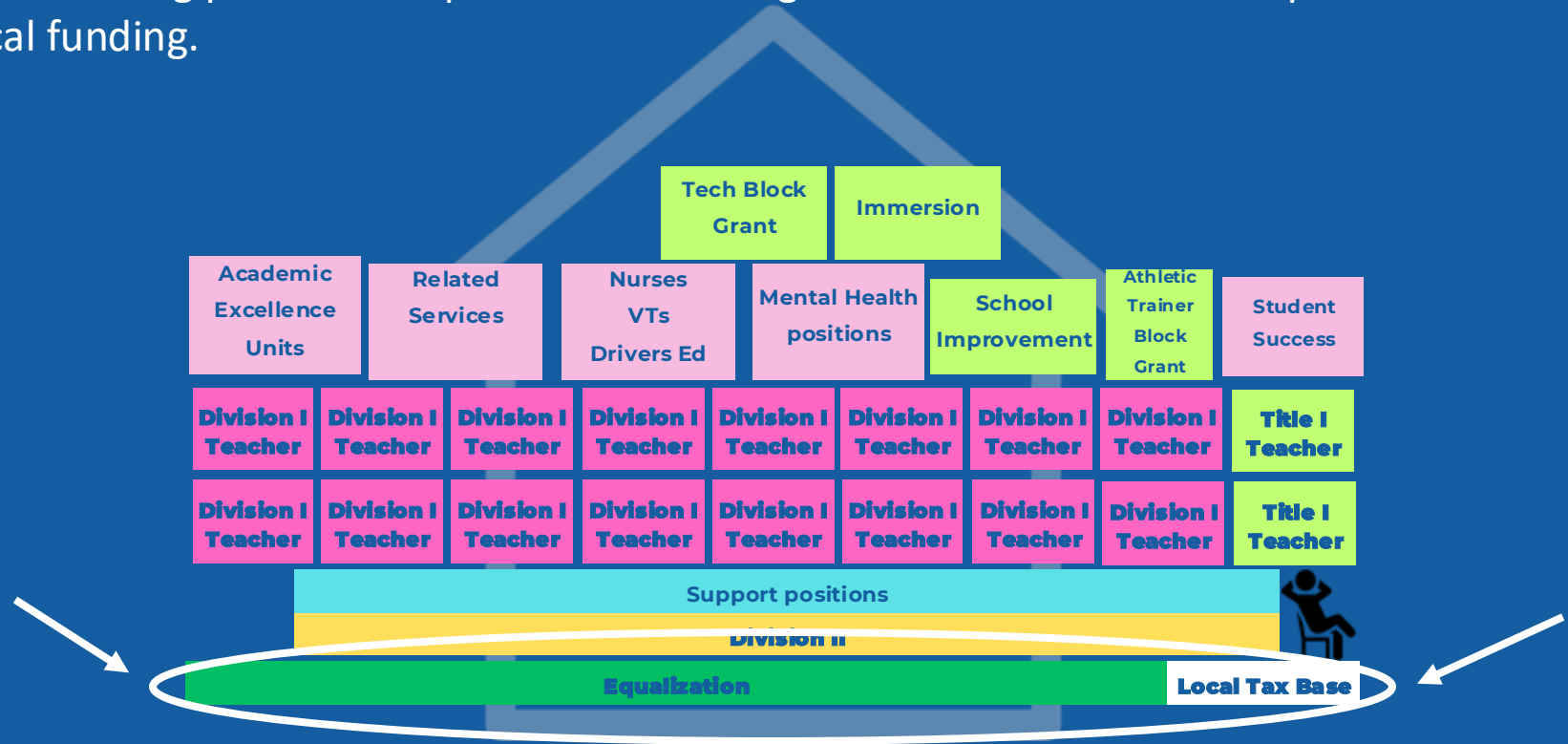


Equalization: Overview of Delaware's system

PEFC AUGUST 11, 2025

Reminder from previous presentations about how Equalization fits into the overall state funding picture. It is part of our funding formula but acts as a complement to local funding.



Broad Overview of how the formula is designed:

The components of the Equalization formula:

- Authorized amount- \$29,650 per unit, which is the amount of funding that a district should have available locally
- The number of units generated and enrollment of a district
- The property wealth of a district (ability)
- How that property wealth compares relatively to the state average (ability index)
- How much a district is taxing their property owners (effort)
- How the level of tax that a district is asking its taxpayers to contribute compares to the state average (effort index)

Broad Overview of how the formula is designed:

Districts that are taxing their residents at full effort but due to property wealth limitations, do not generate enough revenue to meet the authorized amount, receive funding to make up the difference. Districts that are not at full effort are limited in how much they receive from the formula.

Three important considerations are at play here:

- 1- What is the appropriate level of funding to expect the local taxpayers to contribute?
- 2- What level of property wealth is available for the district to tax?
- 3- Is the district taxing that wealth at an appropriate level to meet their contribution?

Brief History

The backbone of the Equalization formula is property wealth. If those data aren't maintained, it becomes impossible for the formula to allocate funding accurately.

The lack of regular, recurring reassessments made the formula obsolete.

For several decades, the state used a 'Sales to Assessment' report to drive the formula. This compared market value data (home sale prices) to assessment data.

This became problematic because it gave the false impression that districts where home sale prices were increasing were 'wealthier' and could generate more local revenue. But, because of the stagnant assessment, the tax base was not increasing with the market price increase, creating 'paper wealth' that could not be taxed.

History Continued

As time wore on with no reassessments occurring, the state put in a variety of measures to attempt to account for or correct the formula results that were increasingly inaccurate.

These included setting minimums and maximums (floors and ceilings) to limit the annual changes to the data; smoothing the data by using 3 year averages to soften spikes and dips; and finally instituting hold harmless provisions.

These hold harmless provisions ignored the formula results and kept funding levels constant for districts with no way to make up the revenue through additional local taxes.

Districts that looked 'poorer' through the formula were still getting those increased allocations even though their local tax revenue wasn't declining.

Confidence in the data continued eroding and the hold harmless provisions were becoming more and more expensive.

In FY 2009, the decision was made to freeze the formula and not attempt to make any further adjustments to how the dollars were being allocated.

Funding levels

- Despite the formula freeze, annual adjustments to the allocations, driven by unit changes have been funded consistently. The FY 2026 appropriation for Equalization is \$113.6 million.
- Equalization values range from \$1,225 per unit (Cape Henlopen) to \$20,756 per unit (Lake Forest).
- Charter schools receive “an amount that is determined by weighting the Division III per unit values that would have been generated by its students had they been counted in their district of residence.” 14 Del Code §509(b)(1).
- Not all units funded by the state are included in the calculation for Equalization.