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Yasser A. Nakib
University of Delaware

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The state is in the midst of a tragic and long term reform.

School Finance and Reform in Delaware: A Summary

Yasser A. Nakib

Delaware, although a small state with less than 20 school districts, is no different from other states in the dynamics and complexities of the political structure that has the most profound impact on educational policies in general and on public school finance in particular. The balance existing between the recent waves of reform initiatives that espouse a decentralized role of managing public school systems and the growing reliance on state government in funding these systems, is not unique to Delaware. However, in a state where almost two-thirds of school funding is provided by the state government while various major reforms are being implemented, this balance is proving to be elusive. Recent developments in the state have demonstrated the continuing struggle to achieve a sustainable if not a workable balance. But short of substantive reforms of the approach to school funding in the state, many of the new initiatives may only achieve a limited success.

Delaware is the second smallest state in the nation and is 5th smallest in population (nearly 700,000). In 1995–96, the state enrolled 108,461 pupils (48th in the nation) in 170 public schools within 19 school districts in all of its three counties. About 35.3% of enrolled pupils are considered minority, while about 12% are enrolled in special education programs. The state employs 7,918 professional staff, of whom 6,417 are classroom teachers (81%). Of the classroom teachers, 46.2% hold masters level and higher degrees. They earn an average salary of \$40,551 (12th in the nation), while they average about 15.3 in years of experience. Current 1995–96 expenditures for public elementary and secondary schools per pupil enrolled was \$6,944 ranking Delaware sixth in the nation. The state provides higher than average support for public K–12 education (67.3% ranking 7th in the nation), while supplementing the relatively lower contribution by local governments (25.3% ranking 44th in the nation). Federal revenue provides the remaining 7.4% (ranking 21st in the nation) and has been an important source of relief for state government.¹

After over a decade of declining K–12 public school enrollment leading to 1985, the state experienced a reversal of trend over the next decade with an average of 1.4% growth each year. However, over the same period classroom teaching staff increased by only 1.2% overall, with a relatively higher proportion employed in special rather than regular instruction programs. As a result, estimates of regular class size as revealed

by the pupil to teacher ratio have increased. At almost the same time period, total education support by the state (K–12 and higher education) declined from 37.8% (1986) to 30.9% (1995) of the total state expenditure budget. This has occurred while the state has been embarking on major reform initiatives ranging from implementing new directions of standards for schools to school choice. The impact of these reforms has focused attention on many finance related issues, primarily the way the state has been providing funds for its public schools system and the role of accountability at the school level.

The School Funding Process

State support of public schools in Delaware is primarily determined by three major components termed "divisions" that are object oriented. Enrollment, through a unit funding system, initially drives the allocation of personnel (weighted "units") that eventually determine the primary component of funding (Division I) depending on a state salaries and benefits scale². This fund provided nearly 58% of total state appropriations in 1995–96 which covers roughly 70% of all district's personnel expenditures, ranging from teaching to administrative to support staff. The second component of the formula (Division II) funds material and supplies, along with energy costs based on "units" that are driven by enrollment. The third component (Division III) is an equalizing factor used to compensate for funding disparities between property rich and poor districts. These funds are distributed in an inverse relationship to local property wealth based on enrollment, and are incrementally capped at a certain percentage for a given level of property wealth using an ability index. Districts have considerable discretion in their usage, although they only amount to about 8% of total state appropriations. Additional special and categorical funding is provided to cover transportation (fully funded by the state), capital outlay, debt service, academic excellence, staff development, school discipline, and other.

Delaware's 19 local school districts (three of which are vocational-tech districts) are autonomous in their taxing authority. Their responsibilities include raising funds to cover their share of current expenditures, debt services, and the "major" and "minor" capital improvement funds that finance construction and maintenance of building structures. Local school districts are required to raise the bulk of their share (for current operating expenses) through district-wide referenda. They are also allowed to charge "tuition" taxes for special education programs, although without a referendum. Capital improvement funding by the state varies with the district's ability to raise funds. While the vo-tech districts' capital costs are fully covered by the state, most districts (based on their ability index) are required to raise 40% of the capital improvement funds. No district (regardless of wealth) is allowed to contribute less than 20%. Approval of local referenda allows district authorities to set a property tax rate sufficient to pay for bonded expenses (capped at 10% of the district's assessed property value). Districts are limited to only two scheduled referenda within a 12-month period.

State appropriations for 1995–96 amounted to \$572.5 million or about 67.6% of all school expenditures, and about 76.4% of current expenditures (\$748.7 million). Salaries and benefits received the bulk of these appropriations (57.6%), followed by "enhancement" and capital funds (16.1% for items such as substitute teachers, staff development, capital outlay and maintenance, etc.). The district wealth equalization fund consumed 7.8% of total state appropriations; followed by transportation at 7.0%; material, supply and energy at 5.7%; "major instructional program" for academic purposes at 3.4%; and debt service at 2.4%. Current expenditures (all funds) in 1995–96 totaled \$748.7 million. Of which 60.6% was used for instruction, 9.8% for maintenance and operation, 6.1% for student transportation, 5.5% for school level administration, 4.7%

Yasser Nakib, Assistant Professor, University of Delaware.

for student services, 3.0% for food services, 1.4% for instructional staff support, 1.2% for general administration, and the remaining 7.9% for other types of support.

School Reform Initiatives and School Finance

The state governor formed an Education Improvement Commission in the summer of 1994 to recommend fundamental changes that are needed to improve the state's education system and to help achieve the recently developed new directions of academic standards and assessment. The commission recommended among many things, more flexibility and increased authority for local schools and a systematic approach to reform. Following the recommendation, the state legislature in the spring of 1995 passed two separate bills that would drastically change local school operations. One authorized school choice that allows parents to enroll their children in any public school in the state. The other empowers local school boards to grant charters to groups or organizations seeking to operate schools independent of state regulations. Although limited to five schools in each of the first three years, the bill imposes no limits thereafter. In both of these bills, there were no specific modifications to the way a school would receive state funds. As long as the pupil is enrolled in a specific school on September 30th, his/her district would receive the state funding. In the case of inter-district pupil movement under the choice program, the sending district would have to reimburse the receiving district for its own locally raised per pupil revenue. Ultimately, this phenomenon could implicitly lead to an uneven redistribution of locally generated funds where there could develop an uneven movement across districts, as the program reaches its full potential. Most importantly, transporting pupils to and from their chosen schools remains a state funded responsibility as long as the pupil remains within his/her school district. This could exert additional burden on the state given that in practice a higher proportion of the movement of pupils usually occurs within their own rather than to an outside school district. In districts that are sparse, this could prove costly.

The state legislature has also recently passed a host of other bills that would directly and indirectly contribute to the various reform initiatives. Among the most significant is the "shared decision-making" bill that provides financially backed incentives that help districts and schools in implementing their own site based governance structures. These incentives, although very small in their amount, partially fund the development, transition, adoption and implementation of procedural plans over a specified period of time. They may prove to be too small to instigate any serious change. More importantly, absent serious and tangible commitment on the part of the state and district offices to decentralize the budgeting process, it is doubtful that meaningful outcomes can be achieved.³

The state is also in the midst of a strategic and long term reform that is highlighted by three major components:

1. *Standard based reform* (New Directions): is a systemic and focused curriculum reform that established a norm-referenced standards for two core areas (Math and English) that are assessed through performance and writing tests. Although it is not very innovative in what it offers, it is well developed and received by the various players. These standards, if to be sustained, will require increased state effort and support to ensure adequate and equitable preparation. Initial attempts during 1994 and 1995 to implement interim-new standards in math, reading and writing for grades 3, 5, 8, and 10 have shown low achievement results. Efforts have concentrated on building capacities of local schools to adopt and implement the new standards. However, these efforts have no serious infusion of additional funds.

2. *Assessment for accountability*: the state's current assessment program implemented with a more permanent and comprehensive plan to be completed by 1997-98 is the primary focus for accountability. That plan espouses the school as a unit of accountability with rewards and sanctions yet to be developed. It has not yet linked the mastery of standards to the promotion or graduation of students. It is doubtful that without such linkage any other rewards and sanctions would be substantial to spur meaningful and long-lasting change. Absent the full development of this program, the public has relied on ad-hoc information regarding how school district operations are handled and most importantly how local school funds are being used. A recent survey (Delaware Research and Development Center, 1996) indicated that more than half of Delaware residents believed that their district's funds are not well spent. This has in many cases played a major factor in the defeat of few recent district funding referenda. The recent school choice and charter reforms reflect the political mood for more local control and accountability. Another effort is currently being debated concerning the requirement by the state that each district provide detailed accounts of school level expenditures as well as outcome measures.

3. *Capacity building*: professional development is paramount among its many objectives in order to meet the needs to achieve the various goals of the enacted reforms. The public has firmly supported it and the legislature appropriated special funding (currently at about \$250 per teacher) to meet the needs. Other elements are also being developed.

There are various minor and pending legislative bills currently under discussion that were primarily a result of the recommendations of the state commission. Those include reforming the existing special education funding formula and easing of the financial reporting process. Yet some in the state recognize that reforming the existing funding formula is essential to achieving most of these reforms. They believe that it is essential to eliminate or minimize the reliance of local school districts on having to pass tax referenda so that they are able to fund basic programs and additional functions created by the latest reforms. It is unlikely that the issue of abolishing the method of using referenda to raise local funds would currently gather the political support, however. With the general public weary of paying more school taxes in the absence of tangible improvements, the focus is on the need for better accountability on the part of both the state and local authorities.

Finally, the state receives a small amount of federal support for educational services through the U.S. Departments of Education and Agriculture. This support represents a relatively higher proportion than the national average of all public school revenue. The recent threats of federal budget cuts have caused a major concern in the state. It is because the state is small with limited resources and less flexibility, that many education interest groups have mobilized to find ways to fend off any proposed cuts. Although the 1996 proposed cuts did not materialize, there is still concern over any future cuts in federal funding. It is feared that the impact of these cuts and the lack of immediate options to supplant them, could have serious ramifications on current state reform initiatives. The potential impact of having to cut staff, especially teachers in curricular support areas that are essential to the current reform, could be most troubling. Moreover, any form of revenue reduction could lead to problems of funding inequity, especially with limited abilities and options by state and local authorities to make up for lost proceeds.

Conclusion

It is yet to be seen how the recent wave of active school reform initiatives in Delaware will fare given the lack of major funding enhancement and the rising demand on its educational system. Issues of accountability and adequacy of funding are shaping the recent political debate in the state. More importantly, the concern remains as to how the recent reform initiatives (especially choice and charter schools) would impact the approach to school funding when they are soon implemented on a large scale, and how these programs can be sustained under the existing funding structure. Although equity of school funding in the state has not recently been a major issue due primarily to the high proportion of the state share of funding public schools, the erosion of the reliability of having to pass referenda for local district funding is evoking some concerns. Perhaps the most profound challenge for the next few years is for the state to balance the pressure for the need of its increased involvement and support created by the reform initiatives, and the requisite for the system to become more decentralized so that the goals of these reforms can be attained.

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Endnotes

1. Amounts provided in this paper are actual amounts drawn from *Report of Education Statistics: 1995-96*, while rankings are drawn from slightly adjusted figures/estimates in *1995-96 Estimates of School Statistics*. All amounts are for Fiscal Year 1995-96 unless otherwise indicated.
2. Delaware Code, Title 14.
3. A recent analysis by Wohlstetter and Van Kirk (1996) of exemplary school-based managed schools points out the need for decentralized discretion of the school budgeting process.