8.0 percent.

*Revenues Per Pupil* - On a per pupil basis, Newport received \$10,396 in total revenues in FY 2001. This increased to an estimated \$12,500 in FY 2004. This represents a growth in per pupil revenues of \$2,104 or 20.2 percent during that time period. In FY 2001, Newport's total revenue per pupil ranked second highest to Bristol-Warren. In FY 2004, Newport's total revenue per pupil surpassed Bristol-Warren. In FY 2001, Newport's total revenue per pupil was 8.5 percent above the seven peer district average. This has since increased to 12.6 percent above the peer average in FY 2004.

	2001				2004				Change			
	Local	State	Federal	Total	Local	State	Federal	Total	Local	State	Federal	Total
Bristol Warren	\$5,628	\$4,685	\$218	\$10,530	\$6,733	\$5,202	\$503	\$12,437	\$1,105	\$517	\$285	\$1,907
Middletown	5,762	3,114	252	9,128	6,552	3,581	320	10,453	790	468	67	1,324
Newport	6,826	3,147	423	10,396	7,721	3,914	865	12,500	895	767	442	2,104
North Providence	5,403	3,118	378	8,898	6,773	3,585	347	10,705	1,370	467	-31	1,807
Portsmouth	6,412	1,864	180	8,457	6,906	1,895	261	9,062	493	31	80	604
Westerly	7,572	1,555	281	9,409	8,976	1,694	507	11,177	1,404	138	226	1,768
West Warwick	5,186	4,398	392	9,976	5,538	5,022	638	11,198	353	624	245	1,222
Peer Group Totals	\$6,094	\$3,181	\$306	\$9,581	\$7,019	\$3,594	\$493	\$11,106	\$925	\$412	\$187	\$1,525

\*State aid based on House Fiscal Staff reports.  
Source: RI Dept of Education, 2004 School Budgets, and RIPEC calculations.

This is in part due to a greater decline in total enrollment during this period. If enrollment had remained constant in Newport, per pupil revenues would have equaled \$11,617 per pupil. Therefore, RIPEC estimates that of the \$2,104 per pupil increase over this period of time, \$883 (42.0 percent) of the growth is attributable to declining enrollment and \$1,221 per pupil is attributable to growth in revenues.

On average among the peer school districts, per pupil revenues increased from \$9,581 per pupil in FY 2001 to \$11,106 per pupil in FY 2004. Therefore, the seven peer districts experienced an increase of \$1,525 in revenues per pupil – a 15.9 percent increase since FY 2001. North Providence and Newport experienced the greatest gains, increasing 20.3 and 20.2 percent respectively. Per pupil revenues among the peer school districts ranged from a low of \$9,062 in Portsmouth to a high of \$12,500 in Newport.

### FY 2004 Expenditures by Category

The following analysis is based on the peer school district's FY 2004 operating budgets. Expenditures are shown for salaries and benefits. It also provides an overview of expenditures for purchased services, supplies, capital outlay, and other miscellaneous expenditures.

For all districts, salaries represent the largest component of the personnel budget. Among the surveyed districts, they account for 59.0 percent (Newport) and 66.8 percent (Westerly) of total expenditures. Salaries are shown for three groups: administrators; professional education, including teachers and other professional staff such as librarians, and nurses, as well as substitutes; and other salaries which includes, for example, clerks and secretaries.

Benefits are the second largest expenditure category for school district. They represent between 15.3 percent (Middletown) and 23.3 percent (Bristol-Warren and Newport) of total expenditures in FY 2004. Benefit expenditures are shown for active and retired employees, and broken out into health and dental insurance, as well as life insurance, the buyback provision, retirement costs, FICA, Medicare, unemployment compensation, and worker's compensation.

In FY 2004, the Newport school district will spend about \$34.7 million. The majority of the school district's budget is dedicated towards personnel. Approximately \$28.6 million or 82.4 percent of total expenditure relates to personnel costs (salaries and benefits). The \$6.1 million difference (17.3 percent) is spent on purchased services, supplies, capital outlay, and other expenses.

Within personnel expenditures it is estimated that \$20.5 million or 71.3 percent are related to salaries, while benefits are estimated to account for the \$8.1 million difference (28.3 percent). In Newport, of the total expenditures for salaries of \$20.5 million, \$15.0 million or 73.2 percent are estimated to be spent on the professional staff. This translates into an average teacher salary of \$56,872 in FY 2004. Approximately \$1.2 million was allocated to administrative staff and about \$4.3 million to other salaries.

As said before, benefits represent the second largest category of expenditures in the school district budget. In FY 2004, Newport is estimated to spend \$8.1 million on benefits, representing 23.4 percent of the total school budget. Within the benefits category, costs for medical insurance for active and retired employees are by far the largest expenditures, accounting for \$5.4 million or 66.7 percent of the total benefit expenditures. Health insurance for active employees amounted to \$3.3 million and dental coverage for \$0.3 million. For retired employees, approximately \$1.7 million is budgeted for health insurance and \$0.1 million on dental insurance. Another component of benefit expenditures are costs related to retirement. The school district's portion of the retirement costs for all its employees accounted for \$1.4 million. Expenditures for the health insurance buyback provision amounted to \$0.4 million in FY 2004. Other benefits, such as FICA, Medicare, survivor benefits, and life insurance accounted for the \$0.9 million difference.

When compared to its peer districts, personnel expenditures (salaries and benefits) as a percent of total expenditures rank Newport fourth, accounting for 82.4 percent of total expenditures. Westerly's personnel expenditures as a percent of the total were highest, accounting for 87.3 percent of total expenditures (\$34.4 million). Middletown's personnel costs as a percent of the total school budget were lowest among the peer districts, accounting for 77.6 percent (\$24.3 million).

**2004 School District Expenditures**

Expenditure	North						
	Bristol-Warren	Middletown	Newport	Providence (1)	Portsmouth	Westerly	West Warwick
<b>Personnel Budget</b>							
<b>Salaries</b>							
Administration	\$1,671,319	\$1,126,431	\$1,172,152	\$1,425,577	\$1,013,084	\$1,660,816	\$1,508,700
Professional Ed (2)	19,909,834	14,669,916	15,014,191	18,382,164	12,503,965	20,329,779	17,721,500
Other	3,806,376	3,686,571	4,283,146	2,884,975	2,356,106	4,304,160	5,090,600
Adjustment							
<i>Salaries Subtotal</i>	<i>\$25,387,529</i>	<i>\$19,482,918</i>	<i>\$20,469,489</i>	<i>\$22,692,716</i>	<i>\$15,873,155</i>	<i>\$26,294,755</i>	<i>\$24,320,800</i>
<b>Benefits - Active Employees</b>							
Health Insurance	\$4,218,332	\$2,512,032	\$3,331,311	\$2,489,926	\$2,311,923	\$4,034,856	\$3,402,900
Dental Insurance	498,285	-	279,138	347,239	256,703	436,227	361,400
Life Insurance	30,082	46,905	91,957	166,732	18,198	64,209	94,100
Deferred Compensation	81,775	-	-	-	-	-	-
Buyback	274,850	-	382,041	516,000	-	-	352,000
Retirement (Cert., Non-Cert., Municipal)	1,649,127	1,364,583	1,376,858	2,080,697	1,575,454	2,104,342	1,528,500
Other (FICA/Medicare/Survivor)	812,723	505,129	447,870	1,731,000	413,198	674,620	1,913,900
<b>Benefits - Retirees (3)</b>							
Health Insurance	\$2,203,267	\$281,370	\$1,718,915	NA	\$170,000	\$411,993	\$1,104,000
Dental Insurance	3,032	-	126,805	NA	-	14,525	87,000
Life Insurance	4,250	-	27,258	NA	-	-	-
Other (4)	-	-	180,000	NA	-	105,659	90,000
<b>Other Benefits</b>							
Unemployment	\$31,737	\$8,325	\$70,000	\$58,000	\$21,600	\$24,672	\$15,000
Workers Compensation	97,278	56,651	62,510	132,494	67,417	126,747	145,800
Other	32,236	-	-	40,000	12,100	72,754	49,000
<i>Subtotal - All Benefits</i>	<i>\$9,936,974</i>	<i>\$4,774,995</i>	<i>\$8,094,663</i>	<i>\$7,562,088</i>	<i>\$4,846,593</i>	<i>\$8,070,604</i>	<i>\$9,143,600</i>
<b>Total Personnel Costs</b>	<b>\$35,324,503</b>	<b>\$24,257,913</b>	<b>\$28,564,152</b>	<b>\$30,254,804</b>	<b>\$20,719,748</b>	<b>\$34,365,359</b>	<b>\$33,464,400</b>
<b>Purchased Services</b>	5,691,453	5,524,919	4,940,792	4,400,423	3,675,236	3,444,807	5,916,900
<b>Supplies</b>	1,423,681	953,758	919,909	714,129	859,557	1,175,359	1,426,100
<b>Capital Outlay</b>	214,799	452,504	75,040	100,799	11,000	202,075	208,300
<b>Other (5)</b>	57,752	25,300	172,323	174,354	905,073	173,978	56,200
<i>Subtotal Non-Personnel</i>	<i>\$7,387,685</i>	<i>\$6,956,481</i>	<i>\$6,108,064</i>	<i>\$5,389,705</i>	<i>\$5,450,866</i>	<i>\$4,996,219</i>	<i>\$7,607,500</i>
<b>Total School Budget</b>	<b>\$42,712,188</b>	<b>\$31,214,394</b>	<b>\$34,672,216</b>	<b>\$35,644,509</b>	<b>\$26,170,614</b>	<b>\$39,361,578</b>	<b>\$41,071,900</b>

(1) North Providence: Health and Dental Insurance includes retirees, no break out available

(2) Includes salaries for teachers and other professionals

(3) Portsmouth: no district costs for dental and life insurance for retirees.

(4) Early retirement option

(5) Portsmouth: Other costs includes regional payment for special education.

Source: School District Budgets

Expenditures for purchased services ranged from \$5.9 million in West Warwick, or 14.4 percent of total school expenditures to \$3.4 million or 8.6 percent of total expenditures in Westerly. Newport's costs for purchased services amounted to \$4.9 million or 14.2 percent of total expenditures, ranking the district third highest in purchased services expenditures as a percent of total expenditures. Costs for supplies ranged from 2.0 percent of total expenditures in North Providence (\$0.7 million) to 3.4 percent of total expenditures in Portsmouth (\$0.9 million) and West Warwick (\$1.4 million). Newport's expenses for supplies are estimated to amount to 2.6 percent of total expenditures or \$0.9

million. Expenditures for capital outlay and other miscellaneous expenditures amounted between 0.6 percent of total expenditures in Newport to 3.4 percent in Portsmouth. Portsmouth's other expenditures include the district's regional payment for special education.

### Teacher Compensation

The teacher compensation analysis is based on the total compensation a teacher receives. The teacher salaries are shown for the 1<sup>st</sup> and 10<sup>th</sup> step, as reported by the Rhode Island Association of School Committees. In addition, costs for family health and dental insurance, life insurance, social security (if applicable), Medicare, and retirement costs have been added. Complete data for North Providence is not available. Therefore, North Providence is not included in the discussion below.

#### *Teacher Compensation 1<sup>st</sup> Step*

Newport's teacher compensation on the 1<sup>st</sup> step is estimated to be \$49,260 in FY 2004. This places Newport second highest among the six districts. While the district's teacher salary of \$32,769 ranks the district fourth highest among its peers, the teacher's family health insurance is the highest among the surveyed districts. It amounts to an estimated \$12,216 annually, or 24.8 percent of the total compensation.

<b>2004 Teacher Compensation - First Step</b>						
<b>Compensation</b>	<b>Bristol-Warren</b>	<b>Middletown</b>	<b>Newport</b>	<b>Portsmouth</b>	<b>Westerly</b>	<b>West Warwick</b>
Teacher Salaries	\$32,396	\$33,408	\$32,769	\$31,765	\$33,697	\$34,223
Family Health Insurance	\$10,813	\$10,127	\$12,216	\$10,200	\$10,987	\$12,036
Dental Insurance	940	1,041	968	948	949	1,200
Life Insurance	75		214	53	151	250
Social Security	none	none	none	none	none	2,122
Medicare	470	484	475	461	489	496
Retirement	2,588	2,669	2,618	2,538	2,692	2,734
<i>Subtotal Benefits</i>	<i>\$14,886</i>	<i>\$14,321</i>	<i>\$16,491</i>	<i>\$14,200</i>	<i>\$15,268</i>	<i>\$18,838</i>
<b>Total Compensation</b>	<b>\$47,282</b>	<b>\$47,729</b>	<b>\$49,260</b>	<b>\$45,965</b>	<b>\$48,965</b>	<b>\$53,061</b>
* Does not include any longevity.						
No data available for North Providence.						
Source: Various school departments, RI Association of School Committees, and RIPEC calculations.						

Of the six surveyed districts, West Warwick had the highest total compensation. The compensation for teachers on the 1<sup>st</sup> step for FY 2004 is estimated to be \$53,061. This is principally a function of West Warwick having the highest beginning salary (\$34,223) among the surveyed districts combined with relatively high health insurance costs and a social security contribution of \$2,122. Only West Warwick and North Providence pay into social security.

Portsmouth has the lowest total compensation costs. Total compensation is estimated to be \$45,965 in FY 2004. The lower costs mainly relate to the lowest beginning salary of \$31,765 among its peers and low health insurance costs, when compared to the other surveyed districts. Bristol Warren's total compensation is estimated to amount to \$47,282 in FY 2004, Middletown's \$47,729 and Westerly's to \$48,965.

*Teacher Compensation 10<sup>th</sup> Step*

Newport's teacher compensation on the 10<sup>th</sup> step is estimated to be \$77,358 in FY 2004, placing Newport second highest among the six districts. Again, this is mainly a function of relatively high health insurance costs when compared to its peers. The 10<sup>th</sup> step salary alone is the second lowest among the six districts. Only Westerly has a lower 10<sup>th</sup> step salary among the districts.

<b>2004 Teacher Compensation - Tenth Step</b>						
<b>Compensation</b>	<b>Bristol-Warren</b>	<b>Middletown</b>	<b>Newport</b>	<b>Portsmouth</b>	<b>Westerly</b>	<b>West Warwick</b>
Teacher Salaries	\$59,725	\$60,466	\$58,443	\$60,049	\$56,384	\$60,418
Family Health Insurance	\$10,813	\$10,127	\$12,216	\$10,200	\$10,987	\$12,036
Dental Insurance	940	1,041	968	948	949	1,200
Life Insurance	75		214	53	151	250
Social Security	none	none	none	none	none	3,746
Medicare	866	877	847	871	818	876
Retirement	4,772	4,831	4,670	4,798	4,505	4,827
<i>Subtotal All Other</i>	<i>\$17,466</i>	<i>\$16,875</i>	<i>\$18,915</i>	<i>\$16,870</i>	<i>\$17,410</i>	<i>\$22,935</i>
<b>Total Compensation</b>	<b>\$77,191</b>	<b>\$77,341</b>	<b>\$77,358</b>	<b>\$76,919</b>	<b>\$73,794</b>	<b>\$83,353</b>
* Does not include any longevity. No data available for North Providence.						
Source: Various school departments, RI Association of School Committees, and RIPEC calculations.						

Of the six surveyed districts, West Warwick had the highest total compensation. The compensation for teachers on the 10<sup>th</sup> step for FY 2004 is estimated to be \$83,353. Again, this is principally a function of West Warwick having the highest 10<sup>th</sup> step salary (\$60,418) among the surveyed districts combined with relatively high health insurance costs and a social security contribution of \$3,746. It should be noted that even without social security, West Warwick compensation would still be the highest.

Westerly has the lowest total compensation costs for teachers on the 10<sup>th</sup> step. Total compensation is estimated to be \$73,794 in FY 2004. The low costs mainly relate to the lowest 10<sup>th</sup> step salary of \$56,384 among its peers and relatively low health insurance costs, when compared to the other surveyed districts. Bristol Warren's 10<sup>th</sup> step total compensation is estimated to be \$77,191 in FY 2004, Middletown's \$77,341 and Portsmouth's \$76,919.

## School District Expenditure Structure

The following analyzes school district expenditures from FY 1999 to FY 2002, based on the Rhode Island Department of Education's In\$ite data. The analysis looks at total expenditure changes, as well as general education and special education expenditures. It should be noted that the Rhode Island Department of Education recently released preliminary FY 2003 summary data from In\$ite.

### FY 1999 to FY 2002 Expenditures

Total school district expenditures in FY 2002 ranged from \$42.1 million in Bristol Warren to \$26.0 million in Portsmouth. This is in part a function of Bristol Warren being the largest district – based on fall enrollment - among the surveyed districts in FY 2002. Portsmouth ranked sixth highest in fall enrollment among the seven districts, with only Middletown being smaller in FY 2002.

Community	FY 1999	FY 2002	1999-2002 Change	
			Amount	Percent
Bristol-Warren	\$36.5	\$42.1	\$5.6	15.4%
Middletown	\$25.3	\$29.5	4.2	16.8%
Newport	\$30.1	\$36.8	6.7	22.2%
North Providence	\$29.1	\$35.2	6.1	20.9%
Portsmouth	\$22.6	\$26.0	3.4	15.2%
Westerly	\$29.9	\$37.9	8.1	27.1%
West Warwick	\$34.7	\$40.5	5.8	16.7%

Source: RI Dept of Education (In\$ite), and RIPEC calculations.

Among its peer districts Newport had the second highest percent increase in expenditures between FY 1999 and FY 2002. Expenditures increased by \$6.7 million or 22.3 percent during that time period. Only Westerly experienced higher percentage growth among the peer districts. Westerly's expenditures increased from \$29.9 million in FY 1999 to \$37.9 million in FY 2002, an increase of \$8.0 million or 26.8 percent. The other five districts increased total expenditures between \$6.1 million or 21.0 percent (North Providence) and \$3.4 million or 15.0 percent (Portsmouth) during that time period.

The increase in total general instruction expenditures was highest in Bristol-Warren (not including Westerly general instruction expenditures as reported in In\$ite because data appears tainted). Bristol-Warren's general instruction expenditures increased from \$27.0 million in FY 1999 to \$32.9 million in FY 2002. This represents an increase of \$5.9 million or 22.2 percent during that time period.

The lowest percent increase in general instruction expenditures among the peer districts was in Portsmouth. The district increased its general instruction expenditures by \$2.2 million or 11.7 percent, from \$19.0 million in FY 1999 to \$21.2 million in FY 2002.

Community	FY 1999	FY 2002	1999-2002 Change	
			Amount	Percent
Bristol-Warren	\$27.0	\$32.9	\$5.9	21.9%
Middletown	20.6	23.9	3.3	16.0%
Newport	22.0	26.6	4.6	20.9%
North Providence	21.3	25.0	3.7	17.4%
Portsmouth	19.0	21.2	2.2	11.6%
Westerly*	18.4	28.7	10.3	56.0%
West Warwick	25.5	29.2	3.7	14.5%

\* Westerly's FY 1999 general education expenditures do not include all expenditures.  
Source: RI Dept of Education (In\$ite), and RIPEC calculations.

Total special education expenditures were highest in North Providence in FY 2002 among the seven surveyed districts, increasing from \$6.7 million in FY 1999 to \$9.4 million in FY 2002. This represents an increase of \$2.7 million or 40.8 percent during that time period. North Providence also has one of the highest enrollments in

special education. It ranked third highest in special education enrollment among the surveyed districts in FY 2002. Portsmouth spent the least on special education with \$4.4 million, increasing expenditures by \$1.2 million or 36.6 percent. Newport ranked fifth highest in total special education expenditures (\$7.3 million) in FY 2002.

As a percent of total expenditures, North Providence had the highest amount in spending on special education in FY 2002.

Of the districts total expenditures, 26.8 percent went to special education. The lowest amount as a percent of total expenditures was in Portsmouth. The district spent 17.0 percent of total expenditures on special education.

Community	FY 1999	FY 2002	1999-2002 Change	
			Amount	Percent
Bristol-Warren	\$7.2	\$7.6	\$0.4	5.6%
Middletown	4.0	5.1	1.1	27.5%
Newport	5.9	7.3	1.4	23.7%
North Providence	6.7	9.4	2.7	40.3%
Portsmouth	3.2	4.4	1.2	37.5%
Westerly	6.7	8.1	1.4	20.9%
West Warwick	7.2	9.2	2.0	27.8%

Source: RI Dept of Education (InSite), and RIPEC calculations.

In Newport, total school district expenditures increased from \$30.1 million in FY 1999 to \$36.8 million in FY 2002. This represents an increase of \$6.7 million or 22.3 percent. This translates into an average annual growth rate of 7.4 percent between FY 1999 and FY 2002.

Of the \$6.7 million increase, \$4.6 million was spent on general education expenditures. General education expenditures increased from \$22.0 million in FY 1999 to \$26.6 million in FY 2002. In other words, 69.7 percent of the increase in expenditures during that time period was spent on general education. General education expenditures increased by 20.9 percent during that time period, translating into an average annual growth rate of 7.0 percent.

Special education expenditures increased by \$1.5 million, from \$5.9 million in FY 1999 to \$7.3 million in FY 2002, accounting for 22.4 percent of the total increase in expenditures during that time period. While special education enrollment increased by 6.4 percent during that time period, special education expenditures increased by 22.4 percent during that time period. In other words, expenditures increased by more than three times than enrollment. Special education expenditures increased at an average annual growth rate of 7.5 percent during that time period.

Newport's expenditures for general education and special education combined amounted to 91.0 percent of the expenditure increase between FY 1999 and FY 2002. Expenditures for vocational education, limited English proficiency, vocational education, and Title I made up the 9.0 percent (\$0.8 million) difference. Other education expenditures declined by \$0.2 million, from \$0.6 million in FY 1999 to \$0.4 million in FY 2002.

As a percent of total expenditures, Newport's expenditures for general education declined while special education expenditures increased between FY 1999 and FY 2002. General education expenditures amounted to 73.1 percent of total expenditures in FY 1999. This has declined to 72.4 percent in FY 2002. Special education expenditures accounted for 19.5 percent of total expenditures in FY 1999 and have increased to 19.9 percent in FY 2002.

It should be noted that gross spending levels do not provide a comparable base for analysis. While it provides a picture of overall growth and trends, one needs to put expenditures on a per pupil basis.

### Expenditures Per Pupil

In Newport, total expenditures per pupil increased by \$2,555 per pupil or 25.6 percent, from \$9,971 in FY 1999 to \$12,526 in FY 2002. This translates into an average annual growth rate of 8.5 percent. Newport's per pupil general instruction expenditures increased by 24.3 percent – from \$7,292 per pupil in FY 1999 to \$9,066 in FY 2002. General education expenditures increased at about the same percentage than total expenditures per pupil. Special education expenditures increased from \$8,357 in FY 1999 to \$9,798 in FY 2002, an increase of \$1,441 or 17.2 percent.

Community	FY 1999	FY 2002	1999-2002 Change	
			Amount	Percent
Bristol-Warren	\$9,326	\$11,048	\$1,722	18.5%
Middletown	9,004	10,339	1,335	14.8%
Newport	9,971	12,526	2,555	25.6%
North Providence	8,289	10,119	1,830	22.1%
Portsmouth	8,172	9,005	833	10.2%
Westerly	8,300	10,280	1,980	23.9%
West Warwick	9,393	10,680	1,287	13.7%

Source: RI Dept of Education (InSite), and RIPEC calculations.

The higher percent increase in per pupil expenditures for general instruction than special education relates to the fact that total enrollment declined in Newport, from 3,020 students in FY 1999 to 2,937 students in FY 2002, a decline of 2.7 percent. On the other hand, special education enrollment increased by 6.4 percent.

When compared to its peer districts, Newport had the highest per pupil expenditures in FY 2002. This is a combination of relatively faster growth in total expenditures and the declining enrollments between FY 1999 and FY 2002. While Westerly also experienced a relative high percentage increase in total expenditures (27.1 percent), the district's enrollment increased by 2.7 percent. Westerly's per pupil expenditures of \$10,280 in FY 2002 placed the district fifth highest among the surveyed districts. The lowest per pupil expenditures was in Portsmouth with \$9,005 spent on each pupil in FY 2002.

Community	FY 1999		FY 2002		1999-2002 Change	
	Amount	% of Total	Amount	% of Total	Amount	Percent
Bristol-Warren	\$6,891	73.9%	\$8,644	78.2%	\$1,753.1	25.4%
Middletown	7,320	81.3%	8,359	80.8%	1,039.1	14.2%
Newport	7,292	73.1%	9,066	72.4%	1,773.7	24.3%
North Providence	6,065	73.2%	7,183	71.0%	1,117.9	18.4%
Portsmouth	6,883	84.2%	7,356	81.7%	473.2	6.9%
Westerly*	5,126	61.8%	7,778	75.7%	2,652.1	51.7%
West Warwick	6,904	73.5%	7,691	72.0%	786.8	11.4%

\* Westerly's FY 1999 general education expenditures do not include all expenditures.  
Source: RI Dept of Education (InSite), and RIPEC calculations.

Newport also had the highest general education instruction per pupil in FY 2002. As was the case for total expenditures per pupil, this is a function of relative high expenditure increases and a declining enrollment. Newport's peer districts increased its general instruction expenditures between 6.9 percent (Portsmouth) and 25.4 percent (Bristol Warren). The lowest amount spent on general instruction among the peer districts was in North Providence. This district spent \$7,183 per pupil on general instruction in FY 2002.

However, on a per pupil basis North Providence spent the most on special education expenditures in FY 2002, amounting to \$11,732 per pupil. It increased its expenditures by 21.8 percent or \$2,104, from \$9,629 in FY 1999. Portsmouth spent the lowest amount on special education of the peer districts, increasing its expenditures from \$6,542 per pupil in FY 1999 to \$8,883 per pupil in FY 2002. However, Portsmouth had the highest percentage increase in per pupil expenditures for special education. Expenditures increased by 35.8 percent during that time period. Newport ranked fourth highest among the surveyed districts, with \$9,798 per pupil.

<b>Community</b>	<b>FY 1999</b>		<b>FY 2002</b>		<b>1999-2002 Change</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>Percent</b>
Bristol-Warren	\$8,841	19.8%	\$9,097	18.0%	\$256.6	2.9%
Middletown	7,281	15.8%	9,258	17.3%	1,977.6	27.2%
Newport	8,357	19.5%	9,798	19.9%	1,440.9	17.2%
North Providence	9,629	23.0%	11,732	26.8%	2,103.5	21.8%
Portsmouth	6,542	14.4%	8,883	17.0%	2,341.6	35.8%
Westerly	9,047	22.3%	11,564	21.4%	2,516.4	27.8%
West Warwick	9,257	20.8%	11,159	22.7%	1,901.2	20.5%

Source: RI Dept of Education (InSite), and RIPEC calculations.

## **Student Performance**

The following tables show student performance in the seven districts on the Scholastic Assessment Test (SAT) for 2000 and 2003 and New Standards Reference Exam (NSRE) for the years 2000 and 2002 for grade 4. While NSRE performance data are available for 2003, these data do not provide any details. For example, the 2003 data only show Mathematics performance, but not the performance for any sub-tests, such as skills, concepts, and problem solving.

### *SAT Performance*

Combined SAT scores increased in four districts between 2000 and 2003 and declined in three districts (including Newport). The State as a whole also saw a slight increase in SAT performance, increasing it by 2.0 points, from 988 in 2000 to 990 in 2003.

Scholastic Assessment Test (SAT) Scores												
	Participation Rate			Math Section			Verbal Section			Combined SAT Scores		
	2000	2003	Change 2000-2003	2000	2003	Change 2000-2003	2000	2003	Change 2000-2003	2000	2003	Change 2000-2003
Bristol Warren	53	62	9	464	477	13	472	478	6	936	955	19
Middletown	74	68	(6)	488	500	12	500	509	9	988	1,009	21
<b>Newport</b>	<b>66</b>	<b>67</b>	<b>1</b>	<b>516</b>	<b>507</b>	<b>(9)</b>	<b>517</b>	<b>491</b>	<b>(26)</b>	<b>1,033</b>	<b>998</b>	<b>(35)</b>
North Providence	55	52	(3)	486	485	(1)	478	486	8	964	971	7
Portsmouth	76	72	(4)	523	534	11	524	540	16	1,047	1,074	27
Westerly	62	53	(9)	509	497	(12)	508	493	(15)	1,017	990	(27)
West Warwick	51	56	5	481	474	(7)	490	471	(19)	971	945	(26)
<b>State</b>	<b>59</b>	<b>61</b>	<b>2</b>	<b>494</b>	<b>497</b>	<b>3</b>	<b>494</b>	<b>493</b>	<b>(1)</b>	<b>988</b>	<b>990</b>	<b>2</b>

Source: RI Dept. of Education, InfoWorks, and RIPEC calculations.

Newport’s combined SAT scores declined by 35.0 points, from 1,033 in 2000 to 998 in 2003. This is the highest drop in performance among the surveyed school districts. The declining performance is mainly a function of a declining performance in the verbal part of the test. Scores in the verbal section dropped from 517 points in 2000 to 491 in 2003, a decline of 26.0 points. The math performance dropped as well, from 516 points in 2000 to 507 points in 2003.

When compared to its peers, Newport’s combined score of 998 points in 2003 ranked the district third highest among the seven districts and 8.0 points higher than the State average. Portsmouth (1,074) ranked highest, followed by Middletown (1,009). West Warwick had the lowest score among the seven districts (945). Three of the districts (Middletown, Newport, and Portsmouth) had a higher combined score than the State average of 990 points in 2003. Westerly was at the State average, and Bristol-Warren, North Providence, and West Warwick were below the State average.

In the math section, Newport’s performance dropped by 9.0 points, from 516 in 2000 to 507 in 2003. However, even with declining performance, Newport ranked second highest among the seven districts, after Portsmouth which had 534 points in 2003. The lowest math performance was in West Warwick.

In the verbal section, Newport’s performance of 491 points in 2003 ranked the district fourth highest. Portsmouth (540), Middletown (509), and Westerly (493) performed better than Newport, while North Providence (486), Bristol-Warren (478) and West Warwick (471) were below Newport’s performance. When compared to the State average, only Middletown and Portsmouth were above the State average of 493 points in 2003. Westerly was at the State average.

When looking at the participation rate, four districts (Middletown, North Providence, Portsmouth, and Westerly) experienced a declining participation rate between 2000 and 2003. Newport’s participation rate slightly increased, from 66.0 percent participating in 2000 to 67.0 percent in 2003. Bristol-Warren’s and West Warwick’s rate also increased during that time period. In 2003, Bristol-Warren’s, Middletown’s, Newport’s and Portsmouth’s participation rate was higher than the State average of 61.0 percent.

*NSRE Performance*

The NSRE is a performance assessment, as opposed to a traditional multiple-choice test. These tests are given to all students in grades 4, 8, and 10 in mathematics, reading, and writing. Each New Standards test consists of either two or three sub-tests. For the mathematics assessment, the exam covers three areas. One score measures how well each student knows mathematical skills, a second area of the test measures the student’s understanding of mathematical concepts, and a third score indicates how well the student solves math problems. The reading assessment covers two areas. One score measures the student’s basic understanding skills, the other the student’s skills in analysis and interpretation.

*Fourth Grade Mathematics*

All seven surveyed districts as well as the state overall improved their score in all categories of mathematics between 2000 and 2002. However, a significant percentage of students still do not meet the standards. In basic mathematics, Newport improved the percentage of 4<sup>th</sup> graders meeting or exceeding the standard by 15.0 percentage points, from 46.0 percent in 2000 to 61.0 percent in 2002. This is the highest percentage increase among the peer districts and more than double the increase when compared to the state average.

	Skills			Concepts			Problem Solving		
	2000	2002	Change 2000-2002	2000	2002	Change 2000-2002	2000	2002	Change 2000-2002
Bristol Warren	58	68	+10	24	24	0	17	24	+7
Middletown	66	77	+11	32	35	+3	23	35	+12
<b>Newport</b>	<b>46</b>	<b>61</b>	<b>+15</b>	<b>16</b>	<b>29</b>	<b>+13</b>	<b>19</b>	<b>28</b>	<b>+9</b>
North Providence	61	66	+5	26	19	-7	18	19	+1
Portsmouth	67	80	+13	32	42	+10	29	42	+13
Westerly	69	74	+5	31	45	+14	29	45	+16
West Warwick	58	66	+8	24	36	+12	24	35	+11
<b>State</b>	<b>58</b>	<b>65</b>	<b>+7</b>	<b>26</b>	<b>40</b>	<b>+14</b>	<b>19</b>	<b>28</b>	<b>+9</b>

Source: RI Dept. of Education, InfoWorks, and RIPEC calculations.

While this is a significant increase, Newport had the lowest percentage of students proficient in mathematical skills in 2002 among its peers. The 61.0 percent of students being proficient was also lower than the State average of 65.0 percent. Portsmouth had the highest percentage of students being proficient in basic mathematics, with 80.0 percent having proficiency in 2002. The district experienced a 13.0 percentage point increase between 2000 and 2002, the second highest increase after Newport. The State average increased by 7.0 percentage points, from 58.0 percent of students being proficient in 2000 to 65.0 percent in 2002.

In math concepts, Newport had the second highest percentage increase in performance among the peer districts. The district increased its score by 13.0 percentage points, from 16.0 percent of its students proficient in 2000 to 29.0 percent in 2002. Newport almost doubled the percent of students proficient in math concepts during that time period. However, as with basic math skills, Newport’s proficiency levels were among the lowest among its peers. Proficiency levels were also 11.0 percentage points lower than the State average of 40.0 percent in 2002. Only North Providence

showed a lower percentage. Westerly had the highest percentage of students at proficiency among the peers. The district increased its proficiency levels by 14.0 percentage points, from 31.0 percent in 2000 to 45.0 percent in 2002. The State's average proficiency increased by 14.0 percentage points, from 26.0 percent in 2000 to 40.0 percent in 2002.

In mathematical problem solving, 28.0 percent of Newport's 4<sup>th</sup> graders met or exceeded the standard in 2002, up from 19.0 percent in 2000. The increase of 9.0 percentage points during that time period places Newport fifth among its peers. The 28.0 percent of students being proficient in 2002 is the same as the State average and the third lowest among the seven districts. Bristol Warren and North Providence had a lower level of proficiency in 2002. In Bristol Warren, 24.0 percent of the students were proficient in 2002, up from 17.0 percent in 2000. In North Providence, 19.0 percent of the students were proficient in 2002, just 1.0 percentage point up from the 18.0 percent in 2000. Westerly had the highest amount of students being proficient among the seven districts, with 45.0 percent of the students showing proficiency in 2002, up from 29.0 percent in 2000.

*Fourth Grade Reading*

The NSRE reading assessment evaluates a student's basic understanding skills and his or her analysis and interpretation skills. Between 2000 and 2002, four districts (including Newport) increased the percentage of students being proficient and three districts experienced declining proficiency. The State as a whole had declining proficiency levels as well during that time period.

In basic understanding, Newport slightly increased its performance, from 70.0 percent of the students being proficient in 2000 to 71.0 percent in 2002. Bristol Warren, Portsmouth, and Middletown also experienced an increase in proficiency levels – between 3.0 percentage points and 1.0 percentage points. North Providence, Westerly, and West Warwick had declining proficiency levels during that time period. The State as a whole also experienced declining proficiency levels, from 77.0 percent being proficient in 2000 to 72.0 percent in 2002.

New Standards Reference Exam (NSRE) Reading, Grade 4 Percent of Students Meeting or Exceeding the State-Performance Standard						
	Basic Understanding			Analysis & Interpretation		
	2000	2002	Change 2000-2002	2000	2002	Change 2000-2002
Bristol Warren	75	78	+3	62	63	+1
Middletown	85	86	+1	69	76	+7
<b>Newport</b>	<b>70</b>	<b>71</b>	<b>+1</b>	<b>53</b>	<b>54</b>	<b>+1</b>
North Providence	87	77	-10	72	63	-9
Portsmouth	86	88	+2	74	78	+4
Westerly	88	81	-7	76	69	-7
West Warwick	79	72	-7	67	59	-8
<b>State</b>	<b>77</b>	<b>72</b>	<b>-5</b>	<b>62</b>	<b>60</b>	<b>-2</b>

Source: RI Dept. of Education, InfoWorks, and RIPEC calculations.

Fourth grade performance in analysis and interpretation slightly improved in Newport, from 53.0 percent meeting or exceeding proficiency levels in 2000 to 54.0 percent in 2002. Middletown, Portsmouth, and Bristol Warren also had a higher percentage of their students being proficiency in 2002 than in 2000. Proficiency levels declined during that time period in North Providence, Westerly, and West Warwick. The State as a whole also experienced declining proficiency levels, from 62.0 percent being proficient in 2000 to 60.0 percent in 2002.