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Red Clay Community Financial Review Committee November 12, 2019

I. Minutes

The September 2019 Minutes and Transcript were reviewed. The October meeting was canceled. Mr. Pappenhagen moved to accept the minutes and Mr. Schwartz seconded. The motion carried.

II. Monthly Expense Report

Ms. Floore distributed the October Expense Report. We have over \$3 million as a give back to the State. The State takes that all out of Division II at the start of the year. After September 30th count and we know what the final budget is looking like, we then submit a final allocation to the State. We were able to submit a preliminary give-back and then a final in the past. It would list the categories we took the funding from. In part, it included personnel cost, it is Ed sustainment, equalization, drivers Ed and professional development. It was a broad brush of programs so that not one particular program or employee wasn't overly harmed. It became too complicated and the state moved to one final give-back rather than two rounds. We submit the one give-back will now at the end of December. That means for this time period all of the categories for the funds of the State are not where they will be ultimately. For example, Division II is listed as only receiving 39%. The difference totals the \$3 million. We will take some out of Division II, but not all of it. This also means some are higher. Ed Sustainment is listed as 110%. Some of the cut will come from there. All will equalize as we do the give back.

Secondly, the report states we received 101% of revenue. Last year it also stated this. The reason is because the State, Choice and Charter funds are removed from our revenue. They used to be listed as expenses, but they are not any longer, as the auditor reported it as double booking. Now it is a revenue transfer. We are a net importer of choice. We have more students who come to Red Clay than who go out. Our Charter bills are very significant, though. So at this time of the year we are showing revenue that will ultimately disappear when the charter/choice transfers are completed.

We are tracking very close to where we were last year at 91.21% of revenue received. We are in a good position. Several people have texted Ms. Floore regarding the Boxwood Road Plant. Mr. Matthews explained it is regarding a company that handles acquisitions for Amazon is investigating the property. Possibly another distribution center. The rumor is that they are quoting \$2.5 million in taxes for Red Clay but that would be in the future. In any case, that would be good news for Red Clay. Mr. Matthews stated they were responsible for the demolition and clean up. Ms. Rattenni stated it is 88 acres of the 142-site acreage.

Expenditures is 32% expended. We would expect to be 33.3%, therefore we are on track. Some programs are more encumbered for the course of the year, like curriculum, as they



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need items at the start of the year. Other departments, we ask that they wait until after the taxes come in so we can make our payroll. We were in a good place this year coming into the receipt of taxes.

Tuition side is 98.2% of revenues. There are no charter or choice bills from tuition so it doesn't have the same fluctuation discussed earlier. Therefore, it is a truer reflection of revenue. As late taxes come through, the amount will increase. We have tuition billing in the spring. There are been a lot of discussions on tuition billing and how it exists. There is a question on respite care and why it was removed from the Delaware Autism Program in Christina and how it is billed to the other districts. It was on the tuition bill as group homes. The State has asked us do we have any comments or concerns regarding the tuition billing process.

Ms. Floore points out on Page 5 the FY19 grants with 11/30/19 end dates. We are actively looking at the grant balances and closing them out. Often the funding is 2 and 3 year increments.

On Page 7, Meadowood, we have a significant 151% of budget. That is a very large encumbrance. This is an error. One thing we did last year, the more special education units that you generate, it comes with Division 1 and Division II money. Part of Division II money is utilities. You may have 5 more units of students, but you're not running more utilities than if you did not have those students. The building footprint stays the same. That is why, in DE State Code, it allows us to convert Division II funds for salary. We will put in a request to OMB to move it from Division II to Division 1. We have to release part of the encumbrance to move to salary.

The pay cycle is different than the month cycle. We would be expect to be at 33%. There are 26 pays; we are currently at 9 out of 26 pays, 34.6%. It sounds minor, but it is significant for Red Clay given the magnitude of the budget. It is on track for Division 32. This year we saw significant movement between divisions. The Early Years Program was moved from RPLC to the Central School. We have some satellite sites at Warner and other elementary schools. It is not exclusively at Central. The Pre-K is not housed at RPLC as the base. The autism program K-5 also has different classrooms around the district and RPLC as well. The units at RPLC shows the increase of classrooms at Richardson Park Elementary. Tracking all of that to units is a complicated process. The EYP (PreK) lost all of the Autism student. Richardson Park gained 9 units yet the Richardson Park program is the same as it was last year.

III. Delaware Administrator's Report

Ms. Floore explained that this is the time of year when we delve into more presentation on various finance related topics. We know our unit count and the taxes have come through. We are not quite halfway through the year. At the last meeting, Ms. Thompson had asked us to do a report on staffing and staffing allocations.



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Richardson Park gained 9 units. And the early years has remained the same number of units. That is how many more classrooms we have added this year. Pre-K is bursting in terms of the number of students who are 3 and 4 years old. Especially 3 years old and identified through the special education process. They will continue with us through middle and high school. One of the highest growths we had this year was in McKean High School. We will see Division 1 salaries at Meadowood are on track with 36%. However, Early Years Program they are at 44%. There are more classrooms and more teachers. Therefore, that is a number we will be looking at in the final budget. It is all part of the reconciliation process we go through with the units and tuition. They are still on 36% expended, but we are watching salaries closely.

The last one to speak to on Page 9 is substitutes. The substitute line is \$1.6 million. It is budgeted for all of the daily substitutes. Typically, we budget for the long-term subs in the general salary budget. We have a critical shortage of substitute teachers. We have contracted with a vendor. We have contracted with a second contractor to supplement that vendor. We have had multiple meetings with the vendor and contacted other school districts. The question is what do you do with the savings? If a substitute doesn't come into the building, which is not what we want to happen, there is a savings. We have increased the rate of pay to encourage substitutes all levels and we pay more than most neighboring districts.

We are putting any budget surplus for substitutes back into the rates of pay. We are constantly speaking to the vendor on the fill rates, incentives and what we are offering. Ms. Rattenni asked if there was a surplus last year. Ms. Floore answered that there wasn't. Mr. Pappenhagen stated that they are having the same problem in Appoquinimink School District. Ms. Floore added that we are seeing it in schools that are typically filled. We are seeing it across the board. The high schools typically have the highest fill rates. They are the schools where substitutes have a niche in the subject matter. Sometimes the fill rates are by location and sometimes they are by grade. We reinvest it back in the substitutes. It was \$104 and it is raised to \$110.

Mr. Pappenhagen asked what the budget would be if we had filled every spot. Ms. Floore explained that this is the budget assuming we can fill all of the spots. Last year's budget was based on if we filled all the spots at the lower rate. Our intention was not to have savings. Therefore, we took the savings and increased the daily rate of pay. This budget is based on all of that. Mr. Matthews stated we are budgeting \$1.6 million for FY20. This time last year was \$186,000. He would be interested in seeing what was budgeted for FY19 and what was the total spent. Ms. Floore can give you that in the final June 30th report. Mr. Matthews stated he knows where that information is.

Mr. Pappenhagen asked if it is based on the number of days, the teachers were out the previous year. Ms. Floore explained it is a combination of the absence data and billing of the previous year. We do look at the absences by category, the number of substitutes while tracking the dollars of the previous year. Substitutes FY19 final budget estimate \$1.6 million. The actual spent was \$1.48 million. It was \$120,000 lower than the budget estimate.



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There is still an estimated increase in the budget because we received several grants that we anticipated spending more on substitutes if we could get them as well as the new paid parental leave. The paid parental leave is paid by the State, but some is not. If a Para is on parental leave that is not paid by the State, only teachers. And it is only the State portion of the teacher's pay is reimbursed. Not any portion of what the district has contracted with vendors. It is about 70%, possibly 80%.

Mr. Schwartz asked about the number of people taken off parental leave, was there a projection? Ms. Floore answered that we did not. The data isn't available as the policy went into effect in April 2019. It may take years to see trends and make predictions. We are certainly seeing it on the paternity side. Men often didn't take the whole time, as it wasn't available. Women did have more opportunities with the medical available previously but often not the entire 12 weeks.

Ms. Floore distributed information regarding unit count. We can see the trends for Red Clay in general. There were recent years where we declined in the number of student population, but increase in units. This means that we had more special education students. This year we had an increase in students, about 100 or so, but our unit count went up over 40 units. You can see by school and by trend. The special Ed categories are basic, intense and complex.

Mr. Schwartz asked if from a paraprofessional standpoint, do all autistic students have a one-on-one. Ms. Floore stated, no, it is all based on the IEP team. A complex student, for example, under unit the ratio is 1 to 2.6. A complex student does not earn their own para per se, but as part of the unit count, the one-on-one Para are included in that and supplemented with tuition funds.

Mr. Pappenhagen asked if economically, is it cheaper to educate the students in-house or send them to an outside agency. Ms. Floore explained that when the students are in someone else's program, we don't know what is in their budget and what they are negotiating and paying their vendors such as therapies like OT and PT. When the students are in our district, we know exactly how much we are paying them and how many hours of service they provide. There is much more control when they are in-house. We can only trust that other districts are doing what we do. However, the level of sophistication on the bills that are provided is not that detailed. Districts generally have a handshake agreement where we agree to pay their tuition bills and there are Department of Education guidelines regarding tuition billing. Ms. Floore would then find it as a control issue rather than economic. Just as transportation would say, they would rather have their own drivers than contractors, as we control the quality and the cost. Ms. Floore believes we all have the same incentives to maximize our tuition dollars- it is just a matter of how much time and resources once district may have verses another.

Ms. Rattenni stated that we had a discussion a few years ago regarding inclusion and where would we stand financially. This is more specific when speaking to the autistic program. Is it more expensive for inclusionary program, there are additional dollars that



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have to be paid for that program. It is a good question on where do we have to put our dollars for even further inclusion and address the needs of the children that continue to rise. Ms. Floore added that we also have hubs or sites. In the old RPLC days, everyone was in the same building. Now, we are spread out but we are going back to more centers. 3 classrooms will be together. It may not be the student's home school, neighborhood school. Mr. Schwartz stated that people are choicing back into a cluster. He definitely sees it in the high school level.

Ms. Rattenni asked if there has been any talk at the State level what will happen to DAP. We assume that the other districts are also taking on more responsibility of educating the students. Ms. Floore agreed but added they are taking on more because the numbers have expanded.

Ms. Rattenni asked if as a district in all of CFOs talking to DOE about more funding to address the increasing need. Ms. Floore explained that the state legislators and the budget office and department of education all see the numbers increase in special education. One it scares them, as it is expensive so they are looking at it closely and asking for more justification. There is a belief or in some cases an accusation that the school districts are cooking the books to get more money. For every unit they give us, that is \$70,000 in Division 1, there is Division 2 and 3 that goes along with it. We will have a significant increase in our budget that goes along with the unit count increase. Based on the cost, there is a general distrust of the school districts and what we are doing with special education not recognizing that their own laws have made Delaware very favorable state for students with special education. If you're going to have legal policies, embrace them and pay for them. Don't pass bills that make strong Delaware autism programs and deny that the needs are increasing.

Over the last 10 years, there have been a number of task forces and investigations regarding school funding. One is that comes up in referendum campaigns that districts don't need another dollar as administrators make too much money. Part of the task force on School District Consolidation looked at school personnel and allocation of resources. The accusation often made is that Delaware has too many high paid administrators. This study presented was commissioned from that task force and it is dated January 2019, less than a year old and completed by the Institute for Public Administration. It speaks to how administrators are funded. The general conclusion is the opposite and that the formula doesn't fund enough based on the way staffing has changed. Because we have grown in all of these non-classified categories like opportunity grants and tuition funds and the supplemental funds, and even Title 1 funds, administrators are responsible for evaluating way more people today than they had to previously.

Page 2 of the overview states that "Each of the school districts and schools in Delaware is a complex organization that has different service delivery methods and scopes, however there are some commonalities." Ms. Floore stated that a district of 5,000 is different from Red Clay, even Colonial is different from Red Clay. Working with the community is different. But staffing, school district, and administrators in Delaware are responsible for performing a variety of tasks. In many cases, a single administrator will be



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responsible for tasks in multiple function areas. This is more common in the small school districts. With most decisions being made at the State and local levels, rather than the federal level, is difficult to compare data across school districts and across state lines.

That is the hardest thing in all of these studies as people want to crystalize something into a simple statement and it is so hard to compare. It is hard to compare us to Christina. We don't even call our staff by the same titles. We have supervisors and managers. They have supervisors, which are the level of our managers. The organization chart won't match. Or Delaware Online looking to see that Red Clay Managers make more than Christina does. But our supervisors make less, as the titles are flip/flopped. Each district is governed by their own school board, not the State. Salary schedules and employee levels have evolved over time and are unique to each district. That said, it is why the new financial report card is helpful in that it breaks down school-related instructional costs (salary and non-salary) consistently between schools and between districts.

The administrator report was somewhat telling that districts generally live by their unit count. What they get is what they use. Nothing is off the books, because you can't afford it. You cannot afford locally funded positions. We have many under tuition for our special schools, and that is why we keep increasing the tuition tax, as it is hard to sustain that.

The number of school district administrators in Delaware are predominately determined by the State formula and policies. We have one that is not funded by the State formula; it is our ELL supervisor, Carol Beck. She is funded through tuition. The State doesn't recognize an ELL supervisor. Mr. Matthew added that we are one of 4 states that doesn't fund ELL. Ms. Thompson added that is why we have opportunity grants. Ms. Floore agreed we are gaining ground with funding for ELL, though not as strong as it would be if it was in the unit count.

Ms. Floore read more from the report. Funding for the building level administrators follows a similar trend. Of the 459 building level administrators, over 98% of principals and assistant principals are funded through units provided by the State. We are the exception as we use Title 2 and Title 1 funds for Academic Deans at high-needs schools.

The report shows the Principal formula is out of date. Because we have put in behavior, health consultants, we've put in mental health people, family crisis therapists, all under the supervision of the principals. None of that is recognized in the formula.

The report goes on to say that primary funding sources for paraprofessionals is similar to those of teachers. But 33 of them are funded from other sources. Again, that would be tuition. In addition to administrators, teachers, and paraprofessionals, there are 525 instructional staff positions, and 3,000 operational support. Those are your custodians, bus drivers, etc. Data was not collected on that category. In some cases, the paraprofessionals are in the building that the principal is supervising and are not in the formula. The trend is that is more responsibility is being placed on the administrators.



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Ms. Rattenni asked if there is an increase in emphasis on vocational training and pathways. Has it become a huge buzzword for DOE? Ms. Floore answered that it has increased. Nursing is now classified at Conrad. Animal Sciences as well. There is the culinary program and the teacher prep program. It's no longer just shop and auto mechanics. And there is a statewide task force on career education. It is not just at the Vo tech schools. Ms. Rattenni asked if there would be an impact long term with the size of the programs. Colonial has many pathways at William Penn with culinary and agriculture and many others. Ms. Floore answered that McKean is up over 10 units. In their schedule, you have to pick and choose. And it goes to the sophistication of the pathways.

The House Education Committee has been having out of session school funding meetings. The CFOs go to Dover once a month. December 2 is the next one and CFOs are presenting. Mr. Schwartz asked what happened to WEIC. Ms. Thompson answered it is now Redding and it is ongoing.

IV. Public Comment

There was no public comment. Mr. Schwartz asked if the district has discontinued their eNews emails. Ms. Floore will inquire with Ms. Green.

The final budget has been moved to the January Board meeting, rather than December. Our December meeting may be a different presentation than the budget due to Thanksgiving being so late in the year.

V. Announcements

The next meeting will be held on December 10, 2019 at the Baltz District Office Board Room at 6:00 PM.