



DEPARTMENT OF EDUCATION

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To: Senator David Sokola, Chair, Senate Education Committee
Representative Earl Jaques, Jr., Chair, House Education Committee

From: Susan S. Bunting, Secretary of Education

Date: December 12, 2018

RE: Report required by Senate Bill 172

Background

Senate Bill 172, as amended by Senate Amendment 1 and House Amendment 2, passed during the 149th session of Delaware's General Assembly, thus enacting new financial reporting requirements for school funding transparency to be implemented through the Department of Education (DOE).

The bill requires DOE to create a standardized, statewide approach to reporting school-level per-pupil expenditures that will

- Comply with Every Student Succeeds Act (ESSA) requirements;
- Report expenses by categories, such as administration, instruction, transportation, etc.;
- Exclude costs not directly related to schooling of Pre-K through 12th grade students;
- Define a method of determining student enrollment counts;
- Require that school districts and charter schools report expenses in two categories, school-level and shared/central office;
- Provide clear guidance to school districts and charter schools on how to assign expenditures into those two categories and require school districts and charter schools to:
 - Report if they have assigned discretionary spending;
 - Report actual salary costs in the school-level category for staff working in schools at least 80 percent of the time;
 - Report central office expenses across all schools;
 - Report excluded expenditures;
 - Report averages of teacher and paraprofessional salaries at the school-level; and
 - Report expenditures with codes that identify the type of expenditure, such as personnel costs, materials/supplies or contractual services.

The bill requires that DOE publicly report school-level per-pupil expenditures no later than December 2019 for school year 2018-2019 data. To provide the public and key stakeholders with an opportunity to provide feedback, DOE was required to hold three public meetings to receive input on the planned approach and report to the chairs of the House and Senate Education committees by December 2018 on the results of the public meetings and again before the release of the data in December 2019.

Updates

Prior to the introduction and passage of this legislation, DOE had been working closely with school districts and charter schools to develop a methodology of reporting school-level per-pupil expenditures to meet the federal requirements of ESSA, with the first release of that data to be reported in December 2018. Since the passage of SB172, DOE has been working internally and with key stakeholders to identify modifications that will need to be made to the ESSA reporting methodology and processes to implement the additional requirements of Senate Bill 172. Specifically, DOE hosted three public meetings, one in each county, in October 2018. At those meetings, DOE provided an overview of the requirements of Senate Bill 172, requirements of ESSA financial reporting and the ESSA reporting methodology that is in place for the current year. DOE received feedback at each public meeting and accepted written comments, which have been published on the DOE website under the Public Information, Financial Transparency page and is attached for your convenience.

In addition to publishing public comments and feedback, DOE has reviewed all feedback provided and intends to include many of the responses during the next steps of this process. Specifically, DOE intends to include the following items in the statewide approach:

- More closely review and define the list of exclusions;
- Determine if this reporting mechanism can replace current reporting processes;
- Publish statewide business rules around financial coding;
- Request additional account codes to allow for greater transparency; and
- Provide clear information related to units earned in each building.

Action Items

In addition to obtaining feedback from key stakeholders, DOE has begun work around three key objectives to achieve the financial transparency goals established by Senate Bill 172.

1. DOE has requested to modify existing epilogue language in the Annual Appropriations Act, which will provide DOE with the ability to require school districts and charter schools to use standardized coding within the state's accounting system (FSF) and human resource system (PHRST). That requested language is now being reviewed by the Office of Management and Budget with the intention that it will be included in the Governor's Fiscal Year 2020 Recommended Operating Budget, voted into the annual budget bill by the Joint Finance Committee and ultimately passed by the General Assembly to become effective July 1, 2019.
2. DOE is working with school districts and charter schools to analyze and review existing coding practices throughout the state and working to develop a standardized framework to be used by school districts and charter schools beginning in July 2019.
3. DOE will develop a technical assistance manual to be used by all school districts and charter schools, which will prescribe the standardized financial coding framework developed. The manual will be developed so the state is able to continue to meet the

requirements of ESSA and will be prepared to meet the reporting requirements of Senate Bill 172 in the coming year.

Next Steps

In addition to the activities identified above, DOE plans to hold another round of public meetings in the spring of 2019 to provide additional information to key stakeholders regarding the updated methodology to address the school-level per-pupil reporting requirements of Senate Bill 172.

cc: Christine Alois, Deputy Secretary, Secretary's Office
Chuck Longfellow, Associate Secretary, Operations Support
Kim Klein, Director, Finance Office
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