

Assessment of Delaware Public School Funding: Executive Summary

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In early 2018, Delawareans for Educational Opportunity and the NAACP Delaware State Conference filed a complaint that the state of Delaware was not meeting its constitutional requirement to provide an adequate education. Rather than proceed with the complaint through the court system, in the fall of 2020, the state and the plaintiffs agreed to a settlement. The settlement was followed by legislation that made Opportunity Funding permanent, providing districts with supplemental funding to support the learning needs of low-income and English learner (EL) students. By providing differentiated support, Opportunity Funding represented an effort to address long-standing gaps in meeting the educational needs of low-income and EL students and introduced elements of a student-based weighted funding system, which deviated from the primarily resource-based unit-count approach of the current system.¹ The legislation also earmarked funding to support an assessment of Delaware’s public school funding system, to be conducted by an organization independent of the state. In July 2022, the American Institutes for Research[®] (AIR[®]) was awarded a contract to conduct the independent funding assessment stipulated by the settlement and the subsequent request for proposals. This report documents the activities and analyses undertaken to complete the school funding assessment, presents the results from those analyses, and provides recommendations and conclusions.

Study Overview

To provide a holistic assessment of Delaware’s public school funding system, the AIR study team designed a multifaceted study to address the following research questions:

- How does Delaware’s current system of funding elementary and secondary public education operate, and how does it compare to education funding systems in other states?
- What are district and charter school leaders’ perceptions of Delaware’s current school funding system, and what are the advantages and disadvantages with respect to how the current system operates?

¹ Details of the unit-count system are provided in Title 14 of the Delaware state code (see <https://delcode.delaware.gov/title14/c017/index.html>) and are described in Chapter 3.

- To what extent are resources, including spending and teachers, distributed equitably under Delaware’s existing funding system?
- To what extent are students afforded equal educational opportunities as demonstrated by outcomes of students and schools?
- To what extent is education funding in Delaware adequate in meeting target outcome goals, and how might funding be distributed across schools and districts to achieve adequacy?

To answer these questions, we reviewed policy documentation on Delaware’s funding system and other state funding systems, collected and analyzed education administrative data, conducted interviews with district and charter school leaders, and conducted two rigorous adequacy analyses – an education cost model and a professional judgment approach – to determine the cost of providing an adequate education in Delaware.

Key Findings

A number of key findings stem from the analyses conducted during the course of the study. Although the findings presented here do not capture all findings, they represent those that informed our main conclusions and recommendations. Here, we describe our findings as they relate to several of the desirable properties of education funding systems. Specifically, Chambers and Levin (2009) indicate that systems for distributing resources should:

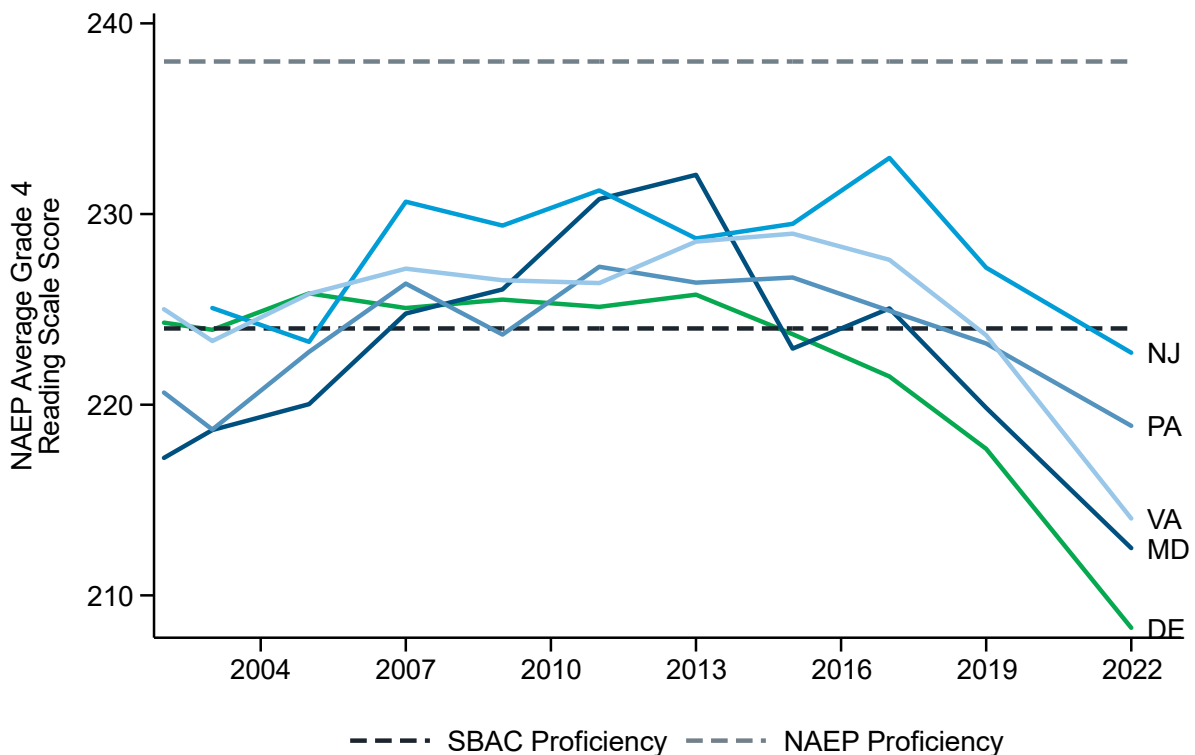
- provide *adequate* levels of resources appropriate to meeting the needs of the unique populations served by schools and districts;
- provide *equitable* resources, such that program quality meets the needs of the students served and funding levels are not associated with the amount of local wealth of school districts;
- be *transparent* and understandable by all concerned parties with straightforward calculations and procedures that avoid unnecessary complexity;
- be *predictable* and *stable*, such that policymakers can count on receiving a certain level of resources from year to year and such that the system allows policymakers to develop the long-term planning necessary to allocate resources properly;
- allow for *flexibility* in resource use, such that resources can be used to address specific circumstances and conditions unique to a given school or district; and
- be *cost-based*, such that funding amounts are related to measured cost differences in providing adequate programming across educational contexts.

Although Delaware’s current system has certain strengths, we find that there is room for improvement in relation to each of the desirable properties identified.

Adequate

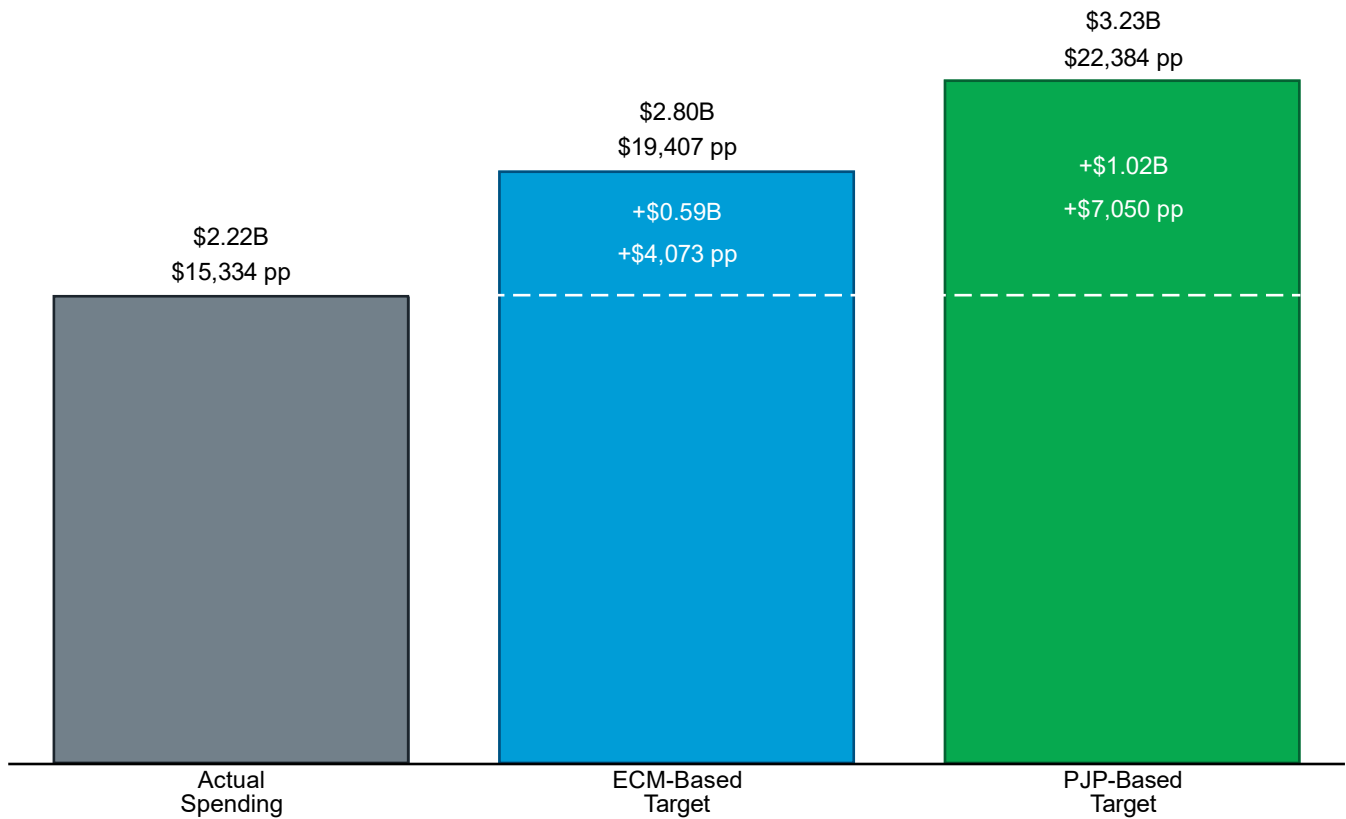
Based on an analysis of data from the National Assessment of Education Progress, Delaware’s student outcomes lag behind those of other Mid-Atlantic states and have declined over the past decade, even prior to the Covid-19 pandemic. Further, Delaware’s current outcomes do not meet the stated goals for student performance. To meet target outcomes, the education cost model and professional judgment adequacy analyses indicate a need to invest approximately \$0.6 to \$1 billion more in education, respectively, relative to 2021–22 education spending levels. These figures represent a 27% increase in funding for the education cost model approach and a 46% increase for the professional judgment approach.

Comparison of Fourth-Grade Reading National Assessment of Education Progress Scores Across Comparison States



Note. NAEP = National Assessment of Education Progress; SBAC = Smarter Balanced Assessment Consortium. Data are from the NAEP.

Comparison of Total Target Funding Generated Using the Education Cost Model and Professional Judgment Panel Approaches to Actual Current Spending From State and Local Sources



Note. ECM = education cost model; PJP = professional judgment panel; B = billions; pp = per pupil.

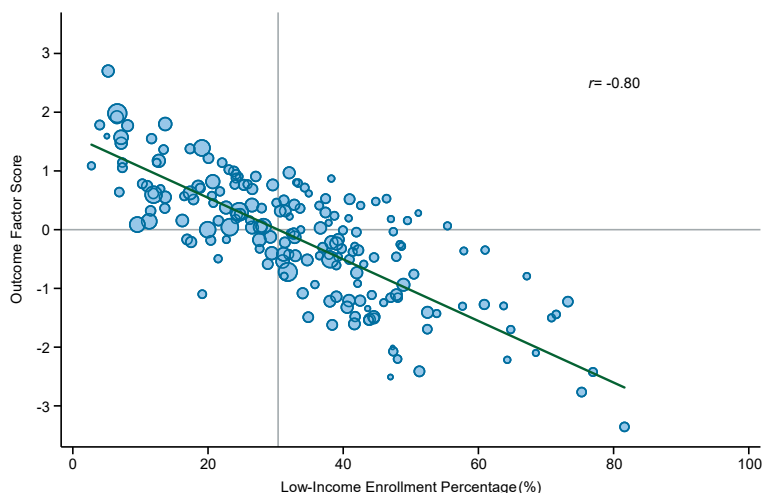
Equitable

In Delaware’s current system, marginally more is spent on schools serving higher proportions of low-income students, ELs, and students with disabilities (SWDs). This additional funding is largely achieved through higher spending for SWDs and a positive correlation between SWDs and low-income students. One barrier to improved equity is the clear negative relationship between teacher experience and the percentage of low-income students in schools, which results in lower average salaries and less spending on teacher salaries per student in schools with high percentages of low-income students.

Although more is spent in schools with higher percentages of low-income students, students with disabilities, and ELs, the additional spending is not sufficient to meet the needs of those students. There is a strong negative relationship between student outcomes and the percentage of low-income students served by schools, indicating that those students are not being provided an equal opportunity for academic success. Our adequacy analyses indicate a need to differentiate funding more strongly based on student needs, providing more to schools with the highest needs.

We also examined equity across public education sectors – districts versus charter schools. Charter schools spend less than district schools, on average. Some of the difference is explained by differences in student needs across the two sectors, with charter schools serving lower percentages of low-income students, SWDs, and ELs, on average. The remaining gap, after accounting for differences in those characteristics, indicates that charter schools are receiving less than they would if they were treated similarly to district schools. Based on our adequacy analyses, however, charter schools had similar gaps between target funding levels and actual spending when expressed as a percentage of actual spending.

Relationship Between Student Outcomes and Low-Income Enrollment Percentages (2022)



Note. The gray lines show enrollment-weighted statewide averages of both variables. The low-income enrollment in FY 2022 was 30%. The enrollment-weighted correlation coefficient is represented by r . Data from the Delaware Open Data Portal.

In addition to equity for students, Delaware’s funding system insufficiently adjusts for districts’ capacity to raise revenue locally. The result is a system where state revenue and local revenue are largely treated independently and districts are responsible for raising revenue from property taxes. Despite the fact that property tax rates and local revenue raised per student vary widely across districts, state revenue is minimally differentiated across districts. The component of Delaware’s system that intends to address differences in capacity, known as equalization funding, has not been updated recently and was described by district administrators as “broken,” “flawed,” and “outdated.” One reason cited by district administrators for the lack of faith in the existing equalization formula was the fact that property values have not been reassessed in the state for several decades.

We're not able to pay our teachers as hefty a salary as other districts who have a better source [of local revenue]. The real estate property values are much higher, they have more property in their district that they can tax. So, we're at a disadvantage. We're also in an economically depressed area, in addition to that. You mentioned the equalization formula; that's been frozen since 2009. It's outdated; it's not functioning correctly. So that's where, when you want to talk about equity and funding, I mean, that's the heart of it right there—there is no equity in the funding anymore.

– District administrator

Transparent

Delaware’s current system of funding consists of many separate formulas, each distributing a different type of staffing position or funding allocation, primarily through a resource-based funding model – the unit system. Although district and charter leaders describe the teacher unit formula – often thought of as the main formula – as easy to understand, getting a clear and comprehensive picture of the funding (after accounting for the various formulas) is difficult. Charter leaders also had concerns about the transparency of the local cost per pupil. The local cost per pupil is the share of local revenue that charter schools receive from school districts for students that reside within a given district and attend charter schools.

I think the challenge is, there's so many different components to our unit count system. When you're looking at additional [funds], whether that would be through Opportunity Funds or other kind of weighted funding that's been allocated, equalization, to explain that to people is... I mean, it's tough.

– District superintendent

An additional barrier of the unit system is that units are not readily converted into dollars of funding. The price of individual units, in terms of state funding, depends on the experience and education of individual staff members. Certain schools and districts have disproportionately more experienced or more educated staff, resulting in different actual funding amounts, which is not apparent from the formula or unit allocations. Delaware’s unit system is atypical of how most states structure their systems for funding education. Many states, such as New Jersey and Massachusetts, use systems that allocate dollars to districts through student weights, accounting for both state and local revenue. A local share is then determined, varying across districts according to the capacity to raise revenue locally.

Predictable and Stable

District and charter leaders widely noted that a key strength of the unit system is its predictability and stability; however, they were concerned about the predictability of other state allocations that are based on specific qualification criteria. The lack of predictability and stability of local funding was a concern for both districts and charters. District leaders described the referendum process for raising tax rates as costly and risky and were concerned how failed referenda would affect their budgets. Charter school leaders noted that the local cost share they receive from districts was not predictable in that different districts paid different amounts, and the amounts fluctuate over time.

I think the formula right now, the advantage of it is, it provides a lot of stability in terms of what we can expect going into next year. We know what the ratios are... we know pretty much how many positions we'll probably end up getting. There's always some tweaking that can go on with the system in terms of, we need to adjust these ratios or those ratios based on as kids enter... for this or that or whatever. But it's a fairly reliable foundation that allows us to plan and get a good bead on fiscally what we can project going into the next year to make sure we're meeting the needs of the kids.

– District superintendent

Flexible

As a system that allocates staffing positions to schools and districts rather than dollars, flexibility is limited. Although districts have some ability to trade in certain positions for others or to cash out positions for funding, the implication is that districts and schools should use the units for the positions for which they were allocated. District administrators noted the inflexibility that comes with additional allocations outside of the unit system, when allocations are for a specific position or resource type and have specific requirements for reporting how those resources are used.

And that's the thing, because when you talk about flexibility, if you want to fix this and provide flexibility, one of the answers has to be, the legislature has to stop passing bills that set up funding sources that can only be spent on three things. That's why we are where we are—because we've got all these little pockets of money.

Safety and security money, minor [capital], technology.

There is no flexibility on those little sources [of funding].

– District administrator

Cost-Based

The discrepancy between actual spending and target funding levels suggested by the two adequacy analyses demonstrates that the current system does not provide resources based on the cost of required resources and programming. We also show that the amounts provided by Opportunity Funding are far short of what our adequacy analyses indicate are the costs of appropriately serving low-income and EL students. Interviews with district and charter leaders revealed that the current system is outdated, despite recent updates through Opportunity Funding and units for mental health services. In particular, interviewees suggested that special education units have not kept pace with the increasing costs of special education and that staff were needed to provide IT support.

We have more students now being identified on the autism spectrum. And the needs that these kids have are so incredibly unique and they differ from kid to kid. It's not a blanket [solution] like, I could do this lesson, and everybody learns. There are so many different things that come along with that. We're having to figure out how to purchase adaptive playground equipment. We have students in wheelchairs, we have students that require nursing support with feeding tubes. We have babies at our kindergarten and pre-K center that require diaper changes. These are things that public schools didn't have before.

– District administrator

Recommendations

We provide the following recommendations for Delaware's system of funding education:

Increase Investment in Delaware's Public Education

Student performance in Delaware is lagging behind its peer and competitor states and has fallen over the past decade. These findings indicate that Delaware's education system does not currently have the resources necessary to be regionally competitive in the education it provides to its students, and the increases in resources have not been sufficient to keep up with the changing nature of education and the growing needs of students. Our findings from the education cost model (ECM) and professional judgment panel (PJP)-based adequacy analyses confirm that Delaware is not investing enough in education to meet its educational goals. Our analyses suggest sizeable, yet obtainable, increases in education funding (the ECM and PJP analyses suggest increases in state and local funding of 27% and 46%, respectively). Six states currently spend more per student than what is suggested by our education cost model target funding levels.

Distribute More Resources According to Student Need

Our adequacy analyses also suggest a need to more strongly differentiate resources according to student needs. This recommendation is affirmed by the fact that schools with higher percentages of low-income students have systematically lower outcomes in the state. To provide all students the opportunity to succeed, more resources need to go to schools and districts to support low-income students, SWDs, and ELs.

Improve Funding Transparency

The presence of many formulas that allocate different resources and pots of money, along with the uncertain price of units and other staff, creates a system in which understanding the sum of resources and funding that flows to districts and schools is difficult, if not impossible, for all but those intimately involved in school and district budgeting and reporting education fiscal data in the state. Increased

transparency will allow for more individuals to understand how resources are distributed, which brings more people to the table when making changes and allows for families, community members, and other stakeholders to be more effective advocates.

Allow for More Flexibility in How Districts Use Resources

In theory, flexibility of resource use results in more efficient use of resources to meet the needs of students, under the assumption that those working directly with the students are most aware of their specific needs and what resources might be required to address those needs. In most state funding systems, dollars are allocated to districts largely as general funding which districts can then decide how to use. Delaware's unit system is unique in that it allocates units for positions with the expectation that districts will largely use the units for the positions for which they are allocated. The many ad hoc funding programs outside the main formula give rise to additional inflexibility as well as administrative burden and lack of transparency.

Account for Local Capacity and Address Tax Inequity

In large part, Delaware's state funding system allocates state resources in a way that is independent of the ability of districts to raise revenue locally. Division I and II units, Opportunity Funding, and many of the add-on funding programs allocate resources across schools and districts regardless of the districts' ability to raise revenue locally. Delaware's attempt to address local capacity is an add-on formula, known as equalization, that allocates a bit extra to districts with low capacity to raise revenue locally. Although districts with less capacity do receive somewhat more state funding than districts with greater capacity, the difference is not enough to offset differences in spending from local revenue sources.

Local capacity could be better addressed through a formula that generates target funding levels that account for both state and local revenue for each district or school and then assigns districts varying local shares based on capacity. Many state formulas, known as foundation formulas (which are also usually weighted student formulas), operate this way. These formulas actually consist of two formulas that operate in two independent steps. In the first step, a formula is used to generate a target funding level. This step accounts for differences in student need so that districts with higher student needs have a higher target funding level per student. In a second step, the local share is determined based on local capacity. The local share is often defined as the amount each district should be able to raise locally through a similar and reasonable level of effort or tax rate. The state then funds the difference between the target funding level and the local share.

The requirement for a referendum to be held in order to change tax rates could be a barrier to the local share approach. If the approach to funding relies on a local share, a referendum should not be required to implement the tax rates necessary to raise the local share. State policy could still require a referendum for tax rates that exceed the rate required to meet the local share or for rates that exceed some level beyond the local share.

Regularly Reassess Property Values

The outdated assessment of property values has created two issues. First, because the assessed property values are perceived as inaccurate, they undermine stakeholders' trust in any approach attempting to address differences in local capacity. Any approach to addressing differences in local capacity must first and foremost have accurate information on local capacity. Second, the fact that the assessed property values do not increase over time despite substantial increase in actual property value means that, for local revenue to increase, districts must regularly increase tax rates; and each change in tax rate requires a referendum. District leaders described the referendum process as burdensome and risky in that they might devote a substantial amount of time, effort, and monetary resources to a referendum campaign that could fail. If property values were regularly reassessed, and assessed property values were allowed to increase over time at the rate of actual increase in property values, districts would have to go to referendum far less often to increase taxes for current expenses since local revenue would naturally increase at the rate of the increase in property values.

Simplify the Calculation of the Local Share Provided to Charter Schools

The formula for determining the local share for charter schools is a clear source of consternation for charter school leaders. Charter school leaders perceive the current system to lack transparency and be excessively variable from year-to-year and across districts. Part of the problem stems from the issues underlying our recommendations around addressing local capacity – the state formula is currently drives the allocation of state revenue in a mostly equal way across districts and charter schools meaning that differences in local funding create inequities. A formula that accounted for both state and local revenue to generate funding targets and then met those targets through a combination of state and local revenue would also address variability around charter schools' local shares. In the absence of an improved formula, the state could simplify the calculation of the local share to be based on local revenue per student residing in the district from the current expense tax rather than expenditures from local sources. Revenue should be more stable from year to year compared to expenditures, and this method would alleviate the concern around transparency related to which expenditures are being excluded from the local cost calculation.

Implement a Weighted Student Funding (or Foundation) State Funding Formula

Delaware's current unit system could be modified to accommodate some of our recommendations. To distribute more resources based on student need, additional categories of units could be allocated on the basis of low-income students and ELs. The many side-pots of funding that are allocated outside of the main unit formula could be reduced in favor of allocating more units through the main formula. The value of a unit could be defined using a constant rate rather than an amount that varies based on actual teacher experience, increasing transparency and equity. Units could more flexibly be converted to different types of staff or cash. The approach to equalization within the unit system could be strengthened by establishing a varying local share per unit defined based on local capacity. Although these changes could be made to the existing unit system, these changes would be attempts to make the unit system operate more like a foundation system.

Our recommendations would be most easily implemented with a foundation formula that uses student weights to distribute dollars to districts and charter schools. Using a foundation formula:

- dollars can be easily distributed according to student need through the use of appropriate funding weights for different student groups;
- funding is distributed transparently based on fairly easy calculations of the dollar amounts to be allocated;
- funding can be used flexibly, allowing districts and charter schools to use the dollars in various ways to best meet local needs;
- differences in local capacity can be easily incorporated by calculating a local share that varies based on local capacity; and
- the formula can be applied consistently to both districts and charter schools, alleviating concerns from both districts and charter schools about the calculation of local cost shares.

A majority of states have turned to this approach to school funding in some form.

Conclusion

Delaware's system of funding schools has been in place with few major changes throughout recent memory. Many of our recommendations have been stated previously in other studies of Delaware's education system (for example, the LEAD Committee Report of Education Funding in Delaware from 2008). Although some of our recommendations have been made by others previously, we provide new analyses and evidence to back those recommendations. In particular, we have:

- compared Delaware's school funding system to other states nationally in terms of the mechanisms used to provide additional resources to districts and schools;
- examined student outcomes to understand the extent to which the state is meeting the needs of all students;
- investigated issues of equity through various methods that consider equity for students and taxpayers;
- conducted two rigorous analyses of adequacy that approach the issue of adequacy in two different ways (the first, using administrative data consisting of school spending, student outcomes, student needs, and school characteristics for all of Delaware's schools; the second, relying on the experience and expertise of some of Delaware's best educators to determine what resources would be necessary to provide an adequate education for all of Delaware's students); and
- included the voice and perspectives of education leaders from all of Delaware's school districts and most of Delaware's charter schools.

Providing an education system that ensures that all students are afforded the opportunity for educational success requires an equitable and adequate education funding system. We have this goal in mind when making our recommendations. Delaware’s students deserve a high-quality education that enables them to be successful academically and in their future lives regardless of their individual circumstances and where they happen to live. The analyses we have completed for this study and the recommendations provided can be used by Delawareans to create a more equitable and adequate education funding system in service to all of Delaware’s children.

Additional Information

For additional information about the study, please see the main report, *Assessment of Delaware Public School Funding*, as well as the Technical Appendix. The main report provides descriptions of the analyses undertaken as part of this study, the results from each analysis, recommendations, and conclusions. The Technical Appendix provides additional exhibits as well as technical details for some of the analyses. The study team also created a simulator tool that allows users to simulate how a weighted student funding foundation formula or modified unit formula would allocate funding across schools and districts. The simulator tool is accompanied by documentation describing the features of the tool and how they work, as well as the assumptions made in modeling a modified unit system.



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