

## Overview: Education Funding Systems November 2015

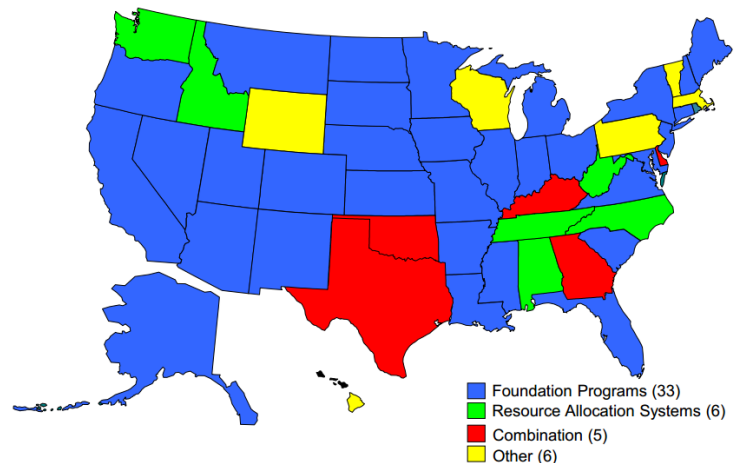
### Introduction

Delaware, with its outdated and inflexible “unit system,” is one of the few states that does not have a funding system that accounts for the full-range of individual students’ needs.<sup>i</sup> Delaware is one of four states that does not provide additional resources for English learners and one out of approximately 15 states that does not provide additional resources for low-income students in its funding formula. Additionally, Delaware has not reassessed property taxes in decades, contributing to growing inequality and unsustainability. As revenue slows and spending driven by rising student enrollment increases, the state has the opportunity to update its 70-year-old funding system to increase its sustainability, transparency, efficiency, and equity, while giving schools and districts increased autonomy and flexibility to make spending decisions that will have the greatest impact on students.

### Current Landscape

Many states use a “foundation” funding program (commonly referred to as student-based allocation) or resource allocation system to fund education.<sup>ii</sup>

**State Funding Systems**



**Foundation Programs:** Used by a majority of states. Commonly referred to as weighted student funding or student-based allocation.

**How it works:** A foundation, or base, amount of money allocated for each student is determined. Weights are used to allocate additional funding for at-risk students, such as for students who are low-income, special education, or English learners\*. For example, if it is determined that an at-risk student requires 50 percent additional funding to educate effectively then a weight of 1.5 would be used.

**Benefits:** This system is preferred because it is easy to establish and adjust to meet a state or district’s education and economic circumstances and provides schools and districts with increased autonomy, flexibility, and transparency. Since allocations are more flexible and based on student need, this system also maximizes equity and efficiency of spending.

*\*In a student-based allocation system, a set dollar amount is established and allocated based on student need.*

**Resource Allocation Systems:** Used by six states. Commonly referred to as a unit count system. Delaware uses a resource allocation system to allocate state funds but is technically considered a combination system because the system has weights for special education needs.

**How it works:** State funding is allocated to districts and schools in the form of units, which are commitments by the state to pay for specified expenses such as administrator, teacher, or staffing positions and operating costs. The funds must be used for the expenses designated under the system with limited flexibility.

**Benefits:** Some states use this system to clarify the amount of resources that a school or district receives from the state or to direct the number of teachers (and other resources) that should be in a school. This funding option is not used as frequently as the foundation system because student needs are not considered, decisions are not made close to the student, and calculating the cost of each education component can be time consuming and confusing.



In both of these systems, other factors must be considered separately. These factors may include state versus local split and additional funding not included in the funding formula, such as capital funding and competitive grants.

Delaware is one of the few states in the nation that does not provide schools or districts with a set amount of funding for each student; instead, it uses the unit count. In order to allocate funding through the unit count system, districts assess student enrollment on September 30<sup>th</sup> of each school year and report it to the state. This enrollment count is translated into “units” using the current state unit formula (e.g. 16.2 students in grades K-3 equal one unit).<sup>iii</sup> The state then provides districts with allocations based on units. Units are generated district-wide but 98 percent must be allocated to schools that “earn” them.<sup>iv</sup> Potential impacts of an updated funding system are outlined in Figure 2.

Figure 2: Potential Impacts of an Updated Funding System		
Current System		Foundation Program
<b>State control:</b> State-level priorities drive decision-making	➔	<b>Increased school and district autonomy:</b> Allows decisions to be made closer to the student
<b>Units are inflexible:</b> Funds must be used for a specific purpose and cannot be used to fit other needs	➔	<b>Increased flexibility:</b> Helps meet local needs and drive innovation
<b>Inequitable and not transparent:</b> Units are complex, making communication and transparency difficult	➔	<b>Simple and transparent:</b> Funds follow student need so it is clear how resources are being allocated
<b>Inefficient:</b> The current system encourages an all or nothing approach where districts “use or lose” the funds and does not create an incentive to save	➔	<b>Efficient:</b> Funds can be used as needed

**How the Delaware System Compares**

Delaware’s unit count system is one of the most restrictive in the country with eight percent of state funding considered flexible.<sup>vii</sup> This inflexibility limits the ability of district and school leaders to use resources efficiently to meet the specific needs of their students.

Delaware is:
<b>1 of 4 states</b> that don’t provide additional resources for English learners <sup>v</sup>
<b>1 of approximately 15 states</b> that don’t provides additional resources for low-income students <sup>vi</sup>

In addition to inflexibility, the current special units system does not take a full-range of students needs into account. Although Delaware does include special education needs, the state is one of the few in the nation who do not provide additional funding in other high needs areas, particularly English learners and low-income students.

**Potential Action Steps**

In recent years, many organizations and reports—including the Equalization Committee, Leadership for Education Achievement in Delaware (LEAD) committee, Vision 2015, Student Success 2025, the Wilmington Education Task Force, the Wilmington Education Advisory Committee, the Wilmington Education Improvement Commission and the Funding Flexibility Task Force (among others) have recommended opportunities for the state to update the education funding system.

Category	Potential Action Steps	Progress Underway	Supporters
<b>Funding based on student needs</b>	Change Delaware's funding system to take student needs and characteristics into account.	<ul style="list-style-type: none"> <li>• Units allocated for special education based on student need</li> </ul> <p>Issue being considered by:</p> <ul style="list-style-type: none"> <li>• Funding committee of the Wilmington Education Improvement Commission</li> <li>• Education Finance Improvement Commission</li> </ul>	<ul style="list-style-type: none"> <li>• LEAD Committee (2008)</li> <li>• Wilmington Education Advisory Committee (2015)</li> <li>• Wilmington Education Task Force (2008)</li> <li>• Vision Coalition of Delaware (2015)</li> <li>• Vision 2015 (2006)</li> </ul>
<b>Property tax assessment</b>	Reassess real estate property values on a consistent, rolling regular basis.	<p>Issue being considered by:</p> <ul style="list-style-type: none"> <li>• Funding committee of the Wilmington Education Improvement Commission</li> <li>• Education Finance Improvement Commission</li> </ul>	<ul style="list-style-type: none"> <li>• LEAD Committee (2008)</li> <li>• Legislative Task Force on Property Tax Reassessment (2009)</li> <li>• Wilmington Education Advisory Committee (2015)</li> <li>• Vision Coalition of Delaware (2015)</li> </ul>
<b>Flexibility</b>	Grant schools and districts increased flexibility to determine how to best use the funds they receive from the state.	<ul style="list-style-type: none"> <li>• Flexible Funding Pilot included in Governor's FY2016 recommended budget. (Did not make the final budget).</li> </ul> <p>Issue being considered by:</p> <ul style="list-style-type: none"> <li>• Education Finance Improvement Commission</li> </ul>	<ul style="list-style-type: none"> <li>• LEAD Committee (2008)</li> <li>• Flexible Funding Working Group (2014)</li> <li>• Wilmington Education Task Force (2008)</li> <li>• Vision Coalition of Delaware (2015)</li> <li>• Vision 2015 (2006)</li> </ul>
	Provide training and information necessary for school and district leaders to make informed decisions about how to use flexible funds.		<ul style="list-style-type: none"> <li>• Vision 2015 (2006)</li> </ul>
<b>Transparency</b>	Simplify the system to allow schools and districts to estimate the funding they will receive for the following school year, and to increase transparency for parents and taxpayers about how public dollars are being spent.		<ul style="list-style-type: none"> <li>• LEAD Committee (2008)</li> <li>• Vision Coalition of Delaware (2015)</li> <li>• Vision 2015 (2006)</li> </ul>
<b>Efficiency</b>	Create incentives at the local and state levels to increase efficiency, particularly for sharing of services.	Expenditure Review Committee is reviewing state government services to find efficiency opportunities	<ul style="list-style-type: none"> <li>• LEAD Committee (2008)</li> <li>• Vision Coalition of Delaware (2015)</li> </ul>

## Additional Resources

- Education Commission of the States “Understanding State School Funding” report:  
<http://www.ecs.org/clearinghouse/01/02/86/10286.pdf>
  - LEAD Committee Report:  
<http://www.doe.k12.de.us/cms/lib09/DE01922744/Centricity/Domain/141/FundingStudyFINAL111908.pdf>
  - Legislative Task Force on Property Tax Reassessment;  
<http://dedoe.schoolwires.net/cms/lib09/DE01922744/Centricity/Domain/141/FinalreportforHJR22onPropertyReassessment.pdf>
  - The Vision Coalition’s Student Success 2025 report, “Fair and Efficient Funding”  
<http://visioncoalitionde.org/core-areas/fair-and-efficient-funding/>
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### Sources:

<sup>i</sup> Education Commission of the States. (2012). Understanding State School Funding.

<http://www.ecs.org/clearinghouse/01/02/86/10286.pdf>

<sup>ii</sup> Education Commission of the States. (2014). Presentation to Pennsylvania Basic Education Funding Commission.

<http://basiceducationfundingcommission.pasenategop.com/files/2014/10/griffith.pdf>

<sup>iii</sup> Title 14, Chp 17, §1703

<sup>iv</sup> LEAD Committee. (2008). Report on Education Funding in Delaware.

<http://www.doe.k12.de.us/cms/lib09/DE01922744/Centricity/Domain/141/FundingStudyFINAL111908.pdf>

<sup>v</sup> Education Commission of the States. (2015). State funding mechanisms for English Language Learners.

<http://www.ecs.org/clearinghouse/01/16/94/11694.pdf>

<sup>vi</sup> D .A. Verstegen. (2011). “Public education finance systems in the United States and funding policies for populations with special educational needs”. <http://epaa.asu.edu/ojs/article/view/769>

<sup>vii</sup> LEAD Committee. (2008). Report on Education Funding in Delaware.

<http://www.doe.k12.de.us/cms/lib09/DE01922744/Centricity/Domain/141/FundingStudyFINAL111908.pdf>