

DEMYSTIFYING DELAWARE'S PUBLIC EDUCATION FUNDING

BY BILL OSBORNE AND ED RATLEDGE

PUBLIC EDUCATION IS EXPENSIVE and the funding complex. Many taxpayers conclude the results are underwhelming if not disappointing. Most of the costs are set in Delaware Code so funding is more automatic than for other departments, and perhaps subject to less scrutiny. Let's examine the facts.

How expensive?

The State of Delaware's operating budget totals \$4.09 billion. Of that, roughly 34% (\$1.4 billion) is spent on public school education. The 19 school districts spend a total of \$700 million more from local funds. Plus, the federal government adds \$200 million directly to Delaware's public education system. All told, public school education, which includes Delaware's 25 charter schools, will cost more than \$2.3 billion this year. Approximately 84% of the dollars are spent on wages and salaries plus benefits. In 2016, more than half (52.4%) of all state employees were working in the school districts, and an additional 200 were in the Department of Education.

There are roughly 136,000 students served by our public school system, so the average expenditure is about \$17,666 per pupil. The national average in 2014 was \$11,009 when Delaware spent \$13,938, ranking 13th highest of the states, plus the District of Columbia.

There are 19 school districts and 25 charter schools in Delaware. Research conducted at the University of Delaware calculated the "optimum" district size to have an enrollment of 22,000. Currently none of the 19 districts have 22,000 students and the average is 7,244. The range is 16,094 (Red Clay) to 1,194 (Polytech). That suggests Delaware may be well served by fewer districts.

How complex is the funding?

Each of the three sources of funding (local, state and federal) have different constraints as to the use of the funds. Those funds raised at the local level have the greatest degree of discretion. While local

funds must be used to match the State's contribution (70% state and 30% local), these funds may be used for local priorities such as English Language Learners, students at risk, additional teaching and support staff, facilities, et al. Almost all of the local funds are raised through property taxes on residential and commercial properties within that school district.

The local school district, with voter approval, sets the tax rates which are applied to the assessed value for each property, but there is material variation in the tax base used to levy those taxes. Properties in Sussex County were last reassessed in 1974, New Castle County in 1983, and Kent County in 1987. This inconsistency has produced a tax that is riddled with significant equity issues. Because assessments have lagged increases in market value, Delaware's statewide assessed valuation represents just 21.6% of current market value (\$25.7 billion vs \$118.9 billion). To increase local revenue by collecting additional property taxes, the school district must get taxpayer approval via a referendum.

Delaware has three county-wide vocational technical districts which levy property taxes at the county level. Unlike the local school districts, these districts' tax rates are set by the Delaware General Assembly and no referendum process is required.

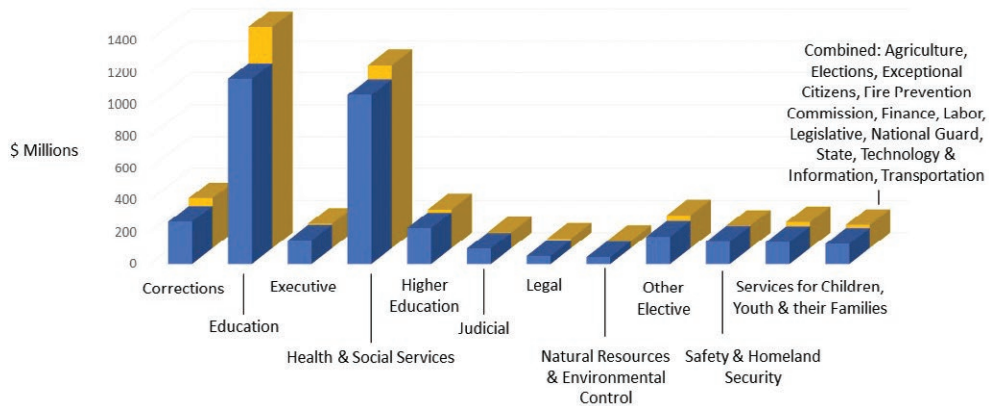
Delaware state funding relies on formulas based on "units" that were placed in the Delaware Code 70 years ago. A unit is based upon the number of students, their academic grade and their classification.

- Preschool = 1 unit for 12.8 students
- Kindergarten – 3rd grade = 1 unit for 16.2 students
- Grades 4 – 12 Regular Education = 1 unit for 20 students
- Grades 4 – 12 Basic Special Education = 1 unit for 8.4 students
- Pre K – 12 Intensive Special Education = 1 unit for 6 students
- Pre K – 12 Complex Special Education = 1 unit for 2.6 students

There are three elements of each unit: teachers (Division I); vocational and energy, plus other costs (Division II); and equalization

DELAWARE EXPENDITURES

■ FY 12 ■ FY 17



grants, which total \$38.7 million, and the “Education Sustainment Fund”, totaling an additional \$28.1 million.

One unknown is the migration of students from private or parochial schools to the public schools and to charter schools. There are approximately 16,000 Delaware students in private/parochial schools who could potentially migrate back to Delaware’s public schools, which would place additional pressure on budgets.

(Division III). Units are calculated district wide but 98% of the funds generated must be allocated to the school that earned the unit, including charter schools. However, this requirement can be waived by the local school board via a public process.

Delaware’s unit funding is prescriptive for wages for every position imaginable and alterations require legislation. The General Assembly sets appropriate wages/salaries for each position and then contributes 70% of “the current competitive wages for personnel and appropriate educational credentials and work experience.” This totals \$884.7 million and the local school district provides the matching 30%.

Because the formula for compensation provides “steps” to determine base wages/salaries, almost half of public school employees, unlike other State employees, receive wage increases every other year. Finally, the business managers of the school districts are expert in assigning the more expensive teachers to the State’s funds while retaining the less costly teachers under local funding. Thus the value of a unit does vary by district.

This state’s funding of \$94 million for equalization (Division III) is intended to allocate state resources to districts that have less ability to raise revenues through their local tax base. The General Assembly froze equalization calculations in 2009 when market values of real property were falling. Today market values are far higher than those after the Great Recession. This suggests that these funds are potentially being misallocated. Of the \$94 million scheduled for distribution next fiscal year, roughly 95% will be used by the receiving district to fund personnel salaries and benefits.

Not all State funding is prescriptive. Much greater flexibility is afforded the school districts with the “Academic Excellence” block

When a student leaves private school for public, no additional income is gained via property tax since the property tax stayed with the home district when the student was educated in the private/parochial school. When students attend charter schools, funds are transferred to the charter school at a predetermined rate.

Conclusion

Delaware’s Department of Education just reported that of the 4,969 students in Delaware’s class of 2015, who enrolled in college, 41% required remediation courses. This is not encouraging. Given our State’s expenditures on public schools, perhaps more attention needs be paid to the costs, efficiency and ultimately the effectiveness of the system. ■



Ed Ratledge is the director of the Center for Applied Demography & Survey Research at the University of Delaware and co-author of the forthcoming book entitled *Public Education in Delaware: The Politics of School Reform in a Small State*.



Bill Osborne is the interim president of the Delaware Public Policy Institute.