

**Toward More Effective Financing
of Student Achievement
in Delaware's Schools**

An Executive Summary and Policy Recommendation Document
of the Delaware Public Policy Institute Project:
“Evaluating the Effectiveness of Financing Delaware’s Public Education:
A Business Initiative.”

“[T]he only way to meet the current education reform goal of teaching students to much higher standards is to improve the productivity of the education system.”
— Allan Odden, director of the Consortium for Policy Research in Education at the University of Wisconsin

Introduction

In the last decade, private and public sector leaders focused attention on many threads of education reform: improving standards in Delaware’s public schools through stronger curricula, shared accountability, enhanced professional development, and greater competition through charter and choice schools. Private sector leadership was critical in pushing this complex education reform agenda forward. As a result of these efforts, Delaware’s public schools are showing good progress against national standards. Work remains to ensure that nothing undermines the significant progress made in these areas and that the momentum built continues to produce further gains.

Delaware’s system of education finance should reflect the new realities of public education in this era of accountability. Yet, despite these significant changes in the state’s approach to education, little comprehensive or systematic attention has been focused on the short- and long-term financial implications of our new education accountability system. Effective financing of schools is critical to ensuring that available resources are sufficient and appropriately aligned toward raising student achievement to expected levels. Furthermore, it is only fair that if educators, school leaders, and administrators are to be held accountable for these outcomes that the state, its citizens and business community help to make the improved outcomes possible. Control of resources must rest with those held accountable for those outcomes.

Education reform carries a substantial price tag for increased testing, enhanced professional development, mandates approved by the General Assembly and the Federal

Government, reduced class size, extended school days, summer classes, year-round schools, and instructional technology. Add to it the burgeoning capital needs of some districts, and the reasons behind significant growth in public expenditures on education become apparent. The financial implications of the system of education accountability deserve the attention of Delaware's business leaders, policy makers, educators, and citizens.

With that in mind, the Delaware Public Policy Institute (DPPI) embarked on a comprehensive study of education finance in Delaware, "Evaluating the Effectiveness of Financing Delaware's Public Education: A Business Initiative."¹ The DPPI partnered with the University of Delaware's Center for Applied Demographics and Social Research to complete the empirical phases of the project in two phases. Phase One analyzed the current education budget in terms of state-wide resource allocation and utilization. This data allow direct comparisons to national and state-level benchmarks and trends in education spending. Phase Two of the project makes an important, if incremental, step beyond earlier studies by extending the study of resource allocation to the district level to look at the comparative sources and uses of resources. This data allow some direct comparisons among Delaware's school districts as well as comparisons with peers in surrounding states. These reports provide significant additional data and text of over 200 pages that interested readers, researchers, and policy makers can access:

<http://www.cadsr.udel.edu/education/projects.htm> This link provides the report summaries and text that formed the basis of the findings presented in this summary report.

¹ Delaware has a long history of studying education finance. At least four comprehensive looks at these issues were done in the last two decades. The Grimes Report of 1986, the Education Finance Subcommittee of the Education Improvement Commission in 1992, the Education Finance Reform Committees of 1998, and a study, "School Finance: Investing in Student Learning," commissioned by the State School Boards Association issued in 2000. The central findings of those earlier reports remain largely unchanged because the fundamentals of the system of education finance underlying the current revenue and expenditure patterns remain remarkably unchanged despite the significant changes resulting from education reform over the last decade.

<http://www.cadsr.udel.edu/FINANCE/pubedindex3.htm> This link provides statewide data on education revenues, expenditures, employment, and teacher/student ratios for the period covering 1990-2000 to 2000-2001.

<http://www.cadsr.udel.edu/FINANCE/pubedindex4.htm> This link provides school district-level data on revenues, expenditures, student unit counts, and other subjects covering the period from 1991-1992 to 2001-2002

This executive report relies on and supplements the data gathered from these empirical phases with additional data to develop the conclusions and recommendations presented below.

I. Empirical Findings

The initial goal of this study was to present an accessible, easy-to-understand, and comprehensive picture of where the money comes from and where it goes all the way down to the school level for Delaware's citizens and parents. However, given the complexities and data limitations of the system of education finance in this state, such a product proved impossible.

The current financial information does not allow educational leaders to know whether resource decisions that they make are paying off in terms of improved outcomes for their students. Nor is the data that is available presented in a format that is understandable, accessible, and comparable for state policy makers, school board members, and researchers.

The education finance system is simply not organized with the goal of knowing whether how money spent produces results or whether alternate allocations of resources would increase student achievement. Instead, the system is organized around counting kids. District finance personnel focus on managing unit counts (the codified system for counting students in districts and school buildings) in order to maximize revenues. Delaware is not unique in this regard. The rise of cost-center accounting combined with the focus on equity in the post-Brown vs. Board of Education era caused nearly every state to allocate resources to schools by formulae driven by counting groups of students. Despite these significant limitations, the data produced from this

extensive research still provide meaningful insights into the level and allocation of resources in Delaware's public education system and school districts.

A. High Overall Level of Funding

Delaware's public school system is comparatively well funded by virtually every measure.² Apples-to-apples comparisons of funding levels are difficult to make because factors such as the cost-of-living and the composition of the student population affect the cost of delivering educational services. Therefore, the best measure to compare funding of education is education spending per student adjusted for regional cost differences. On this measure, Delaware ranks sixth nationally.

² Delaware ranks high on every measure of education spending with two exceptions---per pupil spending as a percentage of personal income and percent of total taxable resources spent on education. Lower rankings on these measures are misleading when used as a measure of relative support for education. They actually are a measure of the state's capacity to spend more on government services because of the state's ability to export its tax burden and its relative personal wealth to level of personal taxes in the form of sales, property, and personal income tax. With Delaware's high per capita income, exportation of nearly 40 percent of its revenue base in the form of corporate and bank franchise taxes, escheat, and video lottery, it is not surprising that Delaware ranks relatively low on these measures.

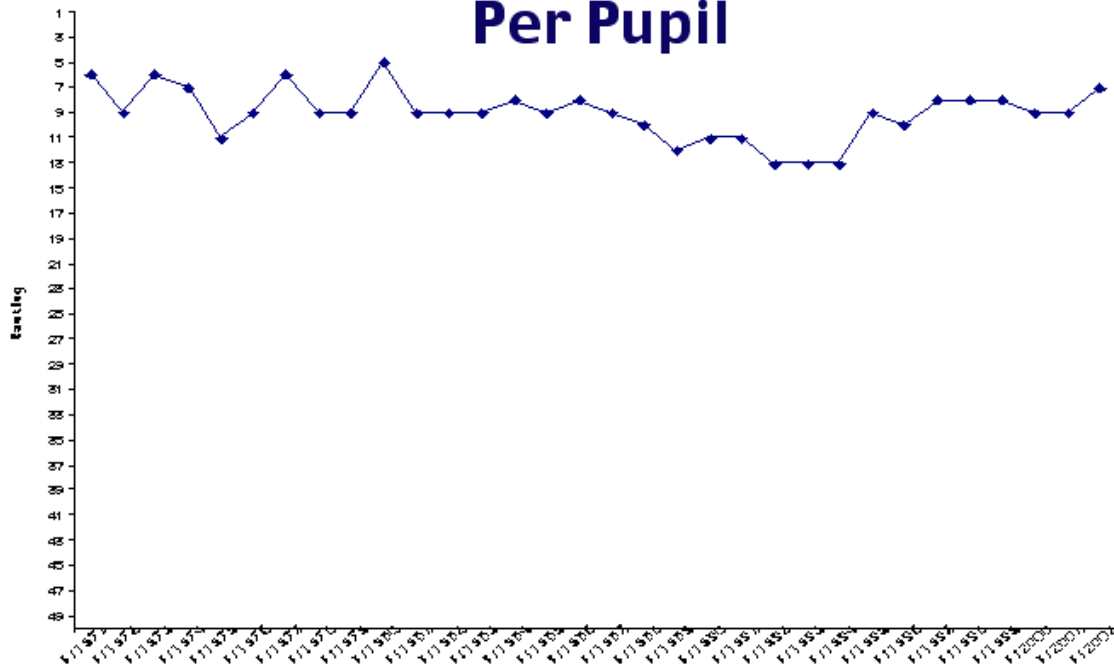
High Overall Level of Funding

<u>Ranking</u>	<u>State</u>	Per Student Spending Adjusted <u>For Regional Cost Differences</u>
1	New Jersey	\$8,436
2	New York	\$7,635
3	Connecticut	\$7,289
4	Delaware	\$7,228
5	Wisconsin	\$7,097
6	Pennsylvania	\$7,092
9	Maryland	\$6,708
10	Michigan	\$6,689
15	Rhode Island	\$6,468
20	Massachusetts	\$6,201
25	Ohio	\$5,916
26	U.S.	\$5,906
30	Kentucky	\$5,588
35	Hawaii	\$5,387
40	South Dakota	\$5,222
45	Colorado	\$4,941
50	Mississippi	\$4,633
51	Utah	\$3,985

Source: Education Week

This relatively high level of spending is not a recent phenomenon. It did not result from out-performance of Delaware's economy compared to the nation or an outgrowth of additional revenues from video lottery, bank franchise, or corporate franchise taxes. For at least the last three decades, Delaware's ranking in education spending per pupil has been in the top ten nationally and never dipped below thirteenth. Recent public education spending continues to sustain this investment. Public education spending has grown at a rate of almost two percent annually more than inflation on a per pupil basis in the last decade.

State Ranking in Education Spending Per Pupil



B. High Degree of Superficial Equity

Thanks to the large share of state funding, Delaware’s education system has a high degree of equity at the district level compared to other states. In addition to the large share of state funding, Delaware uses an equalization formula to put districts with different taxing power or property tax bases on more equal footing in terms of resources.

Recent trends, however, suggest that the equalization formula is becoming less efficient in closing the gaps because of hold-harmless provisions. The gap in total current expense spending between the regular (i.e. non-vocational) district with the highest funding per student (Christina at nearly \$9,300) and lowest funding per student (Delmar at \$7,740) is more than \$1,500 per student annually. The gap is even more striking when compared to the vocational districts (which also receive money from the equalization formula). All three vocational districts spend in excess of \$11,000 per student with New Castle County Vocational School District spending nearly \$14,000

per student. Courts have also found that such wealth equalization formula can do harm to efforts to appropriately align resources with the education needs of students, especially in areas with urban centers with greater concentrations of poverty.

“[R]esearchers and policy analysts need to explicitly address the link between education inputs, processes, and academic achievement, a linkage virtually ignored in the finance system based on wealth neutrality of equality of funding.”
— Ladd and Hansen, Committee on Education Finance, National Research Council.

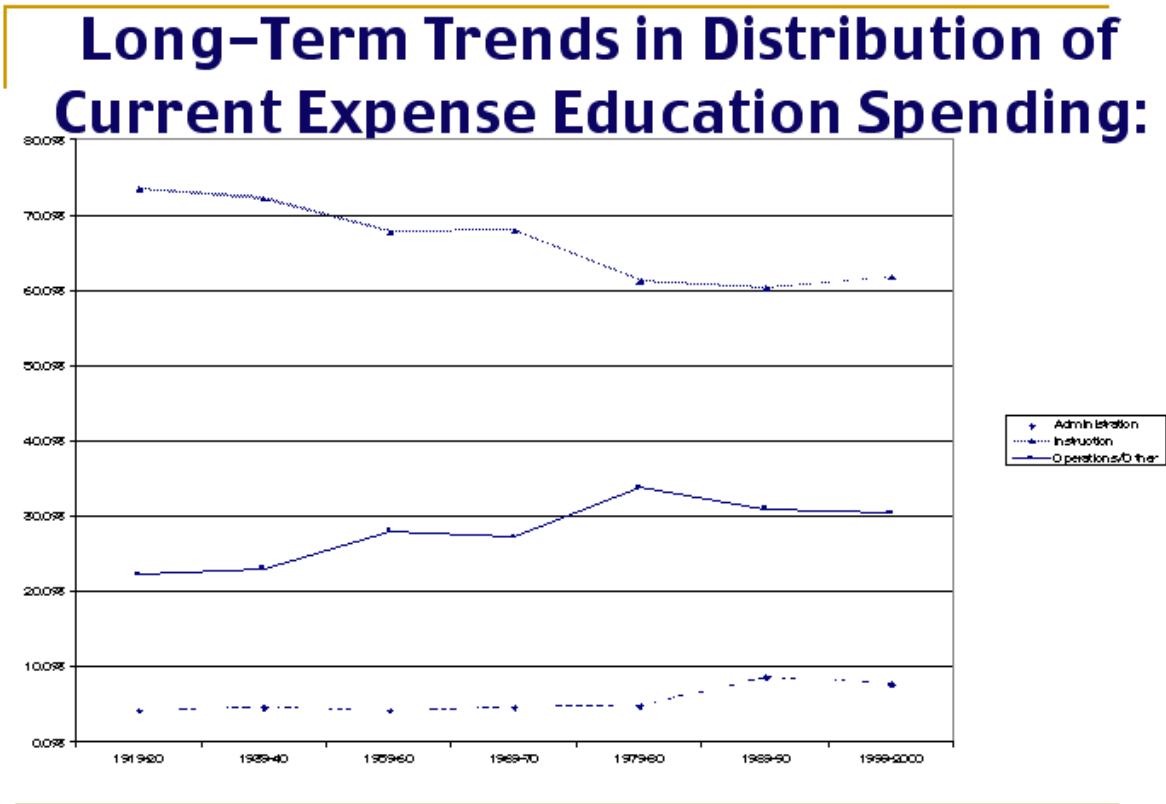
Of equal or larger concern is the inability to assess the relative equity in distribution of resources within districts. Within districts, schools serving children with greater need often have equal or fewer resources despite their greater need. Seniority preferences in contract agreements facilitate the migration of more experienced teachers toward schools and classrooms with higher achievement, especially absent any countervailing rewards for selecting more demanding assignments. Experienced teachers and administrators are more adept at securing discretionary resources for their classrooms and buildings. Because the data did not permit analysis at the school level, it is not possible to assess the level of resource equity within districts in Delaware. Given the increasing level of concentration of children eligible for free and reduced lunch in many schools, it is imperative to better understand the resource differences at the school level.

C. People are the Biggest Investment

Spending on instruction nationally has hovered around 60 percent since the 1970's. This pattern is remarkably similar in districts large and small, rural or urban, high or low-spending. The pervasiveness of this pattern of spending suggests the trends result from forces that cut across state borders. People costs are the most significant proportion of operational expenditures (77 percent). Salaries and benefits for teachers account for 62 percent of current spending.

Higher-spending districts tend to use their extra funds on hiring more teachers. In general, high-spending districts use about half of the additional money on teachers and the other half on non-instructional services. The spending patterns of first-year charter schools mirrors national district averages in classroom expenditures as a share of overall spending.

Despite higher levels of funding, money actually going into the classroom in Delaware mirrors the national average of 60 percent. Administrative spending (both school and central office) is about two to three percentage points below national averages, while spending on educational support services is about three to five percent higher.



The research here shows that larger districts or districts with larger schools do manage to put more new money into the classroom in terms of percentage spent on instruction. This finding is largely a function of school size and the unit-driven system of education finance. Smaller schools spend

more on administration inside the building. However, small schools may produce greater gains in terms of student achievement especially in the lower grades.

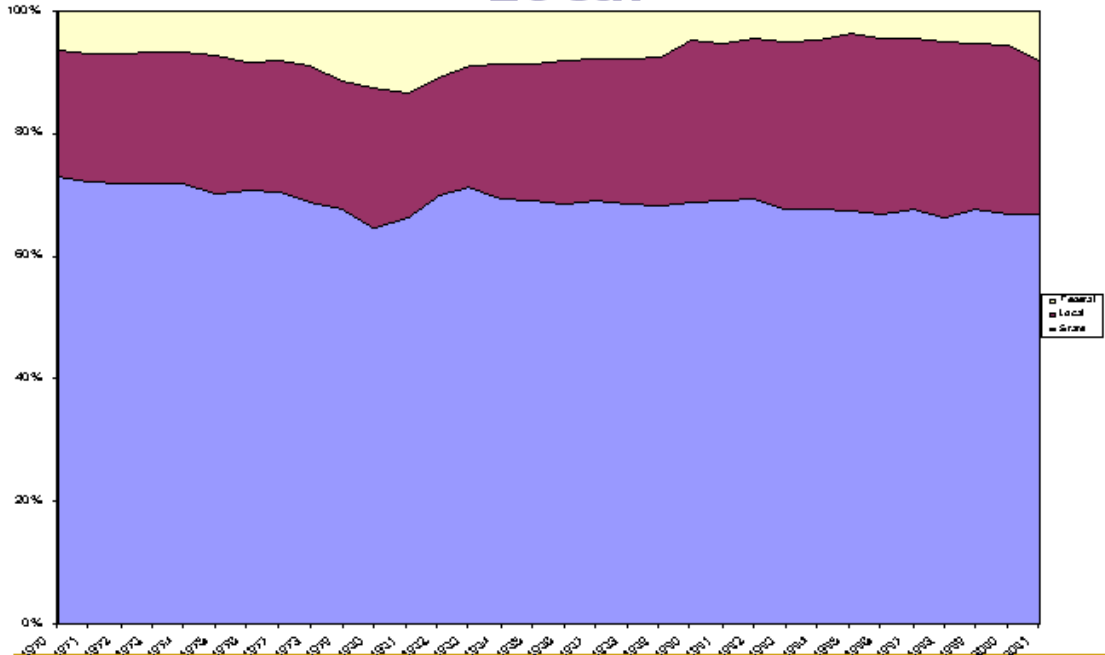
District-Level Spending Patterns

	DISTRIBUTION OF CURRENT EXPENSE SPENDING*				VARIABLES AFFECTING EXPENSE**		
	Net Instruction	Student/Staff Support	Administration	Operations, Food, Other	% FR Lunch & % LEP	% of Students High School	No. of Schools
Appoquinimink	59.0%	4.0%	16.0%	20.0%	7.1%	26.5%	7
Brandywine	63.0%	8.0%	12.0%	17.0%	10.8%	30.9%	21
Caesar Rodney	62.0%	7.0%	12.0%	19.0%	14.8%	28.4%	14
Cape Henlopen	60.0%	9.0%	10.0%	21.0%	13.7%	28.2%	8
Capital	62.0%	6.0%	12.0%	19.0%	21.8%	25.3%	12
Christina	62.0%	6.0%	12.0%	20.0%	14.3%	25.2%	29
Colonial	69.0%	6.0%	7.0%	19.0%	13.0%	22.3%	16
Delmar	63.0%	5.0%	14.0%	19.0%	13.5%	54.4%	2
Indian River	62.0%	6.0%	10.0%	21.0%	23.2%	24.9%	15
Lake Forest	60.0%	6.0%	16.0%	18.0%	20.5%	25.1%	6
Laurel	58.0%	6.0%	13.0%	23.0%	24.0%	23.5%	6
Milford	63.0%	5.0%	12.0%	20.0%	17.2%	27.4%	6
NCC Vo-Tech	58.0%	6.0%	12.0%	24.0%			4
Polytech	54.0%	7.0%	15.0%	25.0%			2
Red Clay	64.0%	5.0%	10.0%	21.0%	16.5%	23.6%	27
Seaford	59.0%	5.0%	10.0%	26.0%	15.9%	29.0%	9
Smyrna	60.0%	8.0%	12.0%	20.0%	12.7%	27.5%	7
Sussex Vo-Tech	57.0%	6.0%	15.0%	22.0%			1
Woodbridge	53.0%	8.0%	13.0%	26.0%	38.1%	25.0%	5
Kennett	63.0%	8.0%	9.0%	20.0%	9.1%	26.4%	5
Unionville/Chadds Ford	62.0%	12.0%	8.0%	18.0%	1.6%		5
Fairfax, VA	60.0%	10.0%	10.0%	17.0%	15.2%	31.2%	206
AVERAGE	60.6%	6.8%	11.8%	20.7%	15.9%	28.0%	18.8

D. Control Over Resources Shifting

Significantly higher portions of education spending in Delaware come from state funds (67 percent versus a national average of 44 percent). Local property taxes, which are the third lowest in the nation) supply only 25 cents of each dollar of education spending (versus a national average of nearly 50 cents). The remaining eight percent of funds come from federal grants, which are the fastest growing source of education funding across the nation. High levels of state spending create incentives and disincentives for districts. For example, local districts would lose revenue by choosing to contract out food service or for cashing in units to get greater flexibility.

Revenue Sources: Federal, State, Local



Recent trends are positive in that a higher percentage of new money is ending up in the classrooms. But, the use of this money is increasing driven by Dover and Washington because new money comes in the form of categorical aid. Expenditure growth in the post-education reform era came in the form of categorical aid devoted to:

- Class size reduction
- School discipline and school climate
- Academic Excellence
- Extra Time
- Testing and Accountability
- Professional Development
- Early Childhood Assistance Program
- Property Tax Relief and Elderly Property Tax Credit

Many of these programs came with processes that allowed districts to seek waivers. Still, the list above illustrates a trend for new state investment in public education to come with specific

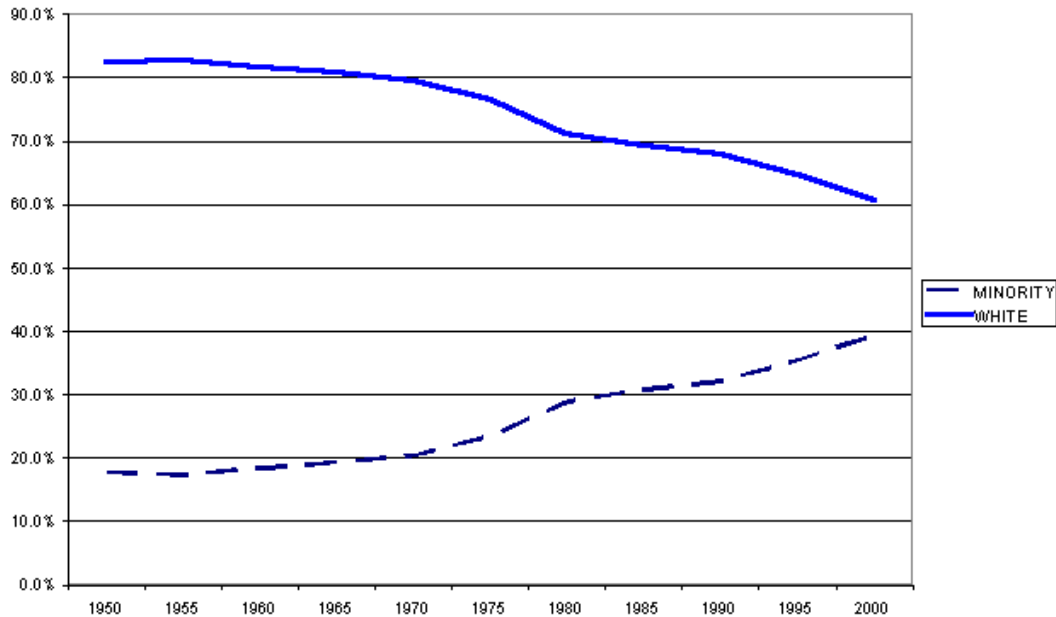
programmatic goals and requirements attached. The federal government, too, has taken an increasingly interventionist role in prescribing the use of federal funds as witnessed by the controversy over the funding of the requirements of the “No Child Left Behind Act.”

E. Customer Base Changing in Significant Ways

The customer base of public schools is changing significantly in ways that will affect how districts must resource the mission of raising student achievement. By most measures, the children enrolled in public schools have, and increasingly will have, greater needs and challenges. The long-term trend shows a rising percentage of children served by many of our public schools are living in poverty. The percentage of children from one-parent households is rising. Though the overall percentage is small, the number of children with limited English proficiency is climbing dramatically. In short, the population of children in Delaware public schools increasingly comes from at-risk populations.

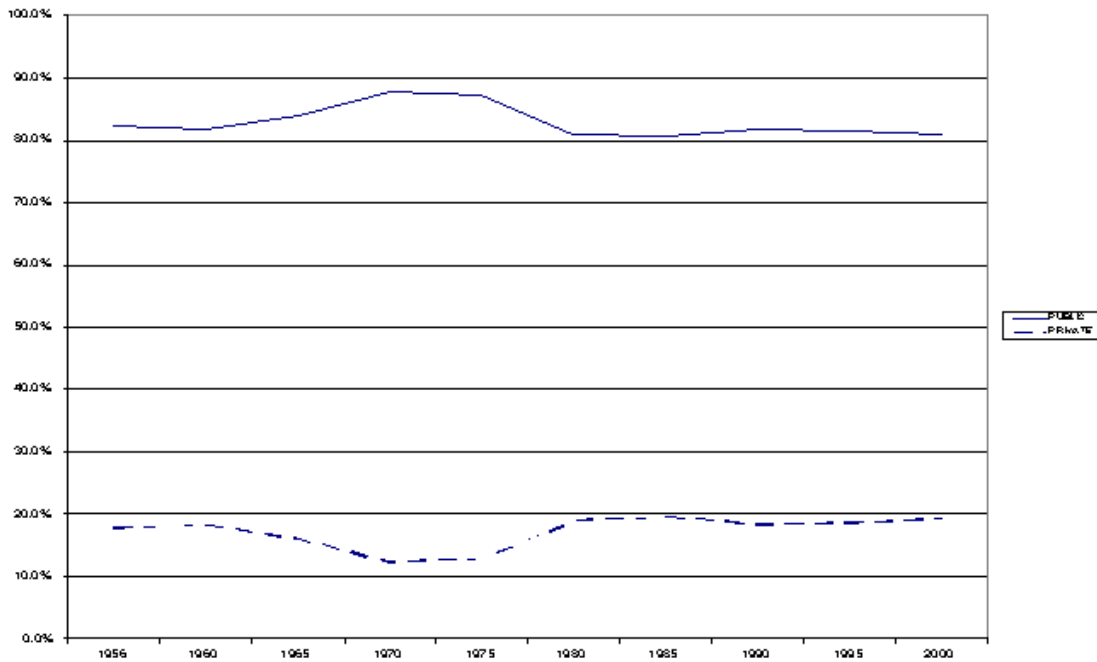
The racial mix of school is also changing. From the 1950’s through the early 1970’s, the racial mix in Delaware public schools was roughly stable with 80 percent white and 20 percent minority students. Since that time, a steady shift has occurred. By 2000, the percentage of minority students nearly doubled to 40 percent. This trend is important because, according to the Education Commission of the States, the average black or Hispanic high school student currently achieves at about the same level as the average white student in the lowest quartile of white achievement. Black and Hispanic students are much more likely than white students to fall behind in school and drop out. These patterns hold true even when controlling for factors such as socioeconomic and family backgrounds. Addressing the achievement gap requires a complex and nuanced understanding of the factors contributing to its origin and evolution throughout a child’s educational life.

Enrollment Trends: Race/Ethnicity



These changing patterns within the public school population reflect changing demographic patterns more than changing parental choice in terms of education. The percentage of children attending private school has remained relatively stable over the last decade (18.7 percent vs. 18.2 percent a decade ago). Public charter schools now educate only about four percent of the state's school-aged children. For many districts, the rate of enrollment growth for traditional public schools has slowed significantly (or in many cases dipped to the negative) in the last three years in part as a result of the rise of public charter schools. Choice does have other affects, primarily on the stability of district enrollment and thus the stability of district finances. For example, as a result of enrollment through the choice program, the Red Clay School District received over \$2 million in additional revenue in Fiscal Year 2003 from students within the Colonial and Christina School Districts. This period of enrollment flux from charter and choice is beginning to stabilize.

Enrollment Trends: Public vs. Private



The number of student's identified as special education has increased significantly with the ratio dropping from 1:11 to 1:9 over the last decade in regular school districts. A large portion of this change results from increasing classification and diagnosis of children with ADHD and other learning-related diagnoses. The percentage of children classified as special education generally has increased in regular districts while it has declined in the vocational districts, especially those in Kent and Sussex Counties.

Enrollment Trends: Special Ed

Special Education Units as a Percentage of Total Units

School District	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Appoquinimink	17.1	17.7	18.1	17.5	17.3	16.3	15.2	17.4	17.8	20.5
Brandywine	18.1	18.0	19.5	20.1	20.9	21.8	22.3	21.8	22.3	23.2
Christina	24.9	25.3	25.8	25.8	25.9	26.3	26.8	26.3	26.6	27.4
Colonial	21.9	23.8	23.6	23.7	24.4	25.3	27.1	25.4	25.4	25.4
New Castle Vocational/Technical	30.9	30.9	30.2	29.9	29.6	29.9	30.3	29.2	25.0	26.4
Red Clay	20.2	19.9	20.2	21.0	20.6	21.2	20.9	21.1	21.8	22.1
Caesar Rodney	20.7	21.9	21.2	23.0	23.5	24.5	25.7	26.0	27.8	27.8
CR-DAFB	9.8	9.7	6.5	5.0	10.5	11.3	10.2	10.0	9.8	11.1
Capital	17.8	19.6	21.2	22.5	23.5	25.0	26.6	25.9	25.7	26.0
Lake Forest	18.9	20.1	19.8	20.4	22.1	18.6	20.7	20.8	21.0	22.0
Milford	24.8	25.8	27.5	27.1	26.7	28.4	27.1	25.2	25.2	25.9
Polytech	41.7	37.5	29.8	29.5	27.9	25.4	22.2	23.0	24.2	25.0
Smyrna	21.1	21.0	21.6	22.5	22.7	22.6	24.1	25.2	24.9	25.4
Cape Henlopen	25.9	26.1	26.2	27.7	28.5	28.5	30.6	31.2	30.5	30.7
Delmar	17.6	16.7	18.9	18.9	24.4	23.8	24.4	20.9	21.7	21.8
Indian River	30.8	33.3	35.2	37.0	36.9	36.3	34.8	30.3	29.3	30.1
Laurel	21.2	22.6	24.4	24.4	23.3	25.0	23.1	22.7	20.8	20.0
Seaford	25.2	25.4	26.3	28.6	29.9	29.3	29.1	25.6	24.7	23.9
Sussex Technical	47.5	44.4	40.3	36.8	34.3	32.9	32.9	24.6	27.1	23.9
Woodbridge	21.6	24.2	25.0	25.7	24.5	22.4	22.8	20.0	18.1	18.0
State District Averages	22.8	23.6	24.2	24.7	25.0	25.3	25.6	24.7	24.7	25.2

Source: Report of Educational Statistics and September 30th Student Enrollment and Unit Allotment Report. Includes special schools.

It is not clear whether these changes result from changing populations, changing diagnostic patterns, or other forces. Financial incentives built into the unit count formula encourage classifying children as special education as a means of getting more resources to serve students with greater educational needs.

II. Recommendations

A. Changing the Goal of Our Education Finance System

The empirical research from this study provides important evidence of the need for a more fundamental change in how we finance schools and how we manage educational resources.

Delaware's education finance system currently is organized around equity defined by inputs (i.e.,

delivering equal resources on a per unit basis to each district). The foundation of the education reform and accountability movement was a shift of focus to outcomes (measured in terms of student achievement). Aligning Delaware’s education finance system with our system of education accountability ought to be the long-term goal for our education finance system.³

“The vast majority of states have created accountability systems with consequences, but most policy makers don’t know how much it costs to reach those standards and don’t know whether they are providing too much or too little money.”

— John Augenblick, Distinguished Senior Fellow, Education Commission of the States

None of the research to date can address the most important and fundamental question of education finance reform: whether schools have adequate resources to educate all children to the standards set by the new accountability systems. It is possible that Delaware’s public education system has adequate resources⁴, but that those resources (because of current formulae for distributing the money, institutional forces driving allocations, and other reasons) are not allocated to ensure that there are sufficient resources for all to meet the goals established. Moving toward a so-called “adequacy” approach to education is not merely about whether there are enough resources and doesn’t merely seek to “throw money at the problem.”

The most significant improvements in education finance in Delaware would come from objectively assessing: 1) whether schools have adequate resources to educate all children to the

³ Simply increasing inputs is no magic bullet for raising student achievement. Researchers have found that most of the improvement in test scores comes from non-financial inputs like student effort and parental involvement. Still, in these studies, schools analyzed made few changes to financial allocations, did not make systemic changes to align resources to need, or fundamentally change school organization. See Gale William, G., McNally, Meghan, Pack, Janet Rothenberg (2003) An Economic Perspective on Urban Education, Conference Report #15, The Brookings Institution.

⁴ Indeed, in the most recent available studies applying a cost adjusted, student-weighted (i.e. accounting for differences in the percentage of low income and special needs students) measure of adequacy, Delaware finished tied for first. See, Rubinstein, Ross. (2003) “National Evidence on Racial Disparities in School

standards set by the new accountability systems, 2) the level and types of resources needed compared to current levels, and 3) ways to create flexibility for administrators and principals to reprogram those resources in exchange for accountability in meeting those benchmarks.⁵ The methods for developing measures of adequacy are in their infancy, and are more art than science. They are nonetheless critical to moving forward to match the education finance system to the realities of education accountability.⁶ Data analysis alone is not sufficient to answer this question since the available data do not permit researchers to match patterns of resource allocation and achievement within schools or below the categorical level across districts.

There are significant cost differentials associated with student need. Relatively high concentrations of students who are economically disadvantaged, have limited proficiency in English, are in special education programs, or are enrolled in high school can substantially increase

Finance Adequacy.” In William J. Fowler, Jr., editor, *Developments in School Finance: 2001-02* (Washington, D.C.: National Center for Education Statistics), pp. 91-109.

⁵ Educational adequacy is not merely about whether there are enough resources either at the system, district, or school level. It may be possible that Delaware’s public education system has adequate resources, but that those resources (because of current formulae for distributing the money, institutional forces driving allocations, and other reasons) are not allocated to ensure resources for all are sufficient to meet the goals established. It may better be understood as a focus on vertical equity---to what extent do schools and students with meaningfully dissimilar characteristics receive appropriately dissimilar resources in order to achieve the goal. School finance systems have spent nearly a half century relentless pursuing the goal of horizontal equity---making sure that all districts have roughly equivalent levels of resources. Delaware’s system is among the best in terms of statewide resource equity, but such measures of equity inevitably mask vast differences in resource distribution at the school level and divert attention from the question of whether equal resources will produce equal results in terms of student achievement.

⁶ There are recognized alternatives for measuring the adequacy of resources. Nearly 20 states have undertaken the process of determining the level of resource adequacy, but no state has successfully implemented an adequacy-based approach. The “evidence-based” approach (Odden and Archibald) evaluates the cost per student of successful whole school reforms (Success for All, Roots and Wings, etc.), compares them to the current resources of the district/school, and identifies targeted areas for reprogramming *existing* resources to fund the whole school reform. The economic/cost-function model (Stiefel, Schwartz, Rubenstein; Reschovsky, Imazeki) applies econometric techniques to regress expenditure per pupil with district characteristics and performance levels to identify efficient and effective schools. The professional judgment approach (Guthrie, Augenblick & Myers) uses a modified market-basket approach by gathering professional educators to discuss and evaluate the resource needs of different students in order to achieve the defined performance standards. The successful schools model identifies districts and schools that have been successful in teaching students to desired levels of achievement against state and national benchmarks and sets the adequacy level at the weighted average of expenditures of such districts.

school district costs and have dramatic impact on student achievement levels. For example, districts or schools that educate more students who are eligible for free lunch than average would be projected to need to spend more to achieve comparable outcomes, other things being equal. Conversely, districts or schools that educate fewer students eligible for free lunch than the average would be projected to require less funding. Our current education finance system makes few adjustments to reflect building or district composition in allocating and managing resources. Nor does our system have a coherent policy for managing enrollment levels and concentrations of at-risk children to ensure the best outcomes in terms of student achievement for all students.

Achieving the goal of linking resource inputs to student outcomes would not be as simple (insert laughter here) as calculating and supporting the level of resources adequate to educate all children up to performance standards. It would require building consensus and capacity to restructure the methods for allocating funds, as well as the roles that state policy makers, districts, administrators, principals, and teachers play in the resource control and allocation process. One model worth exploring, started in Edmonton, Alberta and copied in cities and districts like Seattle, Houston and Cincinnati and borrowed from in states like Florida, combines two elements to increase alignment of resource allocations and student outcomes. These systems use a weighted per-pupil model to allocate funds and give building-level decision makers significant control over resource allocation.

RECOMMENDATIONS:

- **Commission further study employing nationally established models that determine the cost of educating children to the standards and develop plan to better align resources to goals for student achievement at the school level.**
- **Work to align resources so that all children have the opportunity to meet state standards and all schools and students meet targets set by the No Child Left Behind Act.**

B. Incremental Steps Toward the Goal

The changes implied by the long-term goal of aligning resources with desired outcomes in terms of student achievement are of significant magnitude. Even if the proposed study resulted in a perfect solution and sound transitional planning, the political realities and need to minimize disruption to students would demand significant time to achieve full implementation of an education finance regime that linked resources to outcomes. Enacting comprehensive education finance reform takes time and careful planning. Recognizing this, DPPI looked for concrete, achievable steps toward improving the education system that would support later implementation of the systemic recommendation of linking education finance and student achievement.

1. Getting More Flexibility, Innovation, and Need-Based Funding Into the Current System

Districts currently do not take advantage of the limited flexibility available in the current education finance system. Under the Ed Flex waiver program, districts may request waivers to use in innovative ways federal and state funds earmarked for programs such as extra time, school climate, academic excellence, mentoring, professional and curriculum development. Yet, no district to date has submitted a request for a waiver. The Department of Education has proposed to create a model waiver to assist districts in submitting a plan for flexible use of funds within categories designated under the Ed Flex waiver.

Such a proposal is a good start, but many districts lack the capacity and resources to develop a systematic plan for combining and reallocating resources in innovative ways or lack the political capital necessary to do so. Moreover, though many categorical aid programs are included in the Ed Flex program, the amount of dollars at stake may not be sufficient to spur districts to invest in such comprehensive strategic planning. Legislative action to expand the categories eligible for Ed Flex is a start toward shifting responsibility and accountability to those charged with educating children.

Superintendents, principals, and board members must demonstrate the willingness and capacity to use this flexibility to better align resources with educational outcomes. Reallocation across and within districts will raise political, economic, and social issues that require careful management and planning. Progress towards a system that allocates revenues based on the cost to educate different types of children to the same standards would also come from incrementally shifting to a need-based formula for allocating resources. There are several approaches to realigning funding to match the needs of student populations. Christina is among a vanguard of districts nationally (including Charlotte-Mecklenburg) that authorize differential funding levels for schools with concentrated populations of at-risk children. In addition, several categories of state financial aid, such as new educator mentoring, extra time, and school climate and discipline, would more be allocated based on need. Encouraging such resource reallocation within districts is a means of incrementally moving toward alignment of resources with student need to improve educational outcomes for all.

RECOMMENDATIONS:

- **Create a model waiver, provide technical assistance, and expand the categories of funding eligible in order to promote flexible use of funds by districts.**
- **Consider the possible creation of a pilot program by DOE where districts are provided a level of financial flexibility on more general pools of funds similar to that given to public charter schools in exchange for fiscal and performance accountability reporting.**
- **Allocate more categorical funding based on need. New educator mentoring and extra time monies are just two of many examples where need-based allocations make more sense than allocations based on district size or number of units.**

2. Driving Investments with Better Data, Greater Accountability, and More Transparency

If we are to improve educational outcomes by better targeting and investing resources, we need to pay significant attention to developing solid information and evidence about what things work and what things do not. Developing such evidence requires generating and using high quality

information about student outcomes and resource management. In particular, it must be possible to infer the value-added by schools, teachers, and others to a student's education.

Along with added flexibility to reprogram resources, school boards, districts, and principals must expect greater fiscal responsibility to parents, taxpayers, and policy makers. Fiscal accountability depends on better reporting at the district and school level on how investments of resources affect the academic outcomes achieved. Such data are critical to effectively managing resources to meet the goals of the new systems of education accountability. It is impossible to evaluate who is best managing resources to spur student achievement unless comparable data on resource allocation can be matched with available data on student achievement, both of which must be able to be track and compared across time. A sound financial management system tied to student achievement outcomes is an essential element of ensuring return on the investment in public education. The state must provide policy makers, school boards, superintendents, education professionals, and citizens with the data needed to set goals for financial and educational outcomes and assess whether alternate resource allocations would be more effective in meeting those goals.

RECOMMENDATIONS:

- **Develop a common statewide financial management system that tracks revenue and expenditures down to the school level.**
- **Encourage the use of return on investment and other methodologies that link financial decisions to performance measured in terms of student achievement.**

3. Making the Most of Resources Already Available

Eighty to ninety percent of current expense dollars get spent on people. Research demonstrates that the knowledge and skills of classroom teachers is among the most significant factors affecting student learning and the most significant investment of resources in the school

systems across the nation. High quality teachers can make up for the typical deficits seen in the preparation of kids from disadvantaged backgrounds when given these assignments. Yet, Delaware still has barriers throughout the human resources process to giving Delaware schools a competitive edge in terms of attracting and retaining the best talent.

These barriers begin at the entrance. Too many districts in Delaware do not make offers until the late spring or early summer when many talented teachers wanting to stay in Delaware have already accepted offers outside the state. Differences in intangible factors such as school climate (whether real or perceived) and delays in hiring (resulting from policies and contractual agreements governing reduction-in-force and unit counts) prevent Delaware from being first in line when time comes to hire and retain talented educators. More progressive districts have begun to use innovative practices to allow them to hire earlier in the cycle and become more competitive in the teacher recruitment process.

Since implementing a significant salary restructuring four years ago, Delaware's teacher compensation is now very competitive with surrounding jurisdictions and nationally at both the entry- and senior-levels according to the most recent American Federation of Teachers survey. However, their ability to earn more money in other career paths in the Delaware market is much greater than elsewhere and good teachers get frustrated by not receiving any greater level of pay for better results or greater effort. Moreover, the focus on improving teaching quality through stronger regulation and higher pay may not result in improving outcomes since research shows that these factors have little correlation to improved outcomes in terms of student achievement.

There also appears to be room for significant tangible and intangible benefit from better management of district-level operations and resources. The folklore that Delaware has too many school districts is not new. Policy makers and others have repeatedly reached the conclusion that the potential gain from consolidation was small and certainly not worth the costs either in terms of

disruption and political capital. With only two percent of expenses devoted to district administration, there is not much money to be gained through consolidation of district-level personnel.

Still, in areas such as professional and curriculum development, common purchasing, recruitment and retention, and operations management, there are significant gains to be made by coordination across district lines. The successes of the coordinated and comprehensive science curriculum demonstrate that significant and coordinated investment of resources can pay big and measurable dividends in terms of student achievement across the state. In operational areas, the current structure of statewide education finance rules provides few incentives to innovate in these areas or to focus attention on making them more efficient. Removing barriers to more efficient business practices and freeing up these resources for reprogramming to the core function of educating children would be important moves to prepare for more systemic reforms aimed at aligning education finance with our goals for student achievement.

RECOMMENDATIONS:

- **Reform collective bargaining agreements and state policies to align and speed up teacher notification and transfer processes to permit districts to hire earlier in the recruitment cycle.**
- **Improve student enrollment modeling to better predict or otherwise insulate schools from hiring, starting with those with the highest need, from variations from the unit count.**
- **Principals and superintendents must be given greater authority and held accountable for the impact in hiring, retaining, and assigning teachers as the means of driving improved student achievement.**
- **Build rewards into the system of teacher recruitment and retention through summer stipends for new highly qualified graduates to fill positions in key areas, performance-based pay that would reward those proven to raise student achievement each year, 3master teacher status for those who consistently and continuously raise student achievement, and differential pay for accepting more challenging assignments.**
- **Move toward common purchasing and coordinated operations management, curriculum and professional development, collective recruitment and retention strategies, and other measures where inter-district efficiencies would better leverage resources toward the goal.**

- **Remove or reduce barriers and provide incentives to operate business and operational functions more efficiently and to permit and encourage contracting with outside providers.**

III. Conclusion

Education is our biggest public investment. The primary purpose of the public education system is to graduate students with the skills and knowledge necessary to make them productive citizens. Evidence is clear that our nation's most successful economies have the most educated workforces. To ensure the success of Delaware's next generation and its economy, we must produce a highly educated workforce. Investment in public education spurs economic success not only for those being educated, but also for the overall economy and community.

Knowing that we need a highly educated workforce, however, does not tell us where to invest limited public resources to maximize the use of these resources to boost outcomes measured in terms of student achievement. Educators and policy makers must identify the educational investments that yield the highest public returns based on information that links investments to outcomes. Our education finance system must encourage wise and strategic investment of resources. By better recognizing the cost of educating different children to the same high standards, aligning resources with student needs, and creating incentives to make the most of our investments in public education, Delaware can ensure that our great investment in public education pays off.

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