

STATE OF RHODE ISLAND  
AND  
PROVIDENCE PLANTATIONS

COMMISSIONER OF EDUCATION

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NARRAGANSETT SCHOOL COMMITTEE           :

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vs.

DECISION

Held: The Town must pay census transition funds to the School Committee in addition to the previously-enacted budget appropriation.

May 3, 1994

## Introduction

This matter concerns a request by the Narragansett School Committee that the Commissioner resolve a dispute between the School Committee and the Town of Narragansett regarding the disposition of "census transition money." [Hearing Officer's Exhibit 1].<sup>1</sup>

For the reasons set forth below, we find that the School Committee is entitled to the census transition funds in addition to the budget appropriation enacted by the Town in June 1993.

## Background

On June 14, 1993, the Narragansett Town Council enacted a town budget for the 1993-1994 fiscal year. As enacted, Section 1 of Chapter 716 of the Narragansett Code of Ordinances states that

The following budget for the Town of Narragansett for the fiscal year of said Town of Narragansett beginning July 1, A.D. 1993 is hereby enacted and adopted as follows; and the following appropriations are hereby made in the amounts of money set opposite the respective purpose for which the same are made to wit . . . (Joint Exhibit 1)

Section 1 was followed by a listing of General Fund revenues and expenditures. The budget also listed School Fund revenues and expenditures, each in the amount of \$14,450,000. The School Fund revenues were listed as follows:

Local Taxes	\$12,406,400
State Operations Aid	685,737
Special Education Aid	425,946
Vocational Education Aid	26,695
State Housing Aid	437,010
Miscellaneous	4,000
Special Education Tuition	73,142
Rental Income	2,000
Appropriated Reserve	389,070
Total	<u>\$14,450,000</u>

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<sup>1</sup> This matter was assigned to the undersigned hearing officer. It was heard on March 22, 1994. The record closed on April 13, 1994.

Subsequent to the enactment of the Narragansett town budget, the Rhode Island state budget for the 1993-1994 fiscal year was enacted. Chapter 138, Article 77, Section 6 of the budget created R.I.G.L. 16-7-20.2, entitled "Census transition provision," which provided specific amounts of funds for 16 enumerated school districts. Section 1 of Chapter 138, Article 77 gave the Commissioner of Education authority to reduce funding if insufficient monies were realized, and Section 7 of Chapter 138, Article 77 provided for the method of distribution of funds received as a result of changes in the federal income tax on state income tax revenues. These sections are set forth in full in Appendix I.

Section 8 of Chapter 138, Article 77 amended R.I.G.L. 16-4-5, which concerns the permanent school fund. The amended version of R.I.G.L. 16-4-5, with the new language underlined, is set forth in full in Appendix II.

According to the testimony in this matter, R.I.G.L. 16-7-20.2 and Section 7 of Article 77 represent a one-time fiscal appropriation designed to provide financial assistance to those school districts which would have received less state aid in fiscal year 1994 than in fiscal year 1993. Funding under this statute was arranged in two stages, with the less wealthy school districts being the first to benefit.

Following the enactment of the state budget, the state did in fact receive additional revenue by virtue of the federal income tax changes mentioned in Section 7. That revenue proved to be sufficient to fund the allocations listed in R.I.G.L. 16-7-20.2 as well as those set forth in Section 7(b) of Chapter 138, Article 77.

Pursuant to Section 7(b), the town of Narragansett received \$260,019 of census transition funds.

The Narragansett Town Council discussed the disposition and use of the census transition funds at its meetings of February 24 and March 7, 1994. (Joint Exhibits 3 and 4). At the latter meeting, the Town Council directed the town solicitor and the town manager to draft a budget amendment with regard to these funds. (Joint Exhibit 4).

Thereafter, an ordinance was drafted stating in pertinent part that

The portion of Section 1 of Chapter 716 of the Code of Ordinances of the Town of Narragansett entitled "SCHOOL FUND" is hereby amended to read as follows:

SCHOOL FUND REVENUES	
Local Taxes	\$12,146,381
State Operations Aid	685,737
Special Education Aid	425,946
Vocational Education Aid	26,695
State Housing Aid	437,010
Miscellaneous	4,000
Special Education Tuition	73,142
Rental Income	2,000
Appropriated Reserve	389,070
Census Transition Fund Aid	260,019
TOTAL	<u>\$14,450,000</u>

As is evident from the ordinance's amended listing of School Fund revenues, an item entitled "Census Transition Fund Aid" in the amount of \$260,019 was added, and the pre-existing "Local Taxes" item was reduced by a similar amount.

#### Positions of the Parties

The School Committee contends that the language of R.I.G.L. 16-7-20.2 clearly mandates that census transition funds are re-

stricted to public school purposes. The Committee argues that the Town, by amending the budget,

seeks to accomplish indirectly what it could not do directly. The net effect of its maneuvering is that there is no incremental benefit to the School Committee of the monies to which it was statutorily entitled. . . . To sanction the stratagem used by the Town is to circumvent the intent of the statute and would make the language in the statute "for public school purposes only" meaningless. (Memorandum, pp. 1-3).

The School Committee also asserts that, under Dawson v. Clark, 93 R.I. 457 (1962), monies appropriated by a town council "are within the sole and exclusive use of that town's school committee and cannot be recaptured by the town." (Memorandum, pp. 3-4). The Committee further contends that, because public education is no longer financed through the permanent school fund, the intent of the amendment to R.I.G.L. 16-4-5 requiring that state educational funds not be used to supplant city or town allocated monies must have some bearing on the issue herein. The School Committee asks for an order directing the Town to disburse the census transition monies to the Committee and to return those funds "recouped" by the Town from its original appropriation. (Memorandum, p. 5).

The Town states that the sole issue in this matter "is whether the actions of the Narragansett Town Council comply with the requirements of R.I.G.L. 16-7-20.2." (Memorandum, p. 3). The Town answers this question in the affirmative because (1) the census transition money is being used for the benefit of the School Committee in the 1993-1994 fiscal year; (2) the Town's amendment of its budget merely reflects the fact that additional state aid has been received, thereby reducing the amount of municipal tax dollars transferred to the School Committee; (3) the census transition money is not being used to pay

for municipal expenses or otherwise benefit the municipal side of the town budget; and (4) in the absence of any additional restrictions in R.I.G.L. 16-7-20.2 regarding the use of this money, the Town is free to use these funds to supplant municipal tax dollars appropriated for school purposes.<sup>2</sup> The Town also argues that Dawson v. Clark does not affect the Council's ability to amend its budget. The Town further asserts that, if it is found in this matter that the Town cannot amend its budget to reduce the amount of municipal taxes appropriated for the use of the School Committee, the Commissioner, in a proceeding unrelated to the sufficiency of the Town's school appropriation, does not have the authority to require the Town Council to appropriate the census monies to the School Committee or to authorize the School Committee to spend monies in excess of its appropriated budget amount.

### Discussion

We begin our analysis of this matter with R.I.G.L. 16-9-1, entitled "Receipt and payment of school funds by town treasurer." It states in pertinent part that

The town treasurer shall receive the money due the town from the state for public schools, and shall keep a separate accounting of all money appropriated by the state or town or otherwise for public schools in the town, and shall pay the same to the order of the school committee . . . .

We next turn to the first sentence of Section 7(a) of Chapter 138, Article 77. It reads as follows:

In the event that the state of Rhode Island receives or realizes additional revenue in

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2 The School Committee contends that the use of funds distributed pursuant to R.I.G.L. 16-7-20.2 cannot be controlled by language in another statute, i.e., R.I.G.L. 16-4-5, pertaining to a different funding source, i.e., the permanent school fund.

fiscal year 1993-1994 as a result of the effects of changes in the federal income tax on state income tax revenues, then such additional funds shall be restricted revenues to be used in fiscal year 1993-1994 by municipalities for public school purposes only.

As previously noted, the state received additional revenue sufficient to fund the allocations listed in R.I.G.L. 16-7-20.2 and Section 7(b). R.I.G.L. 16-9-1 applies to these state funds, and the Town treasurer therefore is required to pay the allocation of \$260,019 to the order of the School Committee.

We further note that the census transition funds were identified as potential additional state revenue in Section 7(a). This additional revenue was not to be received, if at all, until later in the 1993-1994 fiscal year. The anticipated receipt of these funds during the fiscal year necessarily means that their distribution to the municipalities would not occur until after the enactment of city and town budgets for the 1993-1994 fiscal year.

In spite of the contingent nature and mid-fiscal year receipt of these additional funds, Section 7(a) restricts the use of the funds<sup>3</sup> to the 1993-1994 fiscal year and for public school purposes only. Reading these provisions together, we find that the statute requires that the census transition funds be added to the previously-adopted school appropriation.

We reach this result in light of the meaning and intent of the language of Section 7(a) and R.I.G.L. 16-7-20.2. It is clear to us that the Legislature established the census transition fund in order

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3 In addition, R.I.G.L. 16-7-20.2 states that "These funds shall be restricted revenues to be used in fiscal year 1993-1994 by municipalities for public school purposes only."

to provide additional funds "for public school purposes only." The fund was not designed to replace local tax monies already appropriated to public schools and thereby provide municipalities with additional funds for non-educational purposes. The census transition fund, which was enacted as a law relating to education, contains no language granting municipalities any discretion regarding the use of the allocated monies. Consequently, we agree with the School Committee's argument that the Town's recent amendment of the school budget circumvents the statute's intent to provide school committees with additional funding for the 1993-1994 fiscal year.<sup>4</sup>

Exercising the Commissioner's authority to interpret school law and decide disputes arising thereunder,<sup>5</sup> we hold that the Town's budget amendment reducing the amount of local tax revenues previously appropriated to the School Committee by the \$260,019 received in census transition funds is contrary to P.L. 1993, Chapter 138, Article 77, Section 7 and R.I.G.L. 16-7-20.2 and therefore invalid. We order the Town of Narragansett to make available to the School Committee the \$260,019 state allocation of census transition funds in addition to the revenues contained in the budget appropriation enacted on June 14, 1993.

### Conclusion

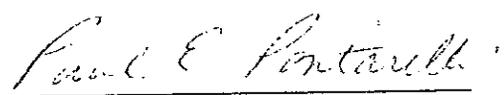
The state's allocation of \$260,019 in census transition funds

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4 Given our interpretation of the specific statutory language at issue herein, we do not find it necessary to address the issues raised by the parties with regard to the application of Dawson v. Clark and the Town's general ability to amend its budget.

5 R.I.G.L. 16-60-6(9)(h) and R.I.G.L. 16-39-1.

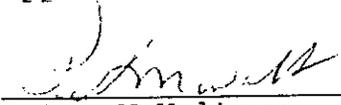
to the Town of Narragansett pursuant to R.I.G.L. 16-7-20.2 and P.L. 1993, Chapter 138, Article 77, Section 7, must be paid to the School Committee in addition to the Town's previously-appropriated School Fund revenues.

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Paul E. Pontarelli  
Hearing Officer

Approved:

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Peter McWalters  
Commissioner of Education

Date: May 3, 1994

## APPENDIX I

16-7-20.2. **Census transition provision.** — In fiscal year 1993-1994, there shall be a transition fund used by the department of elementary and secondary education for the following school districts which would have received less funds in fiscal year 1993-1994, as follows:

Burrillville, \$38,109; Charlestown, \$53,186; Coventry, \$75,325; Foster, \$35,480; Newport, \$376,269; North Kingstown, \$312,932; North Smithfield, \$256,712; Portsmouth, \$273,717; Scituate, \$130,952; Tiverton, \$194,354; Warwick, \$166,213; Westerly, \$105,438; West Warwick, \$221,493; Woonsocket, \$405,178; Exeter-West Greenwich, \$194,117; Chariho, \$35,340.

These funds shall be restricted revenues to be used in fiscal year 1993-1994 by municipalities for public school purposes only.

### History of Section.

P.L. 1992, ch. 133, art. 43, § 6; P.L. 1993, ch. 138, art. 77, § 6.

**Compiler's Notes.** As enacted by P.L. 1992, ch. 133, art. 43, § 6, this section was designated as § 16-7-20.1. Inasmuch as there already exists a § 16-7-20.1, the section was redesignated as § 16-7-20.2 by the law revision officer of the joint committee on legislative services pursuant to § 43-2-2.1.

Section 7 of P.L. 1992, ch. 133, art. 43, provides that § 16-7-20.2 shall affect the determination of state aid beginning fiscal year 1992-1993.

Section 1 of P.L. 1993, ch. 138, art. 77, provides: "Should funds be insufficient to fully meet the funding requirements set forth within this Article of the State Budget for the fiscal year ending June 30, 1994, the commissioner of elementary and secondary education is hereby authorized and directed to first reduce the funds set forth in § 16-7-20.2 as a ratable reduction in such amount as may be required, and then to reduce the amounts allocated to school districts pursuant to the provisions of § 16-24-6 whose share ratio pursuant to the provisions of § 16-7-20 is less than fifty percent (50%). The pro-ration of such sums shall also be accomplished as a ratable reduction."

Section 7 of P.L. 1993, ch. 138, art. 77, pro-

vides: "(a) In the event that the state of Rhode Island receives or realizes additional revenue in fiscal year 1993-1994 as a result of the effects of changes in the federal income tax on state income tax revenues, then such additional funds shall be restricted revenues to be used in fiscal year 1993-1994 by municipalities for public school purposes only. Within thirty (30) days after final congressional action on legislation effecting such changes in the federal income tax law, the state revenue estimating conference shall meet and determine the amount of additional revenues likely to be realized by the state during the fiscal year ending June 30, 1994. The first six million dollars (\$6,000,000.00) of said revenues shall be distributed, thereafter to satisfy the funding provided for in section 16-7-20.2, of the general laws and in subsection (b) of this section.

"(b) Should there be any funds remaining from said restricted revenues after the distribution provided for in subsection (a) herein, the remaining funds shall be paid to the below listed cities, towns and school districts in addition to other sums to which they may be entitled: Barrington, \$155,495; Burrillville, \$32,379; Charlestown, \$45,189; Country, \$63,999; East Greenwich \$178,239; Foster, \$30,145; Jamestown, \$38,686; Little Compton, \$40,161; Narragansett, \$260,019; Newport, \$319,694; New Shoneham, \$10,022; North Kingstown, \$265,880; North Smithfield, \$218,113; Portsmouth, \$232,562; Scituate, \$111,262; Tiverton, \$165,131; Warwick, \$141,222; Westerly, \$89,585; West Warwick, 188,190; Woonsocket, \$344,257; Exeter-West Greenwich, \$164,930; Chariho, \$30,026.

"(c) In the event that the additional revenues received as referred to under this section are insufficient to meet any of the amounts set forth herein this section, then said amounts shall be reduced and distributed on a pro rata basis, provided that all amounts provided for in subsection (a) herein shall be satisfied before any of the restricted revenues may be distributed pursuant to subsection (b) herein."

## APPENDIX II

**16-4-5. Use of fund and income — Unexpended funds.** — The income from the fund is hereby appropriated to be used for the promotion and support of public education. The board of regents for elementary and secondary education may adopt rules and regulations for the expenditure of these funds. In expending the income the board shall first consider public school improvement projects and programs whose effects could benefit the public schools of any one or more city, town or school district in the state. The commissioner of elementary and secondary education shall regularly make recommendations to the board about specific programs and projects to be supported by these funds and the general assembly may from time to time make appropriations from the fund principal for educational purposes. Whenever any funds are appropriated for educational purposes, the funds shall be used for educational purposes only and all such state funds must be used to supplement any and all monies allocated by a city or town for educational purposes and, in no event, shall state funds be used to supplant, directly or indirectly, any monies allocated by a city or town for educational purposes. The commissioner shall oversee the fund, assess the effectiveness of its programs and projects, and make recommendations about the general use and operation of the funds to the board. For the purposes of this section the general treasurer shall continue to hold, subject to expenditure by the board of regents for elementary and secondary education, any part of the income of the fund unexpended.

**History of Section.**

G.L. 1896, ch. 30, § 5; G.L. 1909, ch. 40, § 5; P.L. 1922, ch. 2234, § 3; G.L. 1923, ch. 41, § 5; P.L. 1925, ch. 611, § 1; P.L. 1929, ch.

1342, § 1; P.L. 1932, ch. 1920, § 1; G.L. 1938, ch. 194, § 5; impl. am. P.L. 1951, ch. 2752, § 21; G.L. 1956, § 16-4-5; P.L. 1986, ch. 287, art. 12, § 2; P.L. 1993, ch. 138, art. 77, § 8.