DELAWARE

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I. GENERAL BACKGROUND

Delaware is the second smallest state in the nation and is 4th smallest in population (nearly 739,000), but the 7th most densely populated state. Public education, as in most other states, consumes the highest percentage of state funds (34.1%). In 1997–98, the state enrolled 111,960 pupils (48th in the nation) in 176 public schools within the 19 school districts in its three counties. Of those schools, 31 are high schools, 114 are elementary and middle, 17 are early education, and 14 are special education schools. About 37% of enrolled pupils are considered minority, and about 13% are enrolled in special education programs. The state employs 7,991 professional staff, of whom 6,794 are classroom teachers (85%). Of the classroom teachers, 47.4% hold masters level and higher degrees. With about 15.1 years of experience, they earn an average salary of $42,439 (12th in the nation). Current 1997–98 expenditures of $7,234 per pupil for public elementary and secondary schools ranked Delaware 7th in the nation. The state provides higher than average support for public K–12 education (66.5%), making up for the relatively low contribution by local governments (28.1%). Federal revenue provides the remaining 5.3%. (Expenditure figures provided in this chapter are actual figures drawn from Report of Education Statistics: 1997–98, while rankings are drawn from slightly adjusted figures/estimates in 1996–97 Estimates of School Statistics.)

After over a decade of declining K–12 public school enrollment between 1975 and 1985, the state experienced a reversal of trend over the next eleven years with an average of about 1.6% growth each year. However over the same period, classroom teaching staff increased by only 1.3% overall, with a relatively higher proportion employed in special rather than regular instructional programs. As a result, estimates of regular class size as revealed by the pupil-to-teacher ratio have increased. This lead to the recent reform initiative to reduce the class size. The state legislature and the governor have been exceptionally active during the last three years in proposing and implementing various reforms to the structure and the process, which pays for educational services. The state is currently undergoing major reforms that will highlight the impact of the process and methods by which education funds are raised and distributed. This is occurring while the state is still dealing with other recent reforms that included new and comprehensive educational standards and 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 school system and the role of accountability at the local level.

State

State support for public schools in Delaware is provided through state General Revenue funds with no earmarked taxes or fees for education. Funding revenue and distribution are primarily determined by five major components (School District Operation funds); three are termed “divisions,” and two cover some of the districts' transportation and debt service costs. Division I, is the primary component that is determined by enrollment, through a unit (primarily the equivalent of the number of students per staff) funding system. It drives the allocation of personnel (weighted units based on Average Daily Membership) that eventually determines the primary component of funding depending on a state salaries and benefits scale (Del. Code, Title 14). In 1998–99, this fund provided nearly 76% of total state appropriations to districts, which pays roughly 70% of all districts' personnel expenditures, ranging from teaching to administrative to support staff. The second component of the formula, Division II, funds all other school costs (excluding transportation and debt service) such as material, supplies, and energy costs. Those funds are flat grants based on “units” of enrollment. The third component, Division III, is an equalizing factor used to compensate for funding disparities between property rich and poor districts. Equalization funds are distributed in an inverse relationship to local property wealth based on enrollment. These are incrementally capped at a certain percentage for a given level of property wealth using an ability index. Districts have a considerable discretion in their usage, although those funds only amount to about 8% of total state appropriations. The average appropriation for all the three Divisions per unit amounted to roughly $51,580 in 1998–99. Transportation funds fully compensate districts for their estimated cost of transportation using a annually established formula by the State Board of Education. Debt service funds compensate for the state's share (based on a predetermined formula rate) of the cost of principal and interest on bonds issued for school construction and renovation. Additional special and categorical funding is provided to cover capital outlay (based on an ability index formula), academic excellence units, and other operational programs that change each funding year.

For 1998–99, salaries and benefits consumed the bulk of total state appropriations (58.7%), followed by the district wealth equalization fund (8.1%) followed by transportation (7.8%). Appropriation for Division II (energy, material and supplies) consumed 5.7% of total state appropriations. Block Grants for functions
such as academic units, adult education, and professional accountability and advancement funds followed at 5.6%. Those were followed by special needs programs (5.1%). “Other” functions such as K–12 pass through and driver training absorbed the remaining 9% of total state K–12 appropriations that amounted to $637,513,900.

Local

Delaware’s 19 local school districts (three of which are vocational-tech districts) are autonomous in their taxing authority. 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, without referenda. Their responsibilities also 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. Capital improvement funding by the state varies with a district’s ability to raise funds. While the vo-tech districts’ capital costs are fully covered by the state, most of the other districts are required to raise 40% (based on their ability index) 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 property tax rates 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-months period.

Funding Summary 1998–99

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total State School Aid (All Programs)</td>
<td>$637.5 million</td>
</tr>
<tr>
<td>Grants in aid</td>
<td>591.5 million</td>
</tr>
<tr>
<td>Teacher Retirement Contributions</td>
<td>27.7 million</td>
</tr>
<tr>
<td>FICA</td>
<td>18.3 million</td>
</tr>
<tr>
<td>Total Local School Revenue</td>
<td>$218.7 million</td>
</tr>
<tr>
<td>Property Tax</td>
<td>188.1 million</td>
</tr>
<tr>
<td>Other local source tax revenue</td>
<td>N/A</td>
</tr>
<tr>
<td>Local source non-tax revenue</td>
<td>30.6 million</td>
</tr>
<tr>
<td>Total Combined State and Local School Revenue</td>
<td>$856.2 million</td>
</tr>
<tr>
<td>State Financed Property Tax Credits</td>
<td>0</td>
</tr>
<tr>
<td>Attributable to School Taxes</td>
<td>0</td>
</tr>
</tbody>
</table>
II. LOCAL SCHOOL REVENUE

INCLUDING LOCAL EARMARKED TAXES

Property tax

Local school district funds are derived from the property tax collected using either
tax rates expressed per $100 assessed valuation or a capitation (or head) tax, used
in a few school districts in Kent and Sussex Counties. A school district may
collect taxes for current operating expenses, tuition charges, minor capital
improvements, and debt service.

Taxes collected for current operating expenses fund the daily activities of
providing pupil instruction in the district's schools such as the local share of
employee salaries, textbooks and library books, instructional supplies, materials
and equipment including computers, utility costs including heat, and school
athletic programs. This tax is established through a referendum vote of the
residents of a school district.

Taxes collected for tuition expenses fund the cost of enrolling some needy district
pupils in special programs such as the alternative schools for discipline, special
schools for disabled pupils and out-of-state programs for students with rare and
complex handicapping conditions. A local school board may establish this tax rate
without a referendum.

Taxes collected for minor capital improvements are used to match state funds
provided for repairs to school. A local school board may establish this tax rate
without a referendum.

Taxes collected for debt service fund the school district's matching share of
school construction or major renovation projects. School construction is funded
through the purchase of bonds that are repaid over a defined period of time. The
state provides its funding for school construction on an equalized basis, ranging
from 60% of the total costs of school construction for districts with a relatively
wealthy local real estate base to 80% of the total cost for districts with relatively
low real estate bases. This tax is established through a referendum vote of the
residents of a school district.

Income tax

N/A.
Sales tax

N/A.

Tax credits and exemptions

N/A.

III. TAX AND SPENDING LIMITS

There are no significant limitations placed on either taxation or spending by Delaware school districts. To the extent that districts have difficulties in passing referenda for tax increases, which they often do, this may be considered a limitation. More specifically, there are limitations and obligations for a district to match and comply with a capital fund raising limit. As indicated above, responsibilities of districts 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.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

There are no earmarked taxes for education purposes in the state. Funding is strictly provided through the General Revenue Fund.

V. BASIC SUPPORT PROGRAM

**Funding in 1998–99:** $462.6 million.

**Percentage of Total State Aid:** 72.6%.

**Nature of the program:** Unit funding system that is a combination of flat grant and equalization program.

**Allocation units:** Unit funding based on September 30 unit count of ADM of students. The distribution is determined by the following (reflecting the 1998–99 class-size reduction for grades K–3):

- Kindergarten (half-day): 34.8 pupils per unit
- Grades 1–3: 17.4 pupils per unit
- Grades 4–12: 20.0 pupils per unit
Special Education

<table>
<thead>
<tr>
<th>Category</th>
<th>Pupils per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educable Mentally Handicapped</td>
<td>15</td>
</tr>
<tr>
<td>Seriously Emotionally Disturbed</td>
<td>10</td>
</tr>
<tr>
<td>Learning Disabled</td>
<td>8.0</td>
</tr>
<tr>
<td>Intensive Learning Center</td>
<td>8.0</td>
</tr>
<tr>
<td>Blind</td>
<td>8.6</td>
</tr>
<tr>
<td>Partially Sighted</td>
<td>10</td>
</tr>
<tr>
<td>Trainable Mentally Handicapped</td>
<td>6.0</td>
</tr>
<tr>
<td>Severely Mentally Handicapped</td>
<td>6.0</td>
</tr>
<tr>
<td>Physically Impaired</td>
<td>6.0</td>
</tr>
<tr>
<td>Hearing Impaired</td>
<td>6.0</td>
</tr>
<tr>
<td>Deaf/Blind</td>
<td>4.0</td>
</tr>
<tr>
<td>Autistic</td>
<td>4.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vocational Units</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational</td>
<td>1.0  unit for every 27,000 minutes pupils enrolled in voc. class per week.</td>
</tr>
<tr>
<td>Vocational Deduct</td>
<td>The number of vocational units times .5 is subtracted from total number of regular and special education units.</td>
</tr>
</tbody>
</table>

Local fiscal capacity: Assessed property value.

How the funding formula works: Allocation of state funds to a school district is based on the number of students enrolled in that school district. On September 30 of each school year, each school district performs the “September 30th Count” to determine the number of students who are enrolled and in attendance in that district. Pupils are counted according to a variety of educational placements within regular education, special education and vocational-technical education and according to their assigned grade levels. The determined number of units are then used to establish two major components of the school finance system; allocation of staff (including teachers, administrators, secretaries, specialists, custodians, and food service employees), and the amount of state funding for which a district qualifies. The amount of state funding for which a district qualifies is determined through three major divisions of state funding which are attributed to a unit of state funding. These divisions include: Division I for state share of school staff salaries, benefits and other employee costs which are based upon actual placement of each employee (given their degree and years of
experience) on the appropriate state salary schedule ($39,441 per unit in 1998–99); Division II for operating expenses including classroom supplies and materials, energy, contractual services, utilities and other costs except transportation and debt service ($4,637 per unit in 1998–99); Division III is equalizing aid compensation for the inequities in the relative wealth of taxable property value per pupil among the 19 school districts. Funds are allocated inversely in relation to property wealth of the district. The formula used requires that local districts demonstrate effort by raising local revenues as matching for equalization. Those funds may be used for the same purpose of Division I and II funds, with considerable discretion on the part of local districts. (1998–99 funding amounted to about 8% of total state appropriations. Per unit allocation for districts ranged from $2,335 to $16,281, with an average of $7,502.)

The unit funding program also provides for administrative, clerical, custodial and other support staff by furnishing the state's share of their salaries and costs. This is determined by the staffing formula. The following units are generated based upon the total number of units counted from the units above:

For Special Education Purposes:

- Psychologists 1 for each 150 units
- Speech and Hearing 1 for each 140 units
- Visiting Teachers 1 for each 250 units
- Nurses 1 for each 40 units
- Related Services Specialists 1 for each 30 special education units

The following units are generated based upon the total number of Severely Mentally Handicap (SMH) units:

- Physical Therapists 1 for each 50 SMH pupils
- Occupational Therapists 1 for each 50 SMH pupils
- Speech Therapists 1 for each 50 SMH pupils

The following units are generated based upon the total number of Physically Impaired (PI) units:

- Physical Therapists 1 for each 30 PI pupils
- Occupational Therapists 1 for each 30 PI pupils
- Speech Therapists 1 for each 50 PI pupils
The following units are generated upon the total number of Hearing-Impaired (HI) units:

- **Speech Therapists**: 1 for each 6 units HI pupils
- **Psychologists**: 1 for each 10 units HI pupils
- **Resource Teacher**: 1 for each 10 units HI pupils
- **Interpreter Tutors**: 1 for each 4 HI pupils

The following units are generated based upon the total number of Deaf/Blind (DB) units:

- **Related Services Personnel**: 1 for each 3 units DB pupils

The following units are generated based upon the total number of Autistic units:

- **Speech Therapists**: 1 for each 3 units Autistic pupils
- **Psychologists**: 1 for each 6 units Autistic pupils

**Additional Staff Units:**

- **Superintendent**: 1 per district
- **Assistant Superintendents**: 1 for each 300 units (2 maximum)
- **Directors**: 1 for each First 200 units and 1 for each additional 100 (6 maximum)
- **Administrative Assistant**: 1 per district
- **Supervisors**: 1 for each 150 units
- **Supervisor of Transportation**: 1 for each 7,000 or more pupils transported
- **Supervisor of School Lunch**: 1 for each 4 or more cafeterias in districts with less than 500 units or 1 per 500 units in larger districts
- **Supervisor of Build and Grounds**: 1 for each district if 95 units or more
- **Principals**: 1 for each 15 or more units in a school
- **Assistant Principals**: 1 for each 30, 55, 75, 95 units in a school
- **Driver Education**: 1 for each 125 tenth grade students
- **Clerical**: 1 for each 10 for first 100 units; 1 for each 12 for units over 100 units
- **Custodial**: 1 for each 12 building units (Building units are based on space, not pupils or units of pupils)
- **Cafeteria Managers**: 1 for each per cafeteria (39% State Funds)
Cafeteria Workers
1 worker hired for 7 hours for every 100 meals (35% State Funds)
Class Aides
2 in lieu of teacher in certain special education settings

Local and State Share: See above.

Weighting Procedures: Reflected in staffing units.

Adjustments for Special Factors: None.

Aid Distribution Scheduled: Not reported.

Districts Off formula: None.

VI. TRANSPORTATION

Funding in 1998–99: $49.8 million (including $3 million reimbursement to nonpublic schools).

Percentage of Total State Aid: 7.8%.

Description: The state provides 100% of public school pupil transportation costs including the cost of transportation under the school choice program (limited to predetermined pick-up centers designated for each school). Private and local districts providing services are reimbursed based on a formula that accounts for the miles driven in a route, the age of the bus used, the cost of gasoline, insurance, and an annual inflation factor using the CPI. The state also provides reimbursement to bus nonpublic education students based on the overall level of annual appropriation, the distance transported for the eligible pupils, and the education level of eligible nonpublic education students (grades K–6 or 7–12).

Extent of Participation: Not reported.

VII. SPECIAL EDUCATION

Included in the base funding formula.

VIII. COMPENSATORY EDUCATION

No state aid provided.
IX. GIFTED AND TALENTED EDUCATION

No State aid provided.

X. BILINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: $3.6 million.

Percentage of Total State Aid: less than 1%.

Description: The state began providing a small amount of funds for early childhood education in the last few years ($3.6 million for 1998–1999). Funds are appropriated to provide assistance for eligible 4 years old children in accordance with Title14, chapter 30.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Other categorical funding can be classified into four major areas (excluding the funding for the state department of education, the state boards of education, and vocational education).

Education Block Grants: $35,940,300
  Adult Education and Work Force training $5,089,200
  Professional Accountability and Instructional Adv. $5,881,300
  Academic Excellence Block Grant $24,969,800
K–12 Pass Through: (19 various minor programs) $4,709,800
Special Needs Programs: (11 various prog. inc. Early childhood) $32,384,700
Driver Training: $1,187,600

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–99: $106.9 million

Percentage of Total State Aid: 16.8%.
**Description:** The state contributed about 36% of its share of salaries towards six benefit categories totaling about $106.9 million in 1998–99. The breakdown of benefit categories and their percentages of total state aid are as follows:

<table>
<thead>
<tr>
<th>Benefit Category</th>
<th>Amount</th>
<th>Percent of Total State Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$27,702,443</td>
<td>4.35%</td>
</tr>
<tr>
<td>FICA</td>
<td>$18,271,824</td>
<td>2.87%</td>
</tr>
<tr>
<td>Medicare</td>
<td>$4,273,249</td>
<td>0.67%</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>$2,062,948</td>
<td>0.32%</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>$353,648</td>
<td>0.06%</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>$54,230,000</td>
<td>8.51%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$106,894,112</td>
<td>16.77%</td>
</tr>
</tbody>
</table>

The state pays for the entire employer obligation of health benefits (under the plan), while local districts vary in any additional contribution that they opt to cover for their employees’ family obligations. Obtaining precise data and information for all districts in difficult since districts change their practices from year to year, while concurrently changing the level, guidelines and comprehensiveness of their contribution to the employees family health benefits.

The share of the state in terms of other benefits depends on the state's share of salaries paid as determined by the demographics of the employees in each local school district (see information under Division I above). If, for example, the state contributed about 70% of the total salaries of a certain district, it would have also paid 70% of pension, FICA, Medicare, employment compensation, and unemployment costs. The district would have picked up the remaining 30% of these costs.

**Extent of Participation:** Not reported.

**XIV. TECHNOLOGY**

**Funding in 1998–99:** 0.6 million.

**Percentage of Total State Aid:** less than 1%.

The state recently established the Delaware Center for Educational Technology that receives funding from federal, private, as well as state appropriations. For
1998–99 the state appropriated $614,000 for the center. The center's mission is to assist schools and districts in adopting and adapting to new technologies. Other technology funding falls under Division II (material and supply), while many districts elect to use some of their Division II or III funding towards technology-related purchases.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Capital improvement funding by the state varies with a district’s ability to raise funds. While the vo-tech districts’ capital costs are fully covered by the state, most of the other 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 property tax rates 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.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

See rewards and sanctions.

XVII. REWARDS/ SANCTIONS

The most significant reform enacted during the 1997–98 legislative year is the Accountability Act of 1998, that promises to significantly change K–12 education in the state through sweeping measures. The bill that finally passed (Substitute 1 for SB 250) was a culmination of a long and contentious process that involved all major political players, as well as the general public for over a two-year period.

The bill establishes accountability measures that are tied to student performance standards. It spells out the responsibilities of students, schools, school districts and the state Department of Education in achieving those standards. Under this Act, schools and school districts that perform well would be recognized, while schools and school districts whose performance is deficient would be held accountable under the auspices of their local school boards. The Act intensifies the state role in providing the needed support for low performing schools and districts in helping them improve their performance. However, the rewards and sanctions envisioned by this Act do not amount to any significant monetary (or resource) windfall or loss on the part of any of the stakeholders. Many in the state seriously question the efficacy of this bill in motivating better performance, especially since it limits the rewards and sanctions to publicizing the school and district rankings and providing plaques as symbols of recognition.
The Act also intends to eliminate social promotion practices by requiring grades 3, 5, 8, and 10 students who do not perform at standards level in both reading and math to attend summer school. If they were to still fail in demonstrating grade level proficiency after that, they would be held back. Eighth grade students must especially demonstrate their proficiency in mathematics before they move into high school. The state Department of Education is also required to establish criteria for ranking schools, and subsequently their home districts (using percentages), on the basis of their performance in improving the academic achievement of their students in the core subjects of English/Language Arts, Mathematics, Science, and Social Studies. The criteria consider the collective performance of a school's student body on the state assessment tests in these core subjects. Factors in determining achievement include “absolute performance,” “improvement performance,” and “distributional performance” (lower level improvement). After at least two years of baseline data, the Department ranks schools in three basic categories: “Superior Accredited,” “Accredited,” “Accreditation Watch,” and “Non-Accredited.”

The Act is nonetheless significant since it, for the first time, establishes guidelines for each of the stakeholders and attempts to address the resulting needs of schools and districts to meet the challenge. The original proposal by the Governor placed most of the responsibility with schools and districts. Many legislators felt that the initial proposal did not put enough emphasis on the responsibilities of parents and students, as well as not providing enough support to build school capacities. The revised bill that finally passed added parental responsibility and professional accountability incorporating measures from other separate bills that did not pass or were not considered. The Department of Education, working with the State PTA, is expected to produce a Parents' Declaration of Responsibilities identifying the elements of effective parent involvement. Moreover, the department and the governor's office, as required, presented to the General Assembly in February of 1999 a plan for professional accountability that includes devising new professional teaching standards, teacher recertification, evaluation, professional development, teacher skills requirements, the creation of a professional standards board, and employment practices for school administrators, all of which will require a considerable commitment of resources.

As in many other states that are wrestling with implementing educational accountability reforms, Delaware is facing a considerable challenge in having to come up with practical plans and guidelines to meet the level of desired standards in a context with many obstacles. Aside from the political and administrative complexities that the proposed objectives face, the plan could prove to be quite
costly over the long run. For example, it is not clear how much extra funding is required for students who are expected to be retained due to failure and eventually remain longer in the system. There is also the issue of the extent of the cost of developing and enforcing a system of standards that is workable. From the district perspective, a major issue is whether they will be able to afford implementing the accountability program despite a last-minute added stipulation to help build school capacities in areas such as professional training. Given the current funding structure, smaller districts face an additional challenge in meeting the funding requirements. The impact of many recent reforms, including the Accountability Act, will test the districts’ capacities, since almost 30% of teacher salaries and benefits need to be raised locally and through referenda. Many in the state fear that unless there is a serious effort to equalize the capacity of districts to raise funds so that they can afford the needed programs to implement the standards, this reform may not achieve its objectives.

**XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS**

In June of 1995, Delaware’s General Assembly passed legislation (DEL. CODE, Title 14, Chapter 5) giving parents the right to apply to enroll their children in any public school in Delaware. Since the program's inception approximately 8,050 public school students have exercised this option and were placed in the school of their choice. The law included a provision to establish charter schools in the state defining the guidelines for application, approval and monitoring the proposed schools. Delaware law does not allow for the conversion of private schools to charter schools. For the year 1996–97, two charter schools were approved and started to enroll students. Two more charters opened in the following two years, and there are nine other approved charters scheduled to open in 1999 and 2000. Students enrolled in those schools bring with them the same level of funding that students in their home districts receive. Transportation for those students is provided based on bus pickups from designated locations for each school. All students intending to enroll in schools other than their designated-area schools or in charter schools must apply early during the previous year. The state has the responsibility of oversight of each charter school it approves, as well as the review of the performance of each school for renewal of its charter.

**XIX. AID TO PRIVATE SCHOOLS**

The state provides aid to private schools in two areas, driver education and some transportation costs to eligible pupils. For driver education the state provides an instructor for each 125 tenth-grade pupils (same as for public schools; see above). The state also reimburses private schools or private contractors on the same basis
that it uses to fund the transportation of public-education pupils; one mile for elementary pupils and two miles for secondary students.

XX. RECENT/PENDING LITIGATION

Delaware has no recent or pending major school-funding litigation.

XXI. SPECIAL TOPICS

The 1998 and 1999 legislative sessions have witnessed an exceptionally active state government in matters that have direct impact on the state educational funding system. Activities ranged from defining and adopting multi-faceted accountability measures to fine tuning existing school choice programs and proposals to revised practices in raising funds for local school districts. The most sweeping and contentious reform was the adoption of comprehensive and detailed accountability guidelines for all stakeholders, including students and their parents. The other profound reform proposal was the attempt to revamp the school funding process by abolishing the local property tax and substitute its revenue with state provided funds. Despite the relatively and comparably low reliance on local effort to fund educational programs in the state, local funds are nonetheless a crucial source for meeting the needs of districts, not only in making up their share of funding critical programs, such as paying for the remaining salary and benefit costs but also in implementing worthy programs that are not otherwise funded by state or federal sources.

Local districts have been facing two major problems in raising local funds. Existing property taxes are not only notoriously non-uniform across districts, but also non-uniform in their assessment. One county relies on basing assessment figures to levels dating back to 1974. Moreover, because property taxes must be approved by public referenda, many school districts in the state have been experiencing difficulties in raising their share of funds. In some districts recently, referenda repeatedly failed to pass, leaving necessary programs without crucial funds. A 1996 survey by Delaware Research and Development Center indicated that more than half of Delaware residents believed that their districts’ funds are not well spent. This has, in many cases, played a major factor in the defeat of some recent district tax referenda. Although equity of school funding in the state has not recently been a major issue due primarily to the high proportion of the state's share in funding its public schools, the erosion of the reliability of passing referenda for local funding is evoking some concerns. This, in turn, has created enough political pressure on the state legislature to look into revamping the current funding system. In fact, house Republicans proposed a bill (which failed
in the 1998 legislative session but was reintroduced during the 1999 session) requiring the state to fully fund all of K–12 education, and to abolish local school district taxes in a phased-out five-year period. Although the bill was seriously debated in the legislature, a compromise alternative resolution (JHR28) was passed in 1998 establishing a committee charged with studying the various alternatives and then report its recommendations to the 1999 legislature. The committee, headed by the state commissioner of finance, recommended in early 1999 some reforms to the property tax, including enhancing equity of assessment among the districts and reducing the tax rates. The final report of the committee did not support the abolishment of the property tax, despite the current state budget surplus that would pay for the phased-out cost. The governor, as a compromise, has proposed a 50% tax break on local school property tax for senior citizens and would make available an extra $27 million for school construction. Republicans, who control the state house, having not been satisfied by neither the committee's nor the governor's recommendation, insisted on their original proposal for completely abolishing the property tax. They reintroduced the same 1998 legislative bill in the 1999 session (HB-1). The governor has threatened to veto it if passed.

Other measures that impact school funding in the state were enacted in 1998. The most significant among them is the reduction in class size for early grades and its impact on unit funding in the funding formula. The bill (HB758) lowers the required unit fund for Kindergarten grades from 1 unit per 40 pupils to 1 unit per 34.8 pupils, and from 1 unit per 19 pupils to 1 unit per 17.4 pupils for grades 1–3. It also permits school districts to use up to 5% of teaching units for instructional aides. It requires districts to cap class size in K–3 in which core academic subjects are taught to 22 unless waived by the local school board. A related legislative bill (SB334) that would have provided 100% funding of constructing additional classrooms needed as a result of this bill was debated but was not acted on during this year’s session. Many local education officials have expressed concern about their ability to absorb the required costs, especially with existing problems in raising local funds. Other proposals for reducing other grades’ class size did not pass. There were bills that were introduced to the 1999 Assembly that would further reduce the class-size for all grades, and others that would compensate districts for the bulk of their school construction cost as a result of the class size reduction effort.

The 1998 legislature passed another significant school finance related bill that indefinitely guarantees state funding for units equal to the unit count of the preceding school year (SB429) as a “hold harmless” approach. The bill also stipulates that 98% of the guaranteed funds must stay in the same building
(school) that generated the funds. Although the merits of introducing this bill are warranted, especially in helping to establish some stability in providing programs, it might prove to be costly for the state in the long run. This is especially true, if the success of the recently adopted school choice program, in fact, ends up increasing mobility within and across districts and perhaps aggravating inequities not only among districts but also within them.

Despite the current state budgetary surplus that directly and indirectly played a role in allowing many school reform initiatives to be adopted during the 1998 General Assembly session, the verdict is still out on how these initiatives will fare under the current funding structure. The adoption of the Accountability Act and the initiative that reduces class size for elementary grades, are both quite ambitious and will require considerable commitment of resources on the part of the state. But a good portion of the overall responsibility remains with the local school districts, some of which are still struggling with raising their share of funding under the current structure. The state, despite the enormity of the tasks involved, is forging ahead with its plan to reshape the whole educational system. However, the concern remains as to how the recent reform initiatives (especially accountability) 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. Analysts observe that the profound challenge for the state in the next few years is going to be in its attempt to balance the pressure for having to increase its involvement and support that are required by the initiatives with the other attempts of decentralizing decision making and control.