

# MINUTES

## ***School District Consolidation Task Force Finance Sub-Committee***

**New Castle County Government Center**

**September 7, 2017**

**9:00 am-11:00 am**

*Present:* Fred Sears, Chair  
Mary Nash Wilson, Deputy Chair  
Ciro Adams, City of Wilmington  
Robert Andrzejewski, Retired Superintendent  
Linda Barnett, League of Women Voters  
David Blowman, Department of Education  
Brian Boyle, NCC Executive  
Susan Durham, Kent County Rep  
Kristin Dwyer, Delaware State Education Association  
Jill Floore, Red Clay Consolidated School District  
Rick Geisenberger, Department of Finance  
Mike Jackson, Office of Management and Budget  
Gina Jennings, Sussex County Rep  
Ade Kuforiji, Capital School District  
Kevin Ohlandt, Kent County Parent  
Robert Overmiller, GACEC  
Jordon Rosen, CPA  
Ron Russo  
Carling Ryan, Legislative Aide to Senator Sokola  
Sean Sokolowski, New Castle County Vo-Tech  
Kim Williams, State Representative

*Next meeting:* Thursday, October 5, 2017; 9:00am-11:00am  
Office of Management and Budget  
Haslet Armory, 3<sup>rd</sup> Floor  
122 Martin Luther King Jr. Blvd. South, Dover, DE 19901

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### **I. Opening**

Fred Sears, Sub-Committee Chair, opened the meeting at approximately 9:00a.m. He asked all of the members present to introduce themselves. After the introductions were completed, Mary Nash Wilson, Sub-Committee Deputy Chair and Fiscal and Policy Analyst for the Office of Management and Budget, was asked to begin her presentation: *Delaware School Finance 101*.

## II. Overall System of Public Education Finance

Mrs. Wilson began by going over the Public Education Total Sources of Revenue from the 2015-16 school year. Out of the \$2.24 billion in revenue spent on public education, state funds accounted for 60%, local funds were 31% and federal funds were 9%.

- a. Federal Funding: the state approves applications and grants funds to Local Education Agencies (LEAs) for professional developmental, vocational education, and basic special education. However, the primary source of federal revenue is Title I funding.
- b. The state portion of funding uses the Unit System which is a basic formula that provides funding to support staffing based on September 30<sup>th</sup> enrollment count in each district/charter school. A unit is comprised of three categories: Division I (teachers); Division II (all other costs and energy) and Division III (equalization).

A question and discussion arose regarding when the formula was created. Mr. Jackson, Director of the Office of Management and Budget, confirmed that the formula has been in place for over 30 years but minor adjustments have been made overtime. The last major revision took place when class size reduction occurred in the late 1990s.

A comment was made that the metrics are surrounded by a dollar amount per pupil and Delaware is on the high end. Mr. Blowman confirmed that most states do not allocate positions, they allocate dollars. He stated that if you create larger school districts, you might save a few superintendents but in many cases you'll be adding assistant superintendents to the now larger district based on the current formula.

A committee member asked what a unit consists of. Mrs. Wilson confirmed that in the teaching units, it is based on the age and type of student. A unit is an entitlement to hire a teacher, including the salary of the teacher and classroom supplies. Teaching units are fully fractional. Discussion continued with examples of how the units could be used.

Another comment was raised questioning whether local funding becomes more discretionary in the sense that you can hire additional units. One of the local education agency (LEA) business managers stated that you do not want to hire anyone outside of the state units since the state units pick up about 70%, and that is going to vary between each district due to the different pay scales. It was also stated the state picks up the primary portion of health care, therefore if a district ends up paying for positions outside of the state unit count, that amount will continually grow each year due to increasing rates. Districts that tend to hire outside of the unit count will more than likely find themselves in financial difficulties.

Mrs. Wilson continued into her presentation with the Division II Funding, which provides resources in the classroom (paper, pencils, and other classroom supplies) and funding for energy. Vocational programs generate additional Division II units depending on the nature of the program, given the necessary equipment to operate vocational activities. A question arose regarding the calculation that is used to provide additional Division II funding along with a discussion.

In regards to the energy, a question was asked referring to the money a school could potentially save using an energy saving program, does the extra funds remain at the building? The answer provided was that each school has the ability to move those funds around until the end of the school year. Money saved in energy stays with the respective district. Another issue is how the unit is calculated for Division II, the unit is based on the number of kids and not the logistics of the building itself. Mr. Jackson reminded everyone that the formula is not up-to-date. A suggestion was made that perhaps our main focus should be to update the formula.

Mr. Sears made a comment regarding supply orders prior to the September 30<sup>th</sup> count. He stated that there is a process in place where the local education agencies have a preliminary projection for their budget. The most significant changes over the past couple of years have been due to the expansion of charter schools. The growth in units of funding has largely been attributed to children with special needs, which generates a greater level of funding requirements. He continued by stating that he believes districts find this as a surprise when they are finalizing enrollment.

A question arose from a committee member about parents removing their children from private schools and re-enrolling them back in the public system. David Blowman confirmed that beginning in 2007-2008, there has been a steady trend due to specialized programming in the public schools including the charter schools, which have seen a steady rise in enrollment.

A committee member expressed that the task force is having this discussion to consolidate school districts and make them larger, while on the other hand there are individual charter schools that are taking state money as their enrollments increase. It was noted that charter schools raise a lot of their own local funding because they do not receive capital funding from the state.

Mr. Jackson stated that the challenge the task force is facing is not just to save the state money, but also to identify obstacles and potential areas for growth. He stated that the sub-committee needs to determine what the obstacles of school consolidation are and how the state could potentially overcome them and then the committee could have a greater discussion.

A comment was made that the task force needs to look at updating the foundation of the funding system before taking the next step, because if the state consolidates district first without a strong foundation, the system will fall apart.

A question arose regarding the discussion of charter schools. Due to an amendment to the legislation, charter schools do not have any representation on the committees. A member of the committee answered that charters are part of the system and need to be discussed. It was noted that the state should have a better balance between districts and charters.

Mrs. Wilson continued with the presentation on Division III funding for Equalization. Due to budget constraints, the formula has been frozen for several years and not functioning

properly. As for capital financing, the state funds between 60% and 80% of capital construction projects, depending on a district's ability. This requires passage of a local referendum. A discussion between the members began regarding the difficult process for a referendum in some districts. Mr. Jackson included that the public education budget for supporting schools is a third of the operating budget, 33%, \$1.4 billion of a \$4 billion budget. School construction typically represents half of the state's capital improvement budget.

A suggestion was made that the group read the Wilmington Education Improvement Commission (WEIC) Capital Financial Report, where an evaluation was reported out to make modifications to five Christina School District buildings. Someone asked if other districts have trouble getting a referendum passed as much as Christina School District does. The consensus of committee members was mostly no, however, some districts may take more than once to pass. The process is long and has a lot of impact on district staff.

c. Local Funding:

Mrs. Wilson stated that there are four main components of local revenue sources; the top two are current expenses and debt service, and both are set by the referendum. The bottom two are match tax and tuition tax which are more specific and can be set by the local school board depending on what they are matching or based on their tuition.

- i. Current Expense/Operating Tax: funds general operations and choice/charter payments.*
- ii. Debt Service/Capital Tax: pays principal and interest on school construction projects.*
- iii. Match Tax: funds state programs that authorize a local match (minor capital improvements and technology maintenance).*
- iv. Tuition Tax: funds special needs students in identified programs.*

### **III. Assessed Value**

Mrs. Wilson stated that one of the things the Finance Sub-Committee will be looking at is assessed property values. The last county property assessments were established in 1974 for Sussex County, 1983 for New Castle County and 1986 for Kent County.

- a. Assessments by District – Mrs. Wilson went over a spreadsheet that outlined the assessments by district.
- b. Reassessment
  - i. Last reassessment in each county*
  - ii. Review of past report and recommendations*
  - iii. Market value vs. assessed value*

House Joint Resolution 22 from the 144th General Assembly recommended to assess at 100% of the market value with annual revaluations, physical inspections at least once every

nine years; commercial properties valued according to Uniform Standards of Professional Appraisal Practice, and three-year phase-in for primary residences that experience steep increases. Caps on revenue increases for counties and schools as a result of initial reassessment. The counties would be responsible for administration and financing but would be allowed to levy supplemental property tax to cover increased costs. This was completed in 2008 and the recommendations were released in 2009.

Someone raised the issue of whether reassessment is important to the conversation since reassessment does not change the effectiveness of the system itself.

#### **IV. Challenges of Consolidation on Local Funds**

The sub-committee discussed putting together a proposal and a plan to move forward.

A suggestion to look at a previously published report from the Leadership for Education and Achievement in Delaware (LEAD) Committee, where consolidated purchasing and other efficiencies were studied. The committee discussed the Data Center in New Castle County as a consortium with four districts. Questions were posed around the possibility of providing a school district version of the “geek squad” that serves the county on technology support. This posed the larger question of when looking at consolidation models, maybe the task force should be looking to consolidate services, instead of school districts.

A small discussion took place regarding teacher retention, which districts are finding it hard to keep teachers in the classroom and how many leave for programs like Teach for America.

Mr. Jackson suggested that the sub-committee spend time looking at the WEIC Capital Financial Report at the next meeting.

Mrs. Wilson offered to send out the studies that have been discussed today: LEAD 2007 Report, WEIC’s Ad-Hoc Fiscal Impact Committee reports, HJR22 on Property Reassessment, and HR 54-Kent & Sussex Consolidation Study. But she also mentioned that the reports can be found online.

Fred Sears adjourned the meeting at 11:00a.m.