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Administrative Expenses

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Presentation Overview

- Review bill language, define administrative expenses and clarify distribution of funding
- Share stakeholder feedback
- Identify approaches in other states for setting administrative expense levels
- Review National Center for Education Statistics (NCES) data
- Review current Nevada district expenditures

Defining Administrative Expenses

- Not specifically defined in the bill
- Bill language says that there is an allowable “deduction for the administrative expenses of the school district in an amount which does not exceed the amount prescribed by the Department by regulation for each school district”
 - APA and NDE’s interpretation is that administrative expenses are therefore any amount of funding that the district needs to retain and not distribute to schools
 - General administration/central office costs + other centrally managed resources, such as maintenance and operations

Clarifying Distribution of Funding

- Bill language differs between base funding and weighted funding:
 - Base per pupil funding “should be distributed by each school district to its public schools in a manner that ensures each pupil in the school district receives a reasonably equal educational opportunity”
 - “Each school district shall ensure that all weighted funding received by the school district is accounted for separately and distributed directly to each school in which the relevant pupils are enrolled”

Stakeholder Survey Questions

- To best meet the need of students, what functions or other resources are managed at the district level for the following student groups?
 - All students, at-risk, English learners, special education
- What percentage of per pupil funding do you think would be appropriate to set aside for administrative expenses to provide the functions and other resources identified for each of the following student groups?
 - All students, at-risk, English learners, special education
- What challenges, if any, do you anticipate in tracking funding down to the school and student level?

Survey Responses: District Functions

General Administration

- Superintendent's office/cabinet/board
- Business services
- Payroll/HR services
- Curriculum, coaching and PD
- Legal
- Communications/ community engagement
- Purchasing/warehouse
- IT
- Assessment
- Grants

- Research/evaluation
- Accountability/compliance
- Behavioral services

Other District Managed

- Maintenance and operations of equipment, facilities and grounds
- Utilities
- Food service
- Safety and security
- Transportation (separate)

Survey Responses:

District Functions for Weighted Student Groups

- At-risk
 - Social emotional/behavior supports
 - Program/service coordination and management
 - Additional support for schools with high concentrations
 - Equity management
- English learners
 - Shared staff positions across schools
 - Program/service coordination and management
 - Testing/identification
 - Curriculum/materials/technology
 - Equity management, cultural needs

Survey Responses:

District Functions for Weighted Student Groups, continued

- Special Education
 - Often managed centrally with shared positions, contracted services
 - Providing related services (psychologists, OT/PT, Speech, other specialists)
 - Managing IEPs and Compliance
 - Legal services
 - Adaptive technology, software, and materials
 - Testing/testing support
 - Center programs or paying for out-of-district placements
 - Staff training
- Gifted
 - Program/service coordination and management
 - Shared positions

Survey Responses:

Appropriate Administrative Expense Levels

- Few responses to these questions
 - Of the limited responses, 10% if just administration, 20%-30% if also M&O and transportation
 - For weighted student populations, percentages were similar or higher
 - Concerns with how widely this will vary is smaller, rural communities
 - One respondent was concerned that setting an administrative expense amount was prescriptive and that districts may be better served to allow local School Boards the ability to exercise local control as to administrative staffing levels

Survey Responses:

Challenges with Funding to the School Level

- Burden of additional tracking/reporting
- Wage variation between schools
- Economies of scale
- Equity of opportunity vs. equal dollars
- Population mobility
- Legality of sharing Free and Reduced Lunch student information
- Current district budgeting practices- for example, staffing allocations
- Shared positions

Survey Responses:

Challenges with Funding to the School Level, cont'd

- Students in multiple categories
 - SB 543 says the school will receive the highest weight, but the expenditures must be recorded by service category
- Special education costs vary significantly; resource needs are IEP driven
 - Should not provide the same dollar amount per special education student to the school level; special education funding should be district managed to ensure compliance and Maintenance of Effort

Review of Approaches in Other States

- It is uncommon for state funding formulas to set a level for administrative expenses
 - Majority of states use foundation formulas
- Reviewed the limited number of states with resource allocation models or school-based formulas
 - Examples: Arkansas and Wyoming
- Also reviewed states with separate policies identifying percentage of funding for instruction.
 - Also not common
 - Examples: Georgia, South Carolina and Ohio

Funding Formula Example:

Arkansas

- Arkansas sets base funding amount using a resource allocation matrix model: \$6,646 (2016-17)
 - Of that base amount, Arkansas identifies the following district-level resources per student funding amounts:
 - Central Office \$438.80 (7%)
 - Operations & Maintenance \$664.90 (10%)
 - However, not prescriptive in how districts spend generated dollars

Funding Formula Example:

Wyoming

- Similar to Arkansas, Wyoming uses a resource allocation model that determines school and district resources to generate a block grant amount.
 - District resources include: 1) Central Office Staff and Supplies (Professional Staff: Superintendent, Assistant Superintendents, and Business Manager); 2) Maintenance & Operations Staff and Supplies; 3) Utilities.
 - The percentage of total funding these district resources represent vary based upon district size (note, most districts in Wyoming are small)
 - Central office costs 10-20%
 - Total district costs 20-30%
 - Block grant so also not prescriptive, however districts are required to report on they spend funding and comparison reports are made annually by Wyoming Department of Education.

Policy Example: Georgia

- In Georgia, there is a Minimum Direct Classroom Expenditures policy, known as the 65% rule, in effect since 2008.
 - Requires districts to spend a minimum of 65% of total operating expenses on direct classroom expenditures, or to increase those expenditures as a percent of total operating expenditures by two or more percentage points over the previous fiscal year
 - Establishes what is included and excluded for direct classroom expenditures
 - Allows for waivers
 - Sets penalties

Policy Example:

Georgia, continued

- **Direct Classroom Expenditures**
 - Include: salaries and benefits for teachers and paraprofessionals; costs for instructional materials and supplies; costs associated with classroom-related activities; and tuition
 - Exclude: costs for administration, M&O, food services, transportation, instructional support (including media centers, teacher training) student support (nurses, guidance counselors)
- **Waivers**
 - Districts can request waivers from the 65% rule requirements based on student achievement or financial hardship
- **Penalties**
 - The State Board of Education may impose sanctions on local school systems that don't comply with the 65% rule, which may include, but are not limited to, requiring the local school system to devise and implement a plan to meet the requirements of this rule or withholding state funds

Policy Example:

South Carolina

- The Education Finance Act requires that 85% of the funds appropriated through state and local effort for each weighted classification be spent in direct and indirect aid in the specific area of the program planned to serve those children who generated the funds
 - Districts expending less than the required 85% of the appropriated amount shall be subject to a penalty the following fiscal year in the amount equal to the difference between the amount spent and the required 85% figure
 - Some special education classifications are exempt from 85% requirement

Policy Example:

Ohio

- Ohio does not establish specific required minimum instructional expenditures or allowable administrative amounts
 - However, the OH Department of Education is required to calculate and rank districts on Expenditure Per Pupil, based on the percent of expenditures for instructional purposes.
 - Set definitions for Operating- Classroom Instructional, Operating- Non-Classroom, Non-Operating

Policy Example:

Ohio, continued

- Operating – Classroom Instructional
 - Instruction, Pupil Support Service, Instructional Staff Support Services
- Operating – Non-classroom
 - Administrative: General administration, School administration, other and non-specified support services
 - Building Operations: Operation and maintenance of plant, Pupil transportation, Food service
- Non-Operating (Excluded)
 - Enterprise operations, Other noninstructional, Community services, Adult education, other nonelementary and secondary programs, Construction, Land and Existing structures, Equipment – Instructional (capital expenditures), Equipment - Other, Payments to other governments, Interest on Debt

Review of NCES data

- Examined most recent year of district expenditure data available (2015-16)
 - General administration as percentage of total expenditures
 - All district costs (including M&O and food service, excluding transportation) as percentage of total expenditures
 - Averages:
 - General administration: 4%
 - All district costs: 18%
 - Not correlated with size overall and wide variation in figures by district
 - However, for smallest districts under 200 students, percentages increased to 6% and 22% respectively suggesting there is still a size differential that needs to be taken into account

Review of Nevada District Expenditures

- Reviewed 2018-19 district expenditure
- Calculated percentage of total expenditures (excluding debt service and capital) for district expenses
 - Including subtotals for:
 - Administrator salaries and benefits
 - M&O
 - Energy

Review of Nevada District Expenditures, continued

- Found wide variation in expenditures by district, suggesting both differences in costs and differences in expense coding
 - Total district expenses ranging from 22.4 to 42.6 %, average of 31.6%
 - Administrative salaries and benefits ranged from 4.7 to 13.6%, average of 8.5%

Percentage of Total Spending	Average	Min	Max
Total	31.6%	22.4%	42.6%
<i>Administrator Salaries/Benefits</i>	8.5%	4.7%	13.6%
<i>M&O</i>	5.8%	0.7%	22.0%
<i>Energy</i>	2.2%	0.9%	3.8%

Committee Considerations

- Need to formalize definition of administrative expenses
 - Revise and update chart of accounts as needed
- Looking at other states and available data, suggests that initial targets could be set at 10% (general administration) and 30% (total district costs, excluding transportation)
 - Caveats: wide variation in NV data; therefore need to track reported administrative costs over time and ensure everyone is coding in the same way and if targets need to be adjusted
- Consider if policy modifications are needed to allow for more weighted student funding to be managed at the district level



Questions?