

Q. Funding Flexibility Workgroup Report

Funding Flexibility Working Group

Purpose:

Senate Bill 255 (Annual Appropriations Act) of the 147th General Assembly, Section 367, authorized the Department of Education to establish a working group to develop a pilot plan for education funding flexibility to be considered for implementation through the Fiscal Year 2016 budget process. In accordance with the budget bill, the working group consisted of the Secretary of Education (or designee, David Blowman), Director of the Office of Management and Budget (or designee, Elizabeth Lewis), Controller General (or designee, Mike Jackson), two members of the Joint Finance Committee appointed by the Co-Chairs (Senator Bushweller, Representative Heffernan), a representative from the Delaware State Education Association (Kristin Dwyer), a representative from the Delaware Association of School Administrators (Kevin Carson), a member of the Delaware School Chiefs Officers Association (Matt Burrows), and three members of the school business managers in which one of these members must represent a vocational-technical school district (Jan Steele, Jason Hale, Jill Floore). As a member of the Joint Finance Committee, Representative Miro also served on working group. The working group was tasked with submitting a “pilot plan for education funding flexibility” to the Governor and Joint Finance Committee by December 1, 2014. The working group met five times during the course of fulfilling their charge, and presents the following information for consideration.

Funding Background:

In 2012-2013, Delaware school districts received 59 percent of revenues in support of public education from the State, 30 percent from local property taxes and 11 percent from the federal government. Given that 70 percent of total funding comes from state and federal sources, local school districts have limited discretion over how resources are utilized.

State Funding

State funding is allocated through a variety of formulas, most of which are based on student enrollment/unit count. Specifically, the majority of State funds are earned through Division Funding, which in 2012-2013 accounted for approximately 80 percent of the State revenue to local school districts.

- Division I – Personnel Costs, authorizes local school districts to hire and compensate staff in accordance with state salary schedules; staffing funds accounted for approximately 67 percent of allocations in 2012-2013.
- Division II, fixed per unit amount for general operations:
 - All Other Costs can be used on most expenses other than benefits, debt service, energy, and transportation;
 - Energy can be used for electricity and fuel costs of school facilities; and,
 - Vocational - All Other Costs must be used for operating costs of vocational programs.
- Division III- Equalization, funding to offset variations in property wealth among district, can be used as flexibly as local funds.

In addition to the unit funding outlined above, the State provides resources for various programs such as professional development, technology, academic excellence, driver's education maintenance and educational sustainment, which can be prescriptive in nature and impact the ability for a district to address the current needs of its students.

Local Funding

Local funds are primarily raised through property taxes. There are four individual components to the tax rates assessed by each local school district, which includes current expense, tuition, debt service and match. Funds raised in each component must be used for the specified purpose.

- Current expense revenues generate the largest portion of local school district collections, and also provide the most discretion in support of operating expenses.
- Tuition tax is assessed to support the mandatory payments to receiving school districts when students attend a school in a non-resident district or to support eligible students or statewide programs within districts.
- Debt Service is collected to repay the local share of major capital project debt obligations.
- Match tax generates revenue to provide local school district contributions if required through any State appropriation and/or permitted by statute.

Federal Funding

Federal funds are tied to specific entitlement programs and must be used in accordance with federal law and regulations. To ensure compliance, local school districts are required to submit applications to the Department of Education and receive approval for how those funds will be expended. Districts may be forced to forfeit or repay federal funds if they fail to comply with all requirements.

Funding Challenges:

While there can be consistency in student needs across the State, the magnitudes of these needs often vary across local school districts and even between schools within a district. In some cases, the funding received by a district does not mirror its resource needs. Traditionally, the allocation of State funding to local school districts has been based on line-item appropriations and epilogue language establishing the specific purposes for each fund. The various restrictions imposed on the use of resources, including enrollment-driven funding, may force districts into making decisions based on compliance with the various program requirements and not necessarily those that would provide the most effective use of those resources in service of students.

Since Fiscal Year 2010, difficult economic conditions have led to a reduction in state funding in programs such as extra-time for students, support for limited-English proficient students, and reading and math specialists, among other areas. In addition to those funding reductions, Equalization unit values have been frozen, a 10 percent local cost-share has been implemented for transportation costs, and the unit value for All Other Costs has decreased. While the Administration and General Assembly utilized federal resources to sustain resources for a two-year period, and restored \$32.1 million of the \$58.5 million in reductions in discretionary funding, districts continue to be challenged with the reductions in programs that often supported higher-need students.

Pilot Model:

Given the present economic reality of limited resources, leaders in the school districts are rethinking long-held practices and policies as the global economy places new and increasingly complex demands on graduates. As a result, local school districts are already having to develop new strategies for adapting the way they use standards and assessments, train and develop educators, and maximize resources to support student learning. These shifts demand that greater local control be provided to leaders closest to the work – those in districts and schools – to tackle these challenges. This requires a shift in orientation from the State directing and proscribing the nature and pace of change in our schools, to supporting and scaling those efforts being developed and led at the school-level by districts and principals. Granting districts greater local control to deploy State resources in support of unique needs and performance goals is a critical step in sustaining this transition.

The following model seeks to grant no more than five (5) local school districts greater flexibility/local control in how they utilize staff and financial resources provided by the State, thereby maximizing resources to support student learning. The model is intended to be piloted for a three year period, and consists of two components: Staffing and Core Funding. (*Attachment A*

provides one district example of actual earned units, weighted units, cash option values, and funding consolidation opportunities.)

Staffing:

- School districts continue to generate Division I units as established by 14 Del. C. c. 17.
- Model excludes Division I units and associated Related Services units earned in Intensive and Complex categories.
- The Department shall establish an index value that is relative to that of a 1.0 teaching unit, for each unit-generating, employee group earned according to 14 Del. C. c. 13. This allows the model to cost out the weight of each position, relative to the average teacher salary and other employment costs (excluding health insurance) as identified below:

| Weighting Formula | |
|---------------------------------------|--------|
| Position Entitlement | Weight |
| Superintendent | 2.1 |
| Asst Superintendent | 1.8 |
| Administrative Assistant | 1.1 |
| Director | 1.8 |
| 11 Month Supervisor | 1.3 |
| Building and Grounds Supervisor | 1.4 |
| Food Services Supervisor | 1.4 |
| Transportation Supervisor | 1.4 |
| Principal | 1.6 |
| Asst Principal | 1.4 |
| Classroom Teacher | 1.0 |
| Secretary | 0.7 |
| Custodian | 0.6 |
| Academic Excellence | 1.0 |
| Drivers Education | 1.0 |
| Nurse | 1.0 |
| Reading Cadre | 1.0 |
| Related Services - 10 month | 1.0 |
| Related Services Intensive - 11 month | 1.1 |
| Related Services Complex - 12 month | 1.2 |
| Visiting Teacher | 1.0 |

- Participating local school districts may utilize positions among entitlement areas within their total weighted, earned unit entitlement for the school year.

- All relevant salary schedules and supplemental compensation as outlined in 14 Del. C. c. 13 and the Annual Appropriations Act shall continue to be used for purposes of salaries of employees.
- Participating school districts are authorized to receive cash for up to 10 percent of the total weighted, earned unit entitlement. This option shall only apply if the district has not filled the position at any time during the fiscal year in which it was earned, and if the district makes application to the Department of Education no later than January 31st of the current fiscal year. This cash option value shall be the corresponding amount of a Master's degree plus 10 years of experience, as calculated in accordance with 14 Del. C. §1305, inclusive of the appropriate other employment costs.
- In accordance with 14 Del. C. c. 17, maximum class sizes in grades K-3 and the percentage of units that must remain in the building that generates them remain unchanged.

Core Funding:

- The following State entitlement appropriations shall be consolidated into a single appropriation line at the local school district: Division II All Other Cost, Vocational and Energy; Division III Equalization; Academic Excellence; Technology Block Grant; Driver's Education Maintenance; Professional Development; and, Educational Sustainment Fund.
- Continue to earn State appropriations supporting public education, according to the provisions of 14 Del. C. c. 13 and c. 17 and the Annual Appropriations Act.
- Local school districts receive no more funds than currently allocated, but have the flexibility to target those resources to the most critical areas of student need.
- The following line items are based on specific student or district needs or are competitive in nature and therefore not deemed appropriate for aggregation: Unique Alternative; Division I Personnel Costs (including Food Services; Transportation; competitive, non-entitlement funds

(stipends, School Improvement); and, Special Education funding for Intensive and Complex units.

- Increase of cash option value to that of the average teacher salary including other employment costs and health insurance, with a maximum cash option of 10 percent of total units.

Pilot Assurances:

Local school districts intending to participate in the flexible funding pilot must, at a minimum, agree to:

- Submit an initial written letter of interest or application, to include a plan of how the district would implement the pilot and the expected outcomes. The flexibility request must be approved by the local school board and Citizen Budget Oversight Committee prior to submission. The request must include district acknowledgement that the consolidated appropriations represent the total eligible formula funding for the affected categories and that participation places the responsibility of service of the intending funding formula on the district.
- Continue to be subject to financial reporting requirements of 14 Del. C. §1507 and §1509, and demonstrate positive financial standing.
- Annually report the number and type of positions supported with state funding during the school year as compared to the positions entitled for funding.

Pros of Model:

- Offers decision-making at the district and/or building level, which allows school leaders to target resources in areas of high need. Decisions are driven by quality and not compliance
- Builds off previous efforts to incentivize earlier hiring that isn't solely contingent on the estimated April 15 unit count or the final September 30 unit count.
- Allows for better use of fractional units.

- Allows for unfilled staffing units to be used for other than intended purpose.
- Improves district ability to plan for administrative and related services staffing.
- Increases opportunities for districts to pool purchasing power of certain professional services.
- Collapses multiple appropriations, creating opportunities to maximize limited resources and improve administrative efficiencies in the management of school finances.
- Eliminates manual State processes related to the reversion of 15-month appropriations from districts.
- Addresses a portion of the inefficiencies of the current funding system.
- Eliminates spending on resources that districts do not value or believe meets current needs and allows districts to reallocate funds to maximize resources to support student learning.

Cons of Model:

- Potential for funding reductions as a condition of increased flexibility/local control.
- Concern about the ability to privatize services, as well as layoffs of certain support personnel to increase classroom resources.
- Represents adjustments within the current funding system, rather than comprehensive review of public education funding.
- Difficult to measure and create a causal relationship between increased funding flexibility/local control for a district and how students within a participating district perform.
- Consolidation of dedicated funding such as vocational funds may concern stakeholders.

Measures of Success:

Participating local school districts must report annually to the local school board and the Department of Education on what was planned during the pilot, what happened and explain any variances. Additionally, the district must be able to demonstrate and report on outcomes as a result of

participation of the pilot, i.e. additional teaching units filled, increased cash flexibility, etc. The Department of Education shall annually review those reports alongside the academic progress of each participating district, to ensure that student performance levels are maintained or improved, and to make a determination whether to continue the flexible funding pilot at each local school district. The Department shall summarize all reporting requirements by pilot school districts, and provide findings to the Joint Finance Committee, education committees of the House and Senate, Office of Management and Budget and Controller General's Office. At the end of the pilot period, based on those findings, the State shall make a determination to the effectiveness of flexible funding in providing greater flexibility/local control and improving student outcomes.

Parking Lot Issues:

The working group acknowledges that the model represents adjustments to the current public education funding system and does not modify the level of local effort required. In each of the group's meetings there was additional discussion and recognition that there are number of other initiatives or components that are currently being reviewed or discussed that impact the larger funding system, such as equalization and the need for reassessment, compensation reform, transportation funding and weighted student funding. Although it was outside this group's purview, the working group thought it was important to identify the potential need for a larger scale, review of the comprehensive funding system.