

**Wilmington Education Improvement Commission
Funding Student Success Committee
October 6th, 2015 Meeting**

The meeting was called to order by co-chairs Jill Floore and Mike Jackson at 2:05 p.m.

Modifications to the unit count

The committee confirmed that it will recommend a process and a model for modifying the unit count system to provide additional resources for low-income and ELL students. It will then look to best practice about how to weight various categories of student needs.

Jill Floore reported out on the discussion from the previous week's working session. Many committee members attended and, based on the discussion from the last committee meeting, developed a model that refines the initial premise of House Bill 117. Rather than allocate additional units to schools with a certain number of students like HB 177 proposed, weighted units will be allocated to schools relative to the school's need as demonstrated, for instance, by percentage of ELL and low-income. In other words, the units would be adjusted to include a weight for categories such as low-income and ELL, essentially creating a multiplier.

This model is based on the same principles of the state's method for funding special needs.

Jill Floore reported that, per the committee's recommendation at the last meeting, she has reached out the Institute for Public Administration for research on best practices nationally on what weights other states use.

The committee reaffirmed the belief that the unit system in Delaware is effective at distributing resources and decided to include the model outlined above in its recommendations.

The group spent time discussing the operational questions that exist under this model For instance:

- **How will poverty be defined?** – The committee members discussed the option of using one of the Consolidated Grant indices to measure poverty but decided they needed more information on how those were defined. Jill Floore and Mike Jackson agreed to bring clarification of these definitions of these indices, as well as the definitions of the DDOE metrics, to the next meeting.
- **How does ELL fit in? And how will ELL be defined?** – Mike Matthews reminded the group that many schools fund ELL staff positions out of their regular units and need additional supports. Susan Bunting affirmed that her schools fund through regular units supplemented by tuition dollars. Jill Floore established that both ELL and low-income would be considered part of this model. Bob Silber stated the need for a way to measure ELL percentages consistently across.
- **Will all schools receive additional funds or only schools that meet a certain threshold of need?** -- Jill Floore commented that an elementary school with a high percentage of low-income students can feed into middle and high school where the percentage gets

diluted simply because there are more students. But those students from the elementary school are still the same and their needs don't decrease just because the school percentage decreases. She pointed out initial research shows states that actually weight more for high schools. Bob Silber added that the working group discussed how sometimes one or two students can push a school over or under the threshold, so for the school to receive either \$X or 0 seems unfair. Based on this conversation, the group decided that the model should have different weighting bands.

Items to be Considered for Fiscal Year 2017 Budget

Dan Rich, WEIC Policy Advisor, shared an overview of the items to be considered for the Fiscal Year 2017 budget to support redistricting including:

- Initial weighted unit funding for low-income and students at risk
- Wilmington Schools Transition Fund
- Building upgrades (minor and major capital improvements)
- Property tax rate adjustments

As well as the items not directly related to redistricting, but would support redistricting

- Increased investment in early childhood education for low-income children
- Initiation of a property tax reassessment

Given the timeline of the budget development process, the Commission needs to begin crystallizing its request. These proposed items for next year's budget would need to be committed before redistricting takes place. Dan Rich clarified that next year would be an intensive planning year, supported by system changes, and that students would not begin moving until the following year.

The committee discussed the need for building upgrades and how that fit into the overall timeline. Representative Kim Williams raised the concern about Red Clay taxpayers having to spend money to update the new schools that they are receiving in order to match the current schools. She questioned the timeline of when buildings would be completed in relation to when students would move schools. Dan Rich clarified that Upgrades would begin but necessarily need to be completed before the students move. Bob Silber added that upgrading the school does not mean it is currently unfit serve students. All the schools serving students in the Christina School District are safe and viable school buildings. He also noted that there is a significant amount of technology being used in these schools. Dan Rich clarified that the upgrades are meant to address the very concern held by Representative Williams. Jill Floore noted that members of the redistricting committee are working to roster the differences between Red Clay and Christina buildings. Overall, the committee discussed that the principle is making sure that schools that there is as seamless as possible a transition for students.

Kevin Carson pointed out that districts have gone to referendum to improve buildings and they have failed. If the precedent is for the state to pay for building upgrades it could create issues because, while it would be great to fund all school districts, the bond bill is only so big. Dan Rich recognized the concern and stated that the upgrades would be needed to support the unique

circumstance of redistricting, and that ultimately the package of recommendations will improve the funding system for the whole state.

Jill Floore agreed that it is hard to reconcile what's just needed for redistricting the city and what's good for the state, but the ultimate goal is to make the system better.

Property reassessment

The committee next considered the topic of property reassessment. WEAC recommended that "property reassessment be implemented without further delay and undertaken on an ongoing basis that reflects national best practice." The committee members agreed with this WEAC recommendation and recognized the importance of property reassessment for strengthening the uniformity, equity, and effectiveness of the education funding system.

The group next considered the 2008 final report of the committee formed by House Joint Resolution 22. The report "details a framework for reassessment that balances the needs of involved all stakeholders while bringing Delaware in line with the professional standards of the assessment industry". The framework was developed after consultation of assessment professionals in other states, research and review of the industry's best practices, and meetings with stakeholders to gather information on needs and to discuss implementation concerns.

The group agreed that political will was one of the largest barriers preventing the report's recommendations from being adopted since it was released, and will continue to be an obstacle. However, the committee was firm in its belief that rolling reassessment is absolutely needed for the following reasons:

- Increase funding equity: Equitable administration of the property tax requires that property assessments be related to the actual market value of the property
- Improve the effectiveness of the Equalization formula: The formula is supposed to support districts with declining property values but the formula does not function effectively if property values are not current. (Equalization is discussed in-depth later in the meeting).
- Reduce the need for referendums to cover district operational costs: Districts often go to referendum to cover operation costs because their tax rate does not rise with inflation.

The committee stated that the implementation dates would need to be updated from the report.

Kim Williams asked how the timeline for reassessment would relate to the timeline for students transitioning districts and raised the concern that reassessment won't ultimately be acted upon.

Bob Silber suggested a phased plan for rollout where residential properties are reassessed and then commercial properties.

The committee agreed to endorse the report's recommendations with one caveat – that in addition to a ceiling cap on the aggregate revenue collected as a result of the initial reassessment, there would be a floor to protect districts that might have experienced downturns in property value. In other words, in order to protect their fiscal stability, no district could lose more than X% after the initial reassessment. As Bob Silber pointed out, in an economic downturn there is greater demand for public services (including education since more students shift from private to public schools) but a decrease in local revenues.

Referendum and local funds

The committee reiterated that rolling property reassessment would alleviate districts need to go to referendum to cover increases in operating costs. This is not a function of redistricting but impacts every district by making local funds very volatile. In the short term (while waiting for reassessment) the committee also agreed that districts need the ability to raise local funds to address the issues with the local tax rate discussed above.

Separate from general operating funds, districts would have an increased obligation for any additional units being allocated under the proposed weighted funding system. Committee members noted that no district is prepared to contribute the local funds to absorb the change in units due to redistricting or weighted student funding. There needs to be a mechanism for districts to address this funding need outside of their operational funds.

Given Delaware's system of shared responsibility where funding comes from both the state and local level to fund education (and, more specifically, units), the committee discussed the following process for districts:

- The current local tax expense rate should be adjusted based on some index of inflation (such as CPI)
- When additional state resources become available that need a local match (such as the weighted units for ELL and poverty), districts could cover the cost with a match tax established by the board.
- If the board does not vote to raise funds through a match tax, what happens to state resources? Either
 - The district does not receive the unit: The group discussed that this option would hurt the districts that the weighted units are intended to help – those with the least ability to raise local funds.
 - Units are converted into funds, of which the district would receive some portion: The committee favored this option because it would give districts flexibility over how to spend the resources.

The Committee also discussed the disproportionate impact to one district as a result of redistricting but deferred further conversation until future meetings.

Equalization

The committee reviewed the Fiscal Year 16 Recommendations of the State of Delaware Equalization Committee and endorsed the reassessment recommendation. As stated in this

report, “The purpose of the Equalization formula, is to allocate state resources to districts inversely on their ability to raise revenues through their local property tax base. This allocation is an attempt to ensure that each district has substantially the same level of resources with which to educate each student.” Committee members added that a one cent tax increase could widely disparate returns for school districts due to differences between their respective tax bases.

Jill Floore provided some historical context. Historically, allocating equalization through the formula meant that districts that experienced a loss of funds and others would experience a gain based on changes in relative assessed values. To prevent districts from losing funds, the formula allowed a hold harmless provision by setting caps for how much a district could gain or lose funds but this cost state money and distorted the purpose of the formula. When it became cost prohibitive for the state to operate this way, and without accurate assessment data needed to make a decision about alternates, the formula was frozen at Fiscal Year 2009 levels. The formula continues today at the frozen 2009 levels and lack of reassessment further means that equalization dollars are being allocated unreliably and ineffectively.

Committee members stated the importance of addressing the equalization formula in the short term and not waiting until reassessment. Per the recommendations of the report, the Equalization Formula should be unfrozen gradually so that districts have the time and opportunity to adjust. Additionally, since equalization is zero-sum, districts that lose equalization funds should be allowed the increased ability to raise local funds.

Jill Floore pointed out once complication – that all four northern New Castle County districts (Brandywine, Christina, Colonial, and Red Clay) are historically bundled together under the equalization formula. Some districts would receive higher rates of funding and some would receive lower rates of funding if they were separate.

In the longer term, reassessment will trigger the need to reevaluate the equalization formula. Kevin Carson asked what impact the recommendations to reassessment property values would have on the equalization formula. The committee chairs agreed to pursue an answer to this question in advance of the next meeting.

Jill Floore and Mike Jacksons stated that the next meeting will be held on October 27th and the committee will discuss tax rates for districts and the impact of redistricting on local, state, and federal funding. In the interim, committee members were invited to attend weekly working group sessions to address these issues.

The meeting concluded at 4:05 p.m.