

Funding and Governance Work Group

Redding Consortium for Educational Equity
September 24, 2020

Meeting Norms and Orientation to Zoom

- Please mute yourself when not talking
- You can use the chat function to ask questions or you can unmute yourself
- When speaking please start by identifying yourself
- Quick introduction to the different areas of Zoom
- Please note this meeting is being recorded and may be posted for the public

Welcome & Roll Call

Proposed Focus Areas

Short-term funding focus:

- **Referendum Reform**
 - New Castle County Tax District

Background research:

- Opportunity funds—monitoring and making information transparent
- CARES Act funds—monitoring and making information transparent

Long-term funding focus:

- Financial needs for high poverty schools (adequacy)
- Systemic issues in the DE funding system

Why are We Focusing on Referendum Reform?

Delaware school districts must seek public approval to increase to their operating taxes through a referendum. Historically, it has been difficult for school districts to secure this approval.

If school boards can more regularly collect and increase taxes, rather than having to go to referendum each time they are seeking an increase, it would mean a more steady flow of funds for school districts that match the rate of inflation and other rising costs. School boards cannot control these rising costs for district and charter schools and students, but they continue to consume larger portions of district budgets.

“When referenda questions fail and districts are prevented from implementing necessary academic programs and services to students, providing adequate facilities and paying for costly mandates, who will be accountable for the performance of the schools?”

Deliverable & Timeline

The goal for the referendum reform work is to use research, data, and stakeholder engagement to create a deliverable that outlines how the Workgroup would like to see the referendum process change (if at all)

- These changes can be directly based on House Bill 129 (covered later in the presentation)
- **The ultimate goal is for our deliverable to inform a piece of legislation on referendum reform to be introduced in January 2021**
- The Workgroup will draft the content for the proposed bill (our deliverable) and Representative Chukwuocha and others will help get the bill written with professional input from Legislative Hall

Interim Update at October Consortium Meeting

- At the **October 22, 2020** Full Body Consortium meeting the Funding and Governance Work Group is expected to provide an interim update on our work
- We can provide the initial recommendations for changes to the referendum reform process
- We will hear feedback from other Consortium members and the public and use that feedback to change/improve our initial recommendations
- ****Work Group Members - Please let us know if you are interested in presenting at that meeting**

Questions?

Referendum Reform

What is a Referendum?

Residents of a school district vote to approve or disapprove an increase in the current expense (operating) or debt service (major capital) tax rates

- Operational funding is used for day-to-day operations (staff salaries, supplies, etc)
- Major capital funding is used for the construction and renovation of schools and facilities

Current expense and debt service taxes are included in the overall school tax property owners pay

- Match tax and tuition tax are also included, but they do not require referendum

Source: What is a Referendum: <https://www.christinak12.org/site/default.aspx?PageType=3&ModuleInstanceID=5953&ViewID=7b97f7ed-8e5e-4120-848f-a8b4987d588f&RenderLoc=0&FlexDataID=9033&PageID=4407>

Statewide Referenda Success Rates by Decade (1980 - 2017)

*Data as of May 2017

Decade	Approved	Failed
1980-89, N=37	27 (73%)	10
1990-99, N=29	10 (34%)	Failed = 18 Uncertain = 1
2000-09, N=38	19 (50%)	19
2010-17 - N=25	14 (56%)	Failed = 10 Uncertain = 1

- **Total:** 127 (Excludes 2 cases with unknown outcome)
- **Approved:** 70 (55%)
- **Failed:** 57 (45%)

Source: Appendix A, *Young v. Red Clay CSD* (May 24, 2017): <https://cases.justia.com/delaware/court-of-chancery/2017-ca-10847-vcl.pdf?ts=1495634466>

Data drawn from public sources is comprehensive but not necessarily exhaustive. For example, the results of two operating tax referenda were uncertain. Those cases have been excluded from this summary.

Referenda Record in New Castle County for Full Time Period (1980 - 2017)

*Data as of May 2017

School District	Approved	Failed
NCC, N=1	0	1
Brandywine, N=11	7 (64%)	4
Christina, N=9	5 (56%)	4
Colonial, N=5	2 (40%)	3
Red Clay, N=10	6 (60%)	4
Total, N=35	20 (57%)	15

Statewide and in New Castle County, the approval rate of operational referenda is less than 60%

Source: Appendix A, *Young v. Red Clay CSD* (May 24, 2017): <https://cases.justia.com/delaware/court-of-chancery/2017-ca-10847-vcl.pdf?ts=1495634466>

Data drawn from public sources is comprehensive but not necessarily exhaustive. For example, the results of two operating tax referenda were uncertain. Those cases have been excluded from this summary.

Recent Efforts--House Bill 213 & House Bill 129

House Bill 213 (149th General Assembly)

- Introduced: 6/6/17 Current status: Failed to pass
- This bill creates a way for school boards to increase funds for a school district without a referendum.

House Bill 129 (150th General Assembly)

- Introduced: 5/2/19 Current status: Stricken on 1/14/20
- This bill creates a way for school boards to increase funds for a school district both with and without a referendum. This bill also provides how certain school boards may collect real estate taxes.

House Bill 129--Details

- A school board may increase the rate or amount of tax originally authorized in an election by an amount **that does not exceed the higher of either of the following:**
 - A rate equal to the percentage change in the CPI-W as determined by the Bureau of Labor Statistics in the Department of Labor
 - A rate of 2% annually (the typical rate of inflation)
 - If a school district wants to raise rates or percentages higher than these two items, they must go to referendum
- Increases to the rate and percentages do not apply to taxes collected for major capital
- This bill accounts for changes that may result due to the reassessment of the assessed value of property in a school district
- State funding can not be decreased based on taxes collected

Questions?

Breakout Sessions

Guided Questions

1. What is your opinion on referendum reform?
2. Do you think it would be effective for this Work Group to revisit HB 129?
 - i. If so, how can we help that effort be successful?
3. How do we communicate this topic to a diverse group of stakeholders?
4. What other information do you need to make a decision about referendum reform?

Report out

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Perspectives on Referendum Reform

DSEA Presentation

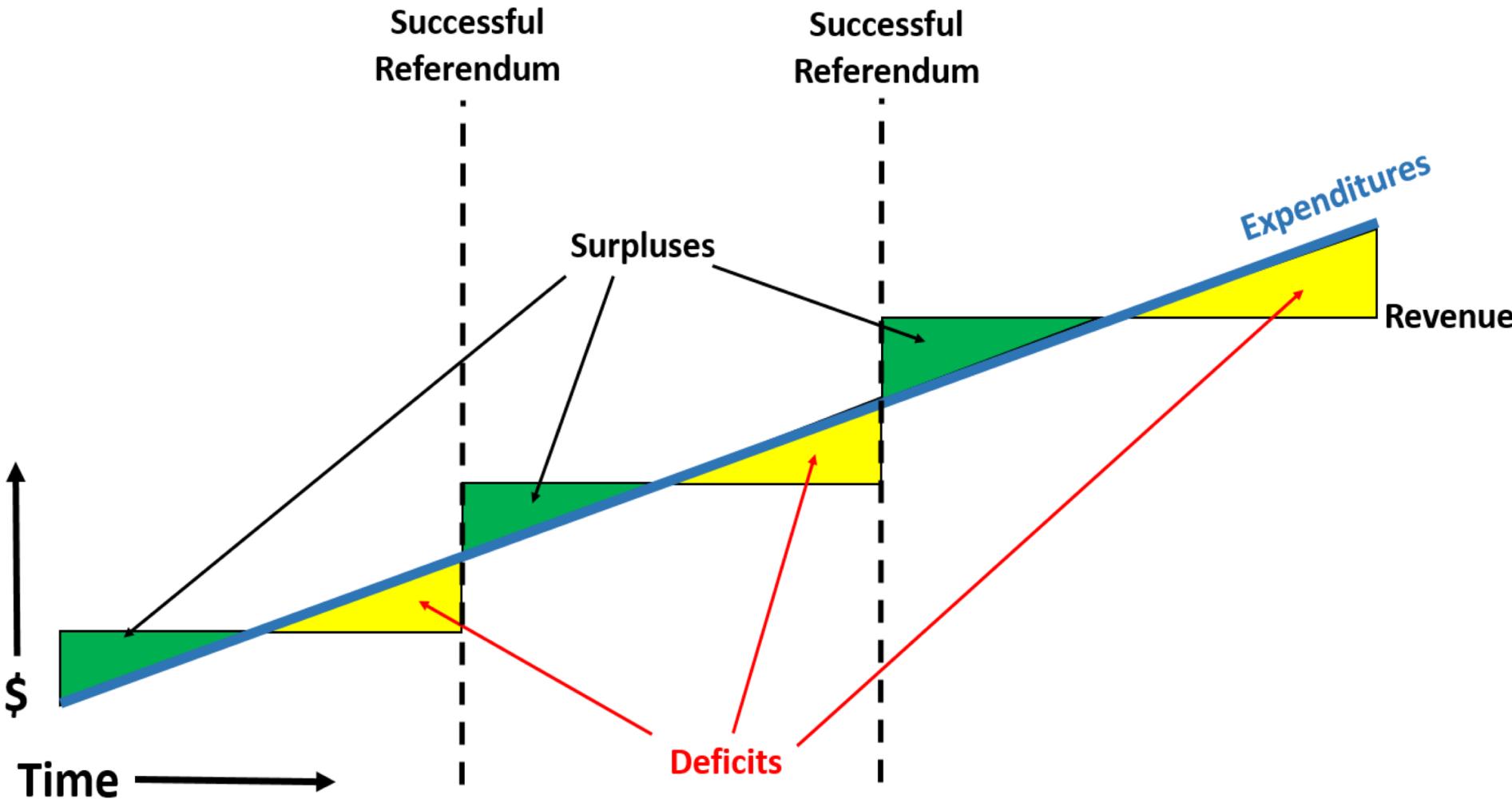
Jeff Taschner, Executive Director, Delaware State Education
Association

DSBA Presentation

John Marinucci, Executive Director, Delaware School Boards
Association

CFO Presentation

Jill Floore, Chief Financial Officer, Red Clay Consolidated School
District



DASA Presentation

Tammy Croce, Executive Director, Delaware Association of School Administrators

Questions?

Upcoming Meeting Dates

Next Funding & Governance Work Group meetings:

- October 8, 2020 from 5:00-6:30 p.m.
- November 5, 2020 from 5:00-6:30 p.m.

Next Redding Consortium Full Body meeting:

- October 22, 2020, from 5:00-7:00 p.m.

*The Funding & Governance Work Group will not meet on 10/22

Public Comment

Appendix: Definitions

Local Funding Terms

Four Components of Local Tax Rate: Each constitutes a tax rate applied to assessed value of real estate within the district.

Current Expense: Raised locally through rates set by referendum and funds general operations (such as staff salaries and benefits, classroom materials, etc.) and choice/charter payments. The primary source of local funding for school districts.

Debt Service: Raised locally through referendum and “pays principal and interest on school construction projects.”

Match Tax: Local funding that does not require referendum and “funds state programs that authorize a local match” (minor capital improvements, technology maintenance, extra time, and reading and math resource teachers).

Tuition Tax: Local funding that does not require referendum and “funds special needs students in identified programs.”

Source: Delaware School Administrator Funding Analysis, 2019, <http://udspace.udel.edu/bitstream/handle/19716/24085/School-Administrator-Funding-Analysis-FINAL.pdf?sequence=1&isAllowed=y>

Consumer Price Index (CPI-W and CPI-U)

“The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI currently tracks the spending patterns of two population groups: all urban consumers and urban wage earners and clerical workers.”

The [Bureau of Labor Statistics](#) (BLS) publishes the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) on a monthly basis. They use the CPI-W to [annually adjust benefits](#) paid to Social Security beneficiaries and Supplemental Security Income recipients.

Because maintaining two independent samples was not sustainable, BLS economists track spending and prices by using the CPI-U sample of geographic areas, outlets, items, and prices. The CPI-W is then derived by adjusting the weights for various spending categories, reflecting that the spending habits of the wage earner population differ somewhat from the all urban consumer population.

Source: <https://www.ssa.gov/oact/STATS/cpiw.html>

Source: <https://www.bls.gov/opub/btn/volume-3/why-does-bls-provide-both-the-cpi-w-and-cpi-u.htm>