

(23) "Supervisory union" means an administrative, planning, and educational service unit created by the State Board under section 261 of this title, that consists of two or more school districts; if the context clearly allows, the term also means a supervisory district.

(24) "Supervisory district" means a supervisory union that consists of only one school district, which may be a unified union district.

2007 Report on Act 82. Section 18
An Act Relating to Education Quality and Cost
Control

Report to the Senate Committee on Education

November 15, 2007

Submitted by:



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Introduction

This report expresses the views of the Department of Education after conducting research and consulting with others as prescribed in the law. Section 18 of Act 82 of the 2007 legislative session required the commissioner of education, in consultation with others, to study the financial management of school districts. This report describes what the Department of Education learned and recommends.

Before beginning the details of the report we think it will be helpful to briefly describe the current organization and operations of school districts in Vermont and how the wide diversity makes comparing financial information among the districts of limited value.

Administrative services are provided through service units called supervisory unions. A supervisory union comprised of one district is called a supervisory district [16 VSA § 11(24)]. There are 12 supervisory districts. Two districts are administered by interstate school districts. The remaining 266 school districts are arranged in groups of two or more to comprise 46 supervisory unions.

The law gives considerable flexibility to how programs and administrative services are provided by supervisory unions (16 VSA § 261a). In some cases special education and transportation services are provided by the supervisory union; in others those services are provided by the districts within the supervisory union, and there are many cases where parts of these programs are provided by both the districts and the supervisory union.

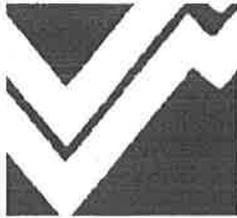
Some supervisory unions provide certain program staff to the member districts such as reading or math specialists. In other cases these staff members are on the district payroll. The law also allows supervisory unions to form collaborative programs for member districts. Most of these are alternative education programs for students who face certain challenges.

Two or more districts can form a union school district to provide education for grades K - 12 or some of the grades, 7 - 12 for example. A union school district that provides K - 12 education for the students within its boundaries is called a unified union, and when one is created the underlying town districts cease to exist. When the union district provides some of the grades the member districts usually operate schools for the remaining grades. In some cases the member districts do not operate schools but provide education by paying tuition for their students to attend schools in other districts.

Two or more school districts can agree under terms of a contract to operate a school jointly (16 VSA §§ 571 & 572). This does not create a school district but certain aspects of the governance structure make it appear like a district.

Recently the law has permitted regional technical centers to separate from districts that have hosted them and to become districts themselves. To date three technical centers have formed technical center school districts under Subchapter 5A of Title 16. This presents further complications when attempting to compare per student expenditures across the state.

Recent attempts to compare per pupil expenditures in the districts have fallen short as have earlier attempts over the past few decades. This has caused some to question the financial management of districts, hoping that a better accounting system will allow for more meaningful expenditure comparisons. We find that the current accounting system, which is the fundamental component of a financial management system, accurately describes what is occurring among Vermont schools; that is, a wide variety of operations and programs located in different levels within supervisory unions and their districts where comparing one district to another is like comparing apples and oranges.



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Memorandum

To: Steve Klein, Legislative Joint Fiscal Office

From: Nic Rockler and Tom Kavet

CC: Mark Perrault, Catherine Benham

Date: July 12, 2007

Re: Education Cost Analysis – Phase 2 Update

BACKGROUND AND RESEARCH OVERVIEW

Since the State Education Fund and Statewide property tax was implemented as a part of Act 60 in 1998, there has been an expanded Statewide responsibility to public education financing. This responsibility includes the setting of Statewide property tax rates, the dedication of other State revenue sources to the Education Fund and other revenue generation measures necessary to finance education expenditures. Public K-12 education is by far the largest single State expenditure item, now accounting for about half of all State appropriations.

Despite this revenue financing responsibility, there has not been a corresponding Statewide authority for controlling and managing education costs. While voters hold State government officials responsible for property and other tax increases necessary to meet public education expenditures, these expenditures are largely the result of dispersed local budgetary decisions. With public education expenditures per student rising at rates well above those for general inflation and even growth in the economy at large, and mounting concern over growing property tax burdens, there is an increasingly urgent need for oversight, engagement and enhanced understanding of education expenditures at the State level.

At the request of several legislative committees, we have been working with the Department of Education and other relevant parties in assembling, "cleaning" and analyzing relevant statistical information with which to better understand State education cost drivers and report on possible policy implications based on this analysis and data. This work is intended to extend and further prior Phase 1 State-level analysis performed for the Vermont Business Roundtable and the Joint Fiscal Office in 2006 and early 2007 (see attached memo, Appendix A).

Even if the accounting were reliable in allocating expenditures to the various geographical units, there are also statistical problems with respect to combining these expenditure data with enrollment data to analyze per pupil expenditures.

Presently, there are four sets of enrollment data that relate to LEA and SU enrollments. These are: (1) The "October 1" enrollment figures taken on that day for each school, (2) the full-time equivalent (FTE) enrollment figures used in the federal reporting scheme, based on a multi-day measure of enrollment with adjustments to eliminate counting of part-time students to derive a full-time equivalent figure, (3) the average daily membership (ADM) enrollment, which counts enrollment based on place of residence and not on place of schooling, and (4) the equalized pupil counts, in which the average daily membership at each grade level is weighted by the level of instructional effort and expenditure to account for differences in the grade composition of the population when allocating State aid to LEAs. For the analysis presented herein, only the first three are relevant, and we have primarily relied upon the ADM enrollment figure. This dataset appears to be the most comprehensive in matching the LEAs found within the expenditure dataset prepared for our use by the Department of Education.

The ADM data, however, when used in conjunction with these expenditure data have the potential to mis-measure expenditures per pupil when a significant proportion of students being served in a district actually reside outside a district. The ADM data undercount enrollment in the receiving area, but expenditures cover all students served. At the SU/SD level, the inaccuracy becomes noticeable when there is a sizeable student "commuting" pattern across SU/SD boundaries. This is thought to occur most often in the larger urban school districts that receive students from outlying areas.

Ideally, the best data for our purposes would be the October 1 enrollment data, but these were found to have many missing schools and LEAs over the time period analyzed. Whereas the expenditure data have figures for 357 LEAs, the October 1 data have figures for only 274. The FTE data were the next best choice, and in Appendix C, we present a disaggregation of total expenditures based on quintiles using the FTE figures. These show significantly fewer pupils and, accordingly, raise observed expenditures per pupil. They do not, however, cause a marked change in the calculated growth rates for the different quintiles, relative to ADM-based analysis. Furthermore, the ordinal relationship between different sized groups with respect to expenditures per pupil does not change very much between these two enrollment metrics.

Detailed analytic output (tables and charts) from various SU/SD level data are contained in Appendix B. They include analysis based on per pupil expenditures, with various enrollment definitions and size class groupings, including number of pupils, number of LEAs, and physical size in square miles.

SOURCE DATA CHARACTERISTICS AND LIMITATIONS

Most of the analytic work to date has involved identifying, assembling and "cleaning" statistical data from the Department of Education with which to base this work (i.e., making data consistent across regions, categories and time, correcting for collection anomalies, accounting conventions, etc.). The importance of this process cannot be overstated, since all conclusions drawn from this analysis are only as good as the data upon which they are based.

There are a number of separate databases that we are currently using, organized by expenditures, budgets, enrollments, special education and staffing. Generally, the more detailed the geographic analysis and category detail in any dataset, the more intensive the development and data "cleaning" necessary for unbiased use.

The datasets we have pursued most extensively in this second phase of the analysis include a detailed expenditure database from the Department of Education and various measures of student enrollments. The expenditure data are currently useable to the Supervisory Union level (including Supervisory Districts), hereafter referred to as "SU" or "SU/SD," and initial analytic runs have been performed at this level of geographic detail. These expenditure data are used in the annual State publication, "Summary of the Annual Statistical Reports of Schools¹."

Expenditures are categorized according to federally established accounting conventions designed for nationwide use for comparative analysis. For the most part, these are useful when analyzing public education expenditures that involve aggregations of schools to form local school districts and then further to reach a state total. In many states, a single aggregation rule can be applied to all expenditures for any given school and is used to derive district-level spending. From there, aggregation to the state level is generally straightforward.² This accounting scheme is not well suited for use in Vermont, however, where an intervening layer of some expenditures pass through the SUs and SDs that can include administration, operations, instruction, and other resource sharing among schools and districts. The scope and degree of sharing of expenditures at the SU/SD level varies from SU to SU.

An additional complication of having expenditures made at the SU/SD level is that the set of pupils for which some local expenditures are applied varies by expenditure type. Thus, while we know total aggregate expenditures in the State by detailed expenditure categories, the accuracy with which these can be traced back to units like SUs and LEAs diminish as the units approach individual schools.

¹ Produced by the VT Department of Education, see <http://education.vermont.gov/new/html/data/sasrf.html>, also referred to by the acronym, "SASRS."

² Many states have local education authorities (LEAs) organized by districts that are coincident with counties, with each district operating independent of all others in a state.