



Report of the Vermont State Auditor

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March 11, 2016

# EQUALIZED PUPILS: AGENCY OF EDUCATION

Agency of Education's  
Calculations Generally  
Followed Law but Data Quality  
Could Be Enhanced

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**Douglas R. Hoffer**  
**Vermont State Auditor**  
**Rpt. No. 16-02**

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**Douglas R. Hoffer**  
**STATE AUDITOR**



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

March 11, 2016

The Honorable Shap Smith  
Speaker of the House of Representatives

The Honorable John Campbell  
President Pro Tempore of the Senate

The Honorable Peter Shumlin  
Governor

Ms. Rebecca Holcombe  
Secretary  
Agency of Education

Mr. Stephan Morse  
Chair  
State Board of Education

Dear Colleagues,

A primary source of school funding is the statewide education property tax, which includes the homestead education property tax. One of the key calculations used in determining the homestead education property tax rate is the number of equalized pupils for each school district, which is defined in 16 VSA Chapter 133. This complex calculation is performed by the Agency of Education (AOE), and is based on information received from multiple sources, including schools, supervisory unions, and the Department for Children and Families. Our report includes high-level descriptions and detailed demonstrations of how the number of equalized pupils and homestead education tax rates are calculated.

Because the calculation of the number of equalized pupils is critical to the determination of Vermonter's homestead property taxes, we decided to focus our audit on two objectives: (1) to assess whether AOE accurately performed the calculation of the number of equalized pupils; and (2) to assess the reliability of the Fall census data reported by a supervisory union and its schools for 2014 (i.e., fiscal year 2015).

Generally, AOE followed the law in its calculation of the number of equalized pupils for fiscal year 2016, however, the agency did not always have assurance the data used in the calculation was correct. This is because AOE's processes were not comprehensive in identifying inconsistencies within

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reported data. While this resulted in inaccurate data being used to calculate the number of equalized pupils, these inaccuracies are likely to be limited due to the relatively small number of students in these categories, compared to total enrollment. At the individual school district level, the significance of these inaccuracies would vary depending on particular circumstances, such as the total number of students enrolled and the error category.

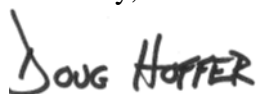
In addition, we noted the Fall 2014 public school census data reported by the Windsor Southeast Supervisory Union and its schools was generally reliable for purposes of calculating the number of equalized pupils. Although residence data entered in the census was mostly supported by written parental/guardian assertions, this information was rarely verified by the supervisory union for the students selected for our review. Among the reasons for the lack of residency verification is a State statute that does not explicitly require residences to be verified and a supervisory union's policy that was adopted in 2013 but not applied to students already enrolled.

This report makes recommendations to AOE regarding (1) developing more detailed criteria for school districts in reporting census data, (2) developing and improving processes designed to evaluate the accuracy of data and check for anomalies, and (3) providing additional guidance to school boards.

In commenting on a draft of the report, the Secretary of Education did not explicitly address our recommendations. In some cases, the Secretary's comments included general statements that improvements would be made or considered while in other cases issues and related recommendations were not addressed at all. Without making changes like those contained in our recommendations, the types of data errors found during the audit are likely to continue. Although we cannot predict the extent or effect of future data errors on AOE's calculation of the number of equalized pupils, it is in the best interest of the State and AOE to minimize such errors because of the calculation's importance in determining individual communities' homestead education property tax rates.

I would like to thank the management and staff at the Agency of Education and the Windsor Southeast Supervisory Union for their cooperation and professionalism during the course of this audit.

Sincerely,

A handwritten signature in black ink that reads "DOUG HOFFER". The signature is written in a cursive style with a large initial "D".

Doug Hoffer  
Vermont State Auditor

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## Introduction

Vermont's current school finance system was developed in response to the State Supreme Court's ruling in the Brigham decision (1997)<sup>1</sup> and is predicated on state funding of public education. The State pays each school district the amount needed to fund the district's locally adopted budget through the Education Fund.<sup>2</sup> The amount equals the total voter approved expenditure budget less any amounts for expenditures that have other funding sources. The State then divides each district's education spending by the district's equalized pupil count. The resulting spending per equalized pupil amount for a school district is used in the calculation to determine a municipality's homestead education property tax rate.

The Agency of Education (AOE) is responsible for the calculation of each school district's equalized pupil number. The primary inputs to this calculation are submitted by the school districts (i.e., public schools and supervisory unions<sup>3</sup>) via Fall census reports.

Because the calculation of equalized pupils is critical to the determination of Vermonters' homestead property tax rates, we decided to focus on two objectives: (1) to assess whether AOE accurately performed the calculation of the number of equalized pupils; and (2) to assess the reliability of the Fall census data reported by a supervisory union and its schools for 2014 (i.e., fiscal year 2015).<sup>4</sup> We scoped our audit to review the computation of equalized pupils used in the calculation of the fiscal year (FY) 2016 homestead property tax rate. For objective 2, we chose to evaluate the Windsor Southeast Supervisory Union (WSESU) and its five schools.

Appendix I contains details on our scope and methodology. Appendix II contains a list of abbreviations used in this report.

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<sup>1</sup> *Amanda Brigham v. State of Vermont* (96-502); 166 Vt.246; 692 A.2d 384.

<sup>2</sup> 16 VSA §11 defines a school district as town school districts, union school districts, interstate school districts, city school districts, unified union districts, and incorporated school districts, each of which is governed by a publicly elected board.

<sup>3</sup> Vermont has 45 supervisory unions, 12 supervisory districts, and 2 interstate districts. A supervisory district is a supervisory union that consists of only one school district. For purposes of this report, we use the term supervisory union to mean both types of organizations.

<sup>4</sup> This data was used in the computation of equalized pupils for the FY 2016 homestead property tax rate.

# Highlights: Report of the Vermont State Auditor

## Equalized Pupils: Agency of Education’s Calculations Generally Followed Law but Data Quality Could Be Enhanced

(March 11, 2016, Rpt. No. 16-02)

<p><b>Why We Did this Audit</b></p>	<p>The calculation of the number of equalized pupils is critical to the determination of Vermonters’ homestead property taxes. Our objectives were to (1) assess whether AOE accurately performed the calculation of the number of equalized pupils and (2) assess the reliability of the Fall census data reported by a supervisory union (Windsor Southeast) and its schools for 2014 (i.e., FY 2015).</p>
<p><b>Objective 1 Finding</b></p>	<p>AOE generally followed the law in its calculation of the number of equalized pupils for FY 2016, but did not always have assurance that data used in the calculation was correct. The number of equalized pupils is calculated for each Vermont school district. These numbers were derived from a series of spreadsheets containing complex formulas in which the calculations were mathematically correct.</p> <p>The primary inputs to AOE’s calculation of equalized pupils are (1) average daily membership (ADM), (2) counts of students who are English language learners (ELL), and (3) counts of students from economically deprived backgrounds.</p> <ul style="list-style-type: none"> <li>• <i>ADM</i> is the number of full-time equivalent enrolled students who are legal residents of a district or a municipality or who are in the care and custody of the Department for Children and Families (DCF) in the district or municipality (called state-placed students). An AOE system calculates ADM based in large part on student-level data reported by schools. The calculation was performed correctly. Since this calculation is contingent on accurate school reporting, AOE implemented controls to check this data, including system edits and reviews for data anomalies. However, AOE’s controls did not detect data inaccuracies for certain categories of students, such as those reported as homeschooled or state-placed.</li> <li>• <i>ELL</i> students (students whose native language is not English and are not yet proficient or have been proficient for less than two years) are reported in aggregate in the tuitioned student census. There were differences between this data and the data maintained in the AOE ELL database. Our review of discrepancies at four supervisory unions found that the census data was in error.</li> <li>• <i>Students from economically deprived backgrounds</i> are derived from information supplied by DCF on families enrolled in the 3SquaresVT benefit program. 3SquaresVT data were reported to AOE in accordance with the statutory criteria.</li> </ul> <p>Regarding errors related to homeschooled and ELL students, AOE did not discover these errors because its data review process did not look for inconsistencies within the reported data (e.g., homeschooled students reported as full-time students). For state-placed students, AOE had a process to review school-reported data, but this process was incomplete because it did not consider all students reported as state-placed by DCF. Inaccuracies in these types of data resulted in miscalculation of the number of equalized pupils, thereby affecting homestead property tax rates. However, statewide these effects are likely to be limited due to the relatively small number of students in these categories, compared to total enrollment. At an individual school district level, the significance of errors would vary depending on particular circumstances.</p>

# Highlights (continued)

<b>Objective 2 Finding</b>	<p>The data reported in the Fall 2014 public school census by the WSESU and its schools was generally reliable for purposes of calculating the number of equalized pupils. For example, the WSESU’s enrollment system contained the same students that it reported in the AOE census, with a few exceptions. In addition, of the 75 students selected to test for accuracy, only one student’s record (1 percent) contained incorrect data that resulted in an error in the number of equalized pupils. We noted an additional six student records (8 percent) were missing documentation to support the students’ towns of residence reported in the census. Therefore, the accuracy of the information for those students could not be determined. The remaining 91 percent of the 75 student records reviewed had no errors that affected the number of equalized pupils.</p> <p>Although the schools generally had residence documentation, student address information was only verified for two of the 75 students (3 percent) reviewed. Since 1967, 16 VSA §1075 has required school boards to determine the legal residences of their students. In March 2013, the WSESU school board issued a policy requiring the Superintendent to verify students’ residences for students enrolled subsequent to March 2013. About three-quarters of the students in our selection were enrolled prior to this date, and their addresses were not verified. However, for 13 students enrolled subsequent to March 2013, there was no evidence their residency had been verified. Additionally, there were five students (7 percent) where the WSESU claimed the residences had been verified, but the documentation was not complete per WSESU policy guidelines. The lack of residency verification is attributable to having no process in place between the WSESU and the schools to ensure students enrolling subsequent to March 2013 have their residence verified, as well as a lack of WSESU policy enforcement.</p> <p>It is unclear the extent to which school boards are required to verify students’ towns of residence. AOE reported that it expects school boards to follow 16 VSA §1075, but acknowledges the statute’s requirements are vague. In particular, the statute states that school boards shall determine students’ legal residences, but does not specify how or how often this determination is to be made, and AOE has not provided any additional guidance to schools to address this. This is important because the number of equalized pupils and homestead property tax rates are based on students’ districts of residence.</p>
<b>What We Recommend</b>	We made several recommendations to AOE directed towards (1) improving validation of the data utilized in the calculation of the number of equalized pupils and (2) providing additional guidance to the supervisory unions and schools.



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## Background

As established, primarily through Acts 60 (1997) and 68 (2003), Vermont's school funding system was designed to meet several goals: (1) reduce the wide disparity in per-pupil education spending that was closely related to property wealth, (2) reduce the disparity in academic achievement among Vermont's school children, (3) reduce the disparity in education tax burdens for equal amounts of spending per pupil among Vermont taxpayers, (4) allow school district voters to choose to spend as much as they wish on their children's education, and (5) ensure that higher spending per pupil in a district results in higher homestead taxes in that district.<sup>5</sup>

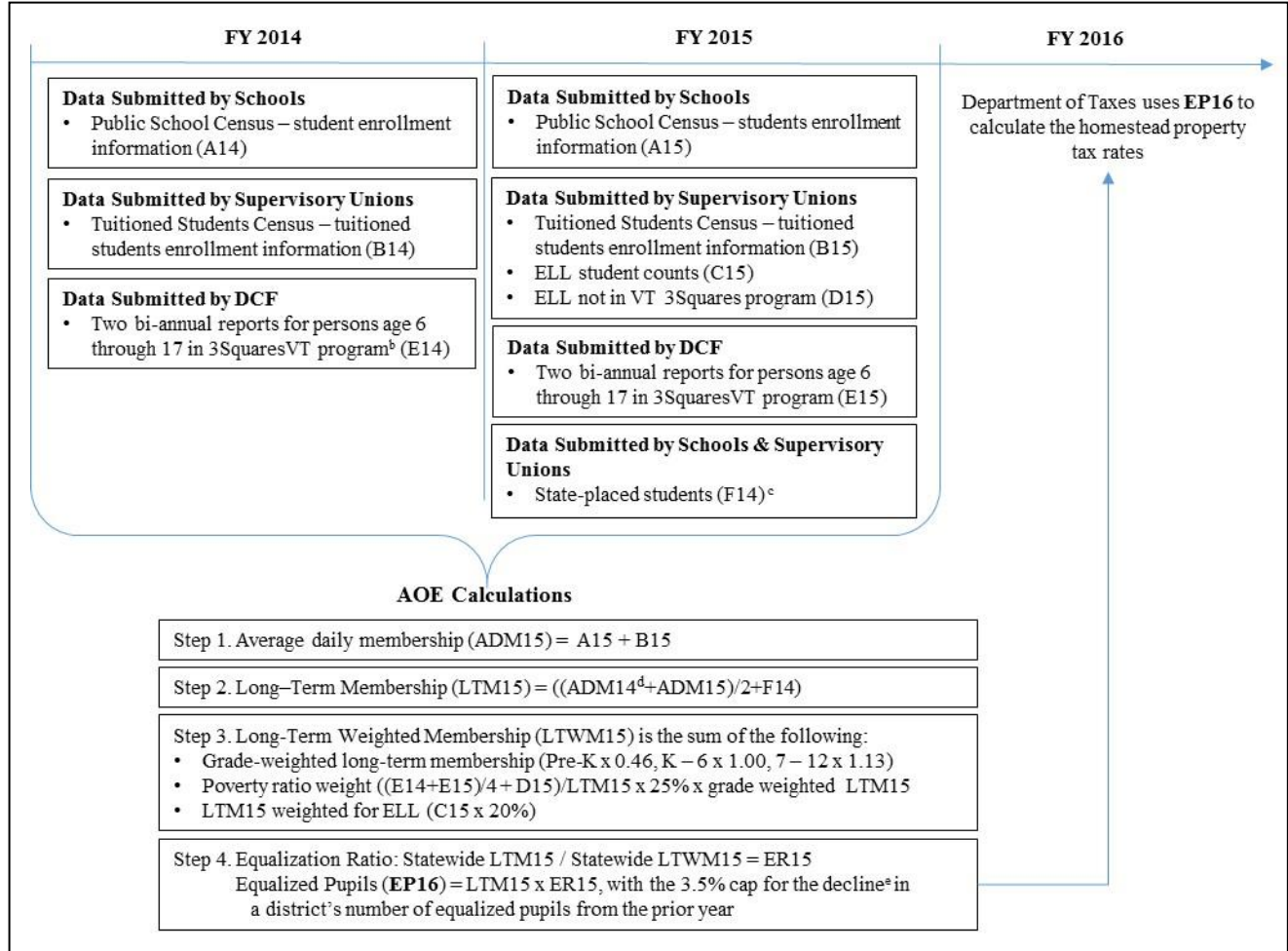
The primary source of school funding is the statewide education property tax, which is comprised of non-residential and homestead portions with different tax rates. The homestead property tax rate relies on complex calculations performed by AOE and the Department of Taxes. Appendix III includes a simplified diagram of the primary inputs and calculations performed to determine homestead property tax rates.

One of the principle calculations performed in determining the homestead property tax rate is the number of equalized pupils for each school district. Figure 1 is a simplified diagram of the sources and use of data utilized in AOE's calculation of equalized pupils.

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<sup>5</sup> *An Evaluation of Vermont's Education Finance System* (Lawrence O. Picus and Associates, LLC, January 18, 2012).

**Figure 1: Simplified Diagram of the Calculation of the Number of Equalized Pupils for Setting FY 2016 Homestead Property Tax Rates<sup>a</sup>**



<sup>a</sup> This figure demonstrates the equalized pupils calculation flow notwithstanding statutory provisions for unorganized towns or the one-year provisional adjustment in Act 166 (2014) related to FY 2016 pre-K estimates.

<sup>b</sup> A program that provides nutrition benefits to families with gross household income of or less than 185% of the federal poverty level.

<sup>c</sup> This is the number of students who were in DCF care and custody at any time during the previous school year (FY 2014), provided they met certain criteria.

<sup>d</sup> ADM14 was calculated in FY 2014 based on A14 and B14 data submissions.

<sup>e</sup> A district's equalized pupils shall in no case be less than 96.5% of the district's equalized pupils in the previous year.

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The Fall 2014 public school and tuitioned student censuses included 87,827 actual students.<sup>6</sup> Statewide, the number of equalized pupils calculated as of December 2014 was 89,163. Therefore, the required calculation effectively added the equivalent of 1,336 students. Of this amount, 640 were so called phantom students, which is the term used to indicate the numbers added to towns' equalized pupil count to address the statutory requirement that a district's equalized pupils shall in no case be less than 96 and one-half percent of the district's equalized pupils in the previous year. Table 1 demonstrates the flow of the equalized pupils calculation and the adjustment weights for FY 2016.

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<sup>6</sup> This is the number of Vermont resident students who met criteria for being included in ADM counts for FY 2015 (Fall 2014 census). It excludes certain students enrolled in Vermont schools, such as exchange students or students in a state-placed status as of the time of the Fall census.

**Table 1: Calculation of the FY 2016 Statewide Equalized Pupils Number**

Students enrolled in the FY 2015 ADM period (Fall 2014)<sup>a</sup> 87,827

Statutory Reference	Step Description	Actual	Weight	Total
16 VSA §4010(b)	2-year average ADM <sup>b</sup>	88,302	-	88,302
16 VSA §4001(1)(B)	State-placed students	213	-	213
16 VSA §4001(7)	Long-term membership (LTM)	88,515	-	88,515
16 VSA §4010(c)	Combined grade weights <sup>c</sup>	-	1,662	1,662
16 VSA §4010(c)	Grade weighted long-term membership	-	-	90,177
16 VSA §4001(8)	Persons age 6 through 17 from economically deprived		-	-
16 VSA §4010(d)	backgrounds:			
	DCF poverty counts	20,589 <sup>d</sup>		
	ELL not residing with families on 3SquaresVT	1,325	-	-
	Numerator of Poverty Ratio – persons from	21,914		
	economically deprived backgrounds			
16 VSA §4001(8)	Poverty ratio (persons from economically deprived	0.2476 <sup>e</sup>	-	-
	backgrounds/long-term membership)			
16 VSA §4001(8)	Poverty weight (grade weighted LTM x 25% x	-	5,570 <sup>f</sup>	5,570
16 VSA §4010(d)	Poverty Ratio)			
16 VSA §4010(e)	ELL weight (ELL count x 20%)	1,874	375	375
16 VSA §4010(e)	Long-term weighted membership (LTWM)	-	-	96,122
16 VSA §4001(3)	Equalization ratio (LTM/LTWM)	0.92094 <sup>g</sup>	(7,599)	0.92094
	Equalized Pupils before factoring in decline limits	-	-	88,523
	(96,123 x 0.92094)			
16 VSA §4010(f)	Phantom students <sup>h</sup>	-	640	640
	FY 2016 Equalized Pupils	-	-	89,163

<sup>a</sup> This is the number of Vermont resident students who met criteria for being included in ADM counts for FY 2015 (Fall 2014 census). It excludes certain students enrolled in Vermont schools, such as exchange students or students in a state-placed status as of the time of the Fall census.

<sup>b</sup> ADM is calculated based on such factors as the number of days a student is enrolled within an ADM period, the student’s full or part time enrollment status, etc.

<sup>c</sup> The calculated ADM is adjusted for the following grade weights: prekindergarten—0.46, elementary or kindergarten—1.0, secondary—1.13.

<sup>d</sup> Calculated as a two-year average, based on four bi-annual reports from DCF that provide counts of families receiving 3SquaresVT benefits.

<sup>e</sup> For demonstration purposes, the poverty ratio in the table is calculated on a statewide basis. In the actual calculation, poverty ratios are calculated on a town basis.

<sup>f</sup> The amount shown is the actual cumulative weight used in FY 2016 calculation, based on town-specific poverty ratios. If calculated based on the statewide poverty ratio, the weight is 5,582.

<sup>g</sup> The equalization ratio shown here was calculated on the original data submissions, notwithstanding any subsequent data corrections included in the actual totals above.

<sup>h</sup> The term “phantom students” is used to indicate the numbers added to towns’ equalized pupil count to address the statutory requirement that a district’s equalized pupils shall in no case be less than 96 and one-half percent of the district’s equalized pupils in the previous year.

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## Objective 1: AOE Mostly Followed the Law in Calculating the Number of Equalized Pupils, but Its Processes Did Not Always Ensure Data Quality

With one exception, AOE accurately followed Vermont law in its FY 2016 calculation of the number of equalized pupils. Mathematically, AOE accurately computed the FY 2016 number of equalized pupils based on the data used in the calculation. However, the Agency erroneously included FY 2016 prekindergarten enrollment estimates in the long-term membership of 47 school districts. In addition, AOE processes for ensuring the quality of the data, used in the calculations, did not always provide assurance that the data were correct, and some deficiencies existed. With respect to the calculation of ADM, we found a few data errors that appeared to be inconsequential to the calculations of the number of equalized pupils. In further spot checks of other data inputs into the calculation of equalized pupils we found additional errors, the materiality of which would depend on school districts' specifics, such as the total number of students enrolled, the error category, and the timing of corrections. Statewide the effects of these types of errors are likely to be limited due to the relatively small number of students in these categories, compared to total enrollment.

Since we only performed spot checks of the data, we cannot project incidence of these errors to data provided by school districts not included in our review. Nevertheless, our follow-up with the school districts and AOE determined that changes to guidance and processes could improve data quality. After we brought errors to the attention of school districts and AOE, in some cases the errors were corrected, while in other cases the school districts planned to submit corrections to AOE. According to 16 VSA §4030, school districts are allowed to correct census submissions within three fiscal years following the date the original data were due. However, corrections made after the census data freeze<sup>7</sup> are not applied retroactively so would not rectify the inaccuracies in the FY 2016 equalized pupils calculation<sup>8</sup> or homestead property tax rates.

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### Calculation of the Number of Equalized Pupils—Formula

To calculate the number of equalized pupils in FY 2016 for each school district, AOE used a series of spreadsheets that contained complex formulas,

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<sup>7</sup> The errors discussed in this section were all found subsequent to the initial data freeze.

<sup>8</sup> The corrections would be taken into account for rolling forward each year's equalized pupils number for the purposes of setting a base for phantom students calculations.

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as called for in the statute that defines how this number is to be computed (see Appendix IV for the statutory provisions). The calculations for FY 2016 were performed in FY 2015 and utilized data from FY 2015 and FY 2014. The FY 2016 calculation accurately followed the statutory formula, except for the inclusion of FY 2016 prekindergarten enrollment estimates for 47 school districts.

### **Prekindergarten estimates**

Act 166 (2014), requires all Vermont school districts to provide universal publicly funded prekindergarten (pre-K) education for all 3, 4, and 5-year-old children who are not enrolled in kindergarten. School districts were given an option to begin implementation July 1, 2015 or opt out and wait until July 1, 2016.

Act 166 section 2 states that “if a school district did not provide or pay for prekindergarten education pursuant to 16 V.S.A. § 829 in fiscal year 2015, then: (1) for purposes of determining the equalized pupil count for the fiscal year 2016 budget, the long-term membership of prekindergarten children shall be the number of prekindergarten children for whom the district anticipates it will provide prekindergarten education or pay tuition, or both, in fiscal year 2016.”

Fifty-three districts estimated their FY 2016 pre-K enrollment, for a total of 832.80 students statewide. Of those 53 districts, only six<sup>9</sup> did not report any pre-K enrollment in FY 2015 and hence met the criteria outlined in Act 166 for the inclusion of the anticipated pre-K enrollment in the calculation of their long-term memberships. Nonetheless, AOE applied Act 166 long-term membership calculation formulas to all 53 districts. As a result, AOE erroneously added the pre-K estimates to ADM counts in the calculation of the long-term membership numbers for 47 school districts. This resulted in an additional 756.5 students.

The inflated long-term memberships affected the number of equalized pupils and homestead property tax rates for some of the 47 districts more than for others. To demonstrate the effect of the erroneous inclusion of pre-K estimates, we selected six towns<sup>10</sup> and recalculated the number of equalized pupils and homestead property tax rates without FY 2016 pre-K estimates

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<sup>9</sup> This does not include Colchester, which reported students enrolled in pre-K as enrolled in Essential Early Education in FY 2015 in error.

<sup>10</sup> The selection was done based on the percentage of the FY 2016 pre-K estimates to the total of a school districts’ ADM—two towns were selected from each of the low, medium and high percentile groups.

(see Table 2). Based on the recalculated equalized pupil numbers, the increase in the homestead property tax ranged from \$0.24 to \$76.15 for every one hundred thousand dollars of property value for these districts.

**Table 2: Demonstration of the Effect of Pre-K Estimates<sup>a</sup> Used in the Calculation of the Number of Equalized Pupils for Selected Districts**

School District	FY 2016 Originally Calculated		FY 2016 Recalculated to Remove Pre-K Estimates		Increase in Homestead Property Tax For Every \$100,000 of Property Value <sup>b</sup>
	Number of Equalized Pupils	Homestead Property Tax Rate	Number of Equalized Pupils	Homestead Property Tax Rate	
Dover	169.06	\$1.5011	160.90	\$1.5773	\$76.15
Chelsea	179.42	\$1.5825	173.29	\$1.6385	\$56.00
Coventry	163.20	\$1.3405	158.88	\$1.3770	\$36.50
Hartford	1,510.39	\$1.5062	1,480.34	\$1.5367	\$30.50
Manchester	625.80	\$1.4700	625.70 <sup>c</sup>	\$1.4702	\$0.24
Winooski	925.03	\$1.3726	918.20	\$1.3828	\$10.20

<sup>a</sup> The recalculation in this table takes into account only pre-K estimates and no other changes, such as errors in the number of students who are English language learners.

<sup>b</sup> Calculations may differ slightly due to rounding.

<sup>c</sup> Manchester's number of equalized pupils would have been 619.79 but for the 16 VSA §4010(f) requirement that limits a district's decline in the number of equalized pupils to 96.5 percent of the prior year's number of equalized pupils (648.39).

According to an AOE finance official, AOE included the pre-K estimates in the calculation of long-term membership for all early implementers of Act 166 because “new [pre-K] students could seriously skew a tax rate calculation in a wrong direction, as the district would have the cost but not the count of the [pre-K] pupils.” Moreover, the AOE General Counsel concluded that the legislative intent of Act 166 supports AOE’s decision to include pre-K estimates for all early implementers. Specifically, he found that the wording in section 2 of the Act, read in conjunction with section 1, was ambiguous. He added, if read literally, section 2 would result in an “absurd” outcome in that it would “penalize” school districts that had implemented a pre-K program in FY 2015, under Act 62,<sup>11</sup> because their ADM counts would be lower than they might have reasonably predicted once universal access to

<sup>11</sup> Act 62 (2007) provided state and local support for publicly-funded (but non-mandatory) pre-K programs.

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pre-K was implemented. The AOE officials added that they consulted with legislators<sup>12</sup> and administration officials in reaching this conclusion.

We consulted with the Office of the Attorney General on this issue, which concluded that section 2 of Act 166 did not apply to school districts that enrolled pre-K students in FY 2015. In particular, the office noted that in the absence of contrary legislative history (e.g., committee reports) the plain meaning of section 2 of Act 166 should govern its implementation.

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## Calculation of the Number of Equalized Pupils–Data

The primary inputs into the calculation of equalized pupils are ADM and counts of students who are English language learners and/or come from economically deprived backgrounds. As part of our analysis of the spreadsheets used to calculate the number of equalized pupils, we looked for data anomalies, as well as performed spot checks of the data used for each of these primary inputs. See Appendix V for a demonstration<sup>13</sup> of the cumulative effect of data errors we found on the number of FY 2016 equalized pupils and the homestead property tax rates of six districts.

### Average Daily Membership

ADM<sup>14</sup> is a system-generated calculation based on student-level enrollment data reported by school districts. In almost all cases, the ADM for each student was calculated as a maximum of 1.0.<sup>15</sup> We confirmed that AOE’s system was calculating ADM correctly by recalculating ADM for Windsor Southeast Supervisory Union. We also looked at the inputs to the ADM calculation, as described below.

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<sup>12</sup> AOE provided us with the clarifying statements from the Act’s two primary sponsors – Senator K. Mullin and Representative S. Buxton, dated February 3, 2016. However, no documentation was provided regarding the intent of deliberations from the timeframe when the Act was being worked on in the Legislature.

<sup>13</sup> This recalculation was performed assuming that except for the errors noted, other critical data points, such as the school district budgets, remained unchanged.

<sup>14</sup> ADM is (1) the full-time equivalent enrollment of students who are legal residents of the district or municipality attending a school owned and operated by the district or for whom the districts pay tuition to an approved independent or public school outside the district during the annual census period; (2) the full-time equivalent enrollment in the year before the last census period of state-placed students; and (3) the full-time equivalent for each prekindergarten child attending school for six or more hours a week. The ADM period for most students consists of the 11<sup>th</sup> day through the 30<sup>th</sup> day of the school year in which school is actually in session.

<sup>15</sup> Generally, ADM is calculated based on 20-day enrollment period. In cases of an overlapping enrollment between the schools, a student’s enrollment period might exceed 20 days. Hence, ADM would exceed 1.0.



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## Census Input to ADM

For the purposes of ADM calculation, AOE collects census data from the public school and tuitioned student censuses. Students are included in the ADM calculation based on their residency, admission status, funding source, etc. For the purposes of census reporting, AOE preloads students' information and expects school districts<sup>16</sup> to review their students' information before submission. AOE does not verify the data submitted by the districts in the census, but requires school districts to certify that data is correct. AOE has established system edits to check for errors in submissions, such as duplicate students, and backend checks for data anomalies, such as residency inconsistencies for tuitioned students.

The scope of our audit did not include validation of census data taken as a whole, therefore we do not opine on the accuracy of the data reported by school districts in the public school and tuitioned student censuses. However, during our analyses we found some data that were reported in error. Many of these errors appear to be isolated incidents due to human mistakes or edits<sup>17</sup> that did not work as intended. In contrast, the following two types of errors appeared to be more systematic.

- *Federally Funded.* ADM calculations exclude<sup>18</sup> students that are funded from federal sources. According to an AOE information technology official, the Agency expects that only pre-K students enrolled in a Head Start program<sup>19</sup> would be reported as federally funded and only in circumstances in which school districts provide a classroom as an in-kind match. There were 63 and 96 students reported as federally funded statewide in FY 2014 and FY 2015, respectively. Of these, 16 (FY 2014) and 10 (FY 2015) were reported for grades other than pre-K. The majority of the pre-K students reported as federally funded in FY 2015 belonged to two school districts—Bennington and Brattleboro. We contacted these school districts and determined that they incorrectly reported 39 and 32

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<sup>16</sup> Census data are submitted to AOE either by public schools or by supervisory unions, cumulatively known as “school districts.”

<sup>17</sup> According to an AOE information technology official, the Oracle® application that the Agency uses to collect data is over 10 years old, which causes some system deficiencies. Although the AOE development team is working to identify the causes of edits failures, at this time they remain unknown.

<sup>18</sup> Federally funded source is one of eight funding sources under which students are excluded from the ADM calculation.

<sup>19</sup> Head Start is a national program that provides comprehensive child development services primarily to low-income children (up to age five) and their families. It is administered by the Administration for Children and Families within the U.S. Department of Health and Human Services.

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pre-K students, respectively, as federally funded in FY 2015, which resulted in exclusion of these students from the ADM and equalized pupils calculations. These errors may be due to inadequate AOE guidance. Specifically, AOE's instructional materials just state that funding source code 06 should be used when a student is federally funded, but it does not define what that means. We do not know the extent to which other school districts may also have incorrectly reported such students.

- *Homeschooled Hours.* For homeschooled students that take academic courses,<sup>20</sup> the ADM calculation is based on the proration of the hours of attendance. The FY 2015 census data contained 87 students coded as homeschooled for whom ADM was calculated as 1.0, which is conceptually inconsistent.<sup>21</sup> Eighty-three of those students had no hours reported and four had partial hours reported. We spot-checked attendance hours for six students that AOE confirmed<sup>22</sup> were homeschooled, but who were also reported as full-time in the census. In addition, we checked attendance hours reported in the census for another five homeschooled students. We found that in each of these 11 cases (three schools), attendance hours were reported inaccurately, which resulted in the associated ADM being calculated inaccurately. The school officials explained incorrect reporting as a misunderstanding of the AOE's reporting guidelines or as an oversight. AOE did not catch these errors because it has no edits for homeschooled students listed as attending school full-time, and does not perform any backend checks for anomalies related to this category of students.

### **Non-Census Input to ADM**

According to 16 VSA §4001(1)(B), the ADM counts are to include certain<sup>23</sup> students who were in DCF care and custody during the year prior to the current census year, called state-placed students.

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<sup>20</sup> Homeschooled students that take extra- or co-curricular activities are reported separately with an allotment of 0.03 ADM for each of the activities.

<sup>21</sup> AOE guidelines for homeschooled students limit the percentage of core academic courses that homeschooled students may take at school to 40 percent.

<sup>22</sup> Per AOE, 31 of the 87 students were reported as homeschooled in error, as they were not approved to be homeschooled.

<sup>23</sup> The definition of a state-placed student excludes students placed in the same district of residence as the student's parent(s) or guardian(s).

AOE receives information regarding state-placed students from multiple sources. First, schools are required<sup>24</sup> to submit school year-end reports listing all state-placed students, indicating their grades, towns of placements, towns of residency for parents or guardians, and the beginning and ending dates of the placement. Second, DCF provides AOE with daily, weekly, and monthly information regarding students in their custody, including names, residency, and beginning and ending dates of the placements. Third, the Department of Mental Health provides AOE with information on students placed in their residential facilities.<sup>25</sup>

To determine those state-placed students that should be included in the ADM counts, AOE compares school year-end reports to the data provided by DCF. However, the review process was incomplete. Although AOE made sure that students reported by school districts were confirmed by DCF data, AOE did not question cases when DCF listed students being placed in a particular municipality, but school districts did not include the same students in their reports. For example, we reviewed state-placed student reports from three supervisory unions for two years and found five of the six reports had omitted some state-placed students (see Table 3). As to the causes of inaccurate reporting, the supervisory unions indicated that it was lack of timely communication with DCF or an oversight.

**Table 3: Errors Noted in the State-placed Students Report by Three Selected Supervisory Unions.**

<b>Supervisory Union</b>	<b>State-Placed Student Report for FY 2013</b>	<b>State-Placed Student Report for FY 2014</b>
Windsor Southeast	Underreported by 6	Underreported by 3
Southwest Vermont	Underreported by 9	Underreported by 14
Winooski	Underreported by 1	Reported correctly

### Students Who Are English Language Learners

Other data critical to the calculation of the number of equalized pupils are students who are English language learners (ELL). Vermont statute requires AOE to increase the weighted long-term membership by 20 percent of the number of ELL students included in average daily membership. Currently, supervisory unions report ELL data in aggregate as part of the tuitioned student census for each of their school districts. AOE does not perform any

<sup>24</sup> Reports are approved by a supervisory union’s superintendent.

<sup>25</sup> Students placed in residential facilities are not considered to be state-placed for the purposes of the ADM calculations.

verification of the aggregate ELL data reported by the supervisory unions, even though AOE has a database that it uses to account for students who are scheduled to take English proficiency assessments and students who have been determined proficient and remain in monitoring status.

To perform spot verification of ELL counts, we selected four supervisory unions and obtained lists of students who were included in their FY 2015 ELL counts. We compared those lists to the ELL information<sup>26</sup> independently available at AOE, followed up on differences with the supervisory unions, and found that all four supervisory unions had inaccuracies in their reporting of ELL students (see Table 4).

**Table 4: Errors Noted in the Reporting of ELL students by Four Selected Supervisory Unions**

<b>Supervisory Union</b>	<b>Reported during FY 2015 Census</b>	<b>Numbers of ELL Students in FY 2015 According to ELL Database</b>	<b>Variance in ELL Counts for FY 2015</b>
Windsor Southeast	2	6	Underreported by 4
Southwest Vermont	6	15	Underreported by 9
Winooski	262	269	Underreported by 7
Franklin Central	16	31	Underreported by 15

According to the supervisory unions’ officials, reporting errors were due to an oversight or misunderstanding of the AOE ELL reporting guidelines. Specifically, AOE’s written instructions for ELL-related data collection did not always align with the AOE’s own practices. AOE’s tuitioned student census instructions<sup>27</sup> refer to the State Board of Education Rule 9501 for the criteria of an ELL, which according to the AOE officials, differ from the current AOE practice of identifying an ELL student. The State Board of Education Rule defines an ELL student as one with a primary or home language that is not English, who has been assessed for and found to have limited English proficiency within the preceding twelve months, and/or continues to be eligible for and receive English as a second language services. The State Board of Education Rule does not extend its definition of ELL students to those found to be proficient. In contrast, AOE expects school

<sup>26</sup> AOE has a database that it uses to account for students who are scheduled to take English proficiency assessments and students who have been determined proficient, but remain in monitoring status.

<sup>27</sup> “Tuitioned Student Census Fall Update for 2014 – 2015.”

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districts to include in their ELL counts students determined to be proficient for an additional two years after the assessment date for monitoring purposes.

AOE is not likely to identify these types of errors because the number of ELL students are reported on the tuitioned student census in aggregate. According to an AOE information technology official, the Agency used to require that student records in the public school census include an indicator of whether a student was an ELL. She explained that this requirement was removed because the Agency could not reconcile the census data to the AOE ELL database. Even if a reconciliation for individual students is not possible, AOE could determine the difference between the ELL data reported in the census and what is in the ELL database at a school district level, which could identify significant discrepancies. Student level ELL data in the census would better position AOE to follow up and resolve such discrepancies.

## Poverty Ratio

Another factor in the calculation of the number of equalized pupils is a poverty ratio. The poverty ratio is calculated for each municipality by the district the students attend as the sum of (1) persons in the school district who are aged 6 through 17 and who are from economically deprived backgrounds and (2) persons who do not reside with a family receiving nutrition benefits but for whom English is not the primary language, divided by the long-term membership of the school district.

### **Persons from Economically Deprived Backgrounds**

According to 16 VSA §4001(8), a person from an economically deprived background is a person who resides with a family receiving nutrition benefits. The data for this element of the calculation of equalized pupils are derived from the DCF eligibility system (called ACCESS) and include those enrolled in the 3SquaresVT benefit program.<sup>28</sup> We assessed the reasonableness of the 3SquaresVT benefits data extraction process used in the calculation of the FY 2016 equalized pupils calculation. The process DCF used to gather the eligibility data for the FY 2016 equalized pupils calculation met the statutory criteria.

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<sup>28</sup> A program that generally provides nutrition benefits to families with gross household income of or less than 185% of the federal poverty level.

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### English Language Learners Who Do Not Reside with Families Receiving Nutrition Benefits

The poverty ratio calculation also includes the number of ELL students who do *not* come from economically deprived backgrounds, as defined in 16 VSA §4001(8). Supervisory unions report aggregate counts of ELL students who reside with families receiving nutrition benefits as part of the tuitioned student census for each of the school districts. AOE instructions direct supervisory unions to report these numbers based on the information contained in the students’ free and reduced lunch applications, indicating who resides with families that receive 3SquaresVT benefits.

For our spot check of the ELL students reported as not residing with families receiving nutrition benefits, we utilized a DCF monthly report (called the Directly Certified report) that contains information on all children<sup>29</sup> receiving 3SquaresVT benefits. The report is available to AOE and could be made available to supervisory unions, as it is already available to schools. We analyzed the data as of October 2014. We found errors in the four supervisory unions reviewed (see Table 5).

**Table 5: Errors Noted in the Reporting of ELL Students by Four Selected Supervisory Unions**

Supervisory Union	ELL Not Residing with Families Receiving 3SquaresVT Benefits (FY 2015)		
	Originally Reported Based on Free and Reduced Lunch Applications	Based on DCF Directly Certified Report	Difference
Windsor Southeast	2	6	Underreported by 4
Southwest Vermont	6	11	Underreported by 5
Winooski	83	59	Overreported by 24
Franklin Central	16	23	Underreported by 7

The reasons for these errors were twofold—incorrect reporting of the number of ELL students, as discussed in the prior section, and the use of the free and reduced lunch application data instead of the authoritative DCF data.

Currently AOE does not verify the supervisory unions’ counts of ELL students not residing with families receiving nutrition benefits, as such information is reported in aggregate. In addition, the errors are attributable at least in part to AOE’s instructions that direct supervisory unions to gather

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<sup>29</sup> DCF’s list of students directly certified to participate in the school meals program, which contains information for children from birth to 22 years old.

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counts of ELL students not residing with families receiving nutrition benefits from students' applications for free or reduced lunch when more accurate data is available directly from monthly DCF reports.

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## Objective 2: WSESU Public School Census Data Generally Reliable

The Fall 2014 public school census data reported by the Windsor Southeast Supervisory Union (WSESU) and its schools was generally reliable for purposes of calculating the number of equalized pupils. In particular, information in the WSESU's enrollment system supported the completeness of the census data with few exceptions. In addition, we only noted one error in the records of 75 students selected for review that effected the number of equalized pupils. However, there was no effective process in place to verify student residential information. The WSESU is responsible for verifying the residency of students, nevertheless, only 3 percent of students reviewed for this audit had their residency verified. Because of this, it is unknown whether student addresses reported by parents or guardians were accurate. This is important because AOE calculates the number of equalized pupils and homestead property tax rates based on students' districts of residence.

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### Support for Census Data

AOE required schools to report their Fall 2014 student enrollment information in the public school census by November 7, 2014. The census included information about each student enrolled during that time,<sup>30</sup> such as admission status, grade level, and town of residence. The schools within the WSESU utilize the PowerSchool system to track the enrollment of students. Since AOE's census system does not interface directly with PowerSchool, enrollment information contained in PowerSchool is manually re-entered into AOE's system by clerks from each of the five schools.<sup>31</sup> Once complete, AOE uses this census information to calculate the number of equalized pupils.

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<sup>30</sup> Per the AOE "Elementary/Secondary School Register for School Year 2014-2015," this time period is July 1, 2014 through about November 7, 2014.

<sup>31</sup> AOE gives schools the option of submitting their census data electronically rather than manually re-entering data from their enrollment systems. However, according to an AOE information technology official, this is not ideal. For example, there is a short collection timeline and depending on resources at AOE, it could take several days for data to be made available online for schools to review to ensure the accuracy of the data. This same official noted that for the Fall 2014 public school census submission, only 23 schools out of 304 (8 percent) submitted their census data electronically.

We compared the number of WSESU students enrolled in the AOE census with the PowerSchool data and reconciled differences. Table 6 shows the results.

**Table 6: Number of Students Reported in the Fall 2014 Public School Census Compared to the Number of Students Enrolled in PowerSchool, for September 11, 2014<sup>a</sup>**

School	Number of Students Enrolled as of 9/11/14		Census Difference
	Fall 2014 Census	PowerSchool	
Albert Bridge School	77	77	No difference
Hartland Elementary School	308	307	Overreported by 1 <sup>b</sup>
Windsor Jr/Sr High School	293	294	Underreported by 1
Windsor State Street School	263	263	No difference
Weathersfield School	213	214	Underreported by 1 <sup>c</sup>

<sup>a</sup> ADM is calculated by AOE based on student enrollment from the 11th to the 30th day of school and is a factor in calculating the number of equalized pupils. For the 2014-2015 school year, the ADM period for the five schools within the WSESU all began on September 11, 2014 and ended on October 9, 2014. PowerSchool could not provide enrollment data for this range of dates, so we chose to analyze enrollment data as of September 11, 2014.

<sup>b</sup> The school incorrectly reported two students in the census who were not enrolled in the school as of September 11, 2014, and did not report one student in the census who was enrolled at that time, for a net difference of one.

<sup>c</sup> This error was found by the school after the census was completed and the school notified AOE of the omission, as confirmed by AOE.

The WSESU submitted the Fall 2014 public school census data for pre-K and essential early education (EEE)<sup>32</sup> students. WSESU reported 32 pre-K and EEE students, and this was supported by documentation maintained by the WSESU.

In order to confirm that records maintained by the schools and the WSESU were consistent with information reported to AOE in the Fall 2014 public school census, we randomly selected 75 students from the five schools for review.<sup>33</sup> Table 7 shows the number of students tested in each school and the number of students whose census information was either supported or not supported by school or WSESU documentation. Of the 75 students reviewed, there was one record (1 percent) with incorrect data that would have affected

<sup>32</sup> Per 16 VSA §2956 states, “all eligible children with disabilities three through five years of age shall have access to appropriate essential early education services.”

<sup>33</sup> Because this was not a statistical sample, results cannot be projected.



the number of equalized pupils, and six records (8 percent) that did not have documentation that supported the student's town of residence. This is important because the number of equalized pupils is calculated based on residence. There were an additional three records with errors, but these errors did not affect the number of equalized pupils.

**Table 7: Number of Students Whose Information Entered in the Fall 2014 Public School Census Was Either Supported or Not Supported by School or WSESU Documentation**

School	# of Students Reviewed	# of Students Whose Data Was Supported	One or More Data Elements Not Supported	
			# of Students	Comment
Albert Bridge School	5	3	2	The school did not have documentation that supported the town of residence for these students. Therefore, we were unable to confirm the students were included in the correct town for purposes of calculating the number of equalized pupils. <sup>a</sup>
Hartland Elementary School	20	18	2	One student's town of residence was reported incorrectly, which effects the number of equalized pupils since it is calculated by town. <sup>b</sup> Another student's grade level was incorrectly reported, however, this error did not affect the number of equalized pupils. <sup>c</sup>
Windsor Jr/Sr High School	18	16	2	The students grade levels were reported incorrectly, but these errors did not affect the number of equalized pupils. <sup>c</sup>
Windsor State Street School	18	16	2	The school did not have documentation that supported the town of residence for these students. Therefore, we were unable to confirm the students were included in the correct town for purposes of calculating the number of equalized pupils. <sup>a</sup>
Weathersfield School	14	12	2	The school did not have documentation that supported the town of residence for these students. Therefore, we were unable to confirm the students were included in the correct town for purposes of calculating the number of equalized pupils. <sup>a</sup>
<b>Total</b>	<b>75</b>	<b>65</b>	<b>10</b>	

<sup>a</sup> Confirmed through other documentation maintained by the school that the students without residence support were enrolled and attending school.

<sup>b</sup> The error was caused by entering the wrong town code in the Fall 2014 public school census. Because of this, we examined the town codes for anomalies for the remaining students not tested. Based on this review, Hartland was underreported by an additional three students and Windsor was overreported by one student.

<sup>c</sup> To calculate the number of equalized pupils, the grade levels are weighted as follows; pre-K at 0.46, kindergarten and elementary at 1.00, and secondary at 1.13. Because the incorrect grade reported had the same weight as the correct grade, the error had no effect on the number of equalized pupils.

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At the start of a new school year, each of the five schools requires parents or guardians to either (1) review current residency information on file and submit changes, or (2) complete a new student information form, which specifically asks for the student's home address. In two of the six cases, once the current year's information was received,<sup>34</sup> the previous year's was no longer retained by the school. In the remaining four cases, we were not able to determine the reason why documentation was missing.

Due to the limited number of errors found, the Fall 2014 public school census data entered by the WSESU and its schools was generally reliable. AOE relies on census data reported by schools and supervisory unions when calculating the number of equalized pupils. Our testing identified only a few errors, so the number of equalized pupils would not be significantly affected.

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## Verification of Residency

Since 1967, 16 VSA §1075 has required school boards to determine the legal residences of their students. In March 2013, the WSESU school board approved a policy which requires the Superintendent to verify the residency of minors enrolling in the district for the first time, re-enrolling after withdrawal, or whose residence is being questioned. However, this policy only affected students enrolling subsequent to March 2013, and students who enrolled prior to this time were not required to verify their residency with the WSESU.

Of the 75 students selected, only two (3 percent) had their residency verified by the WSESU. Additionally, there were five students (7 percent) in which the WSESU considered the residency to be verified but the documentation was incomplete or inconsistent with the address being verified. For example, the policy requires the parent or guardian to provide a notarized letter from their landlord as one option for proving town residency. However, in two instances, the letter provided and accepted by the WSESU was not notarized. In other cases, the address listed on the utility bill and car insurance policy did not agree to the address on the affidavit, or documentation provided lacked the required proof of town residency.

Of the 68 remaining students, 54 enrolled prior to adoption of the WSESU address verification policy, 13 enrolled after adoption of the policy, and one student's enrollment date could not be determined by the school. In the case

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<sup>34</sup> Current year refers to the 2015-2016 school year, with the student's address being as of the start of that school year (September 2, 2015). Our audit was for the 2014-2015 school year.

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of the 13 students where the policy did apply, the lack of verification of student residences can be attributed to two factors.

- *Verification process.* The WSESU verified residency if the information was received, however, if the parent or guardian did not submit the information, the WSESU may not know the information was due. This is because the WSESU did not always receive a list from the schools of students who needed their residences verified. To address this problem, the WSESU official who verifies residency informed us that they recently requested schools to send the names of new students.<sup>35</sup>
- *Policy enforcement.* Both the schools and WSESU noted if a student is enrolling for the first time *and* they already have a sibling currently enrolled in the school, the student is not required to have their residency verified. However, this is not an exception permitted by the WSESU policy. In addition, the required documents to support residency were not always provided in accordance with the policy but were accepted by WSESU.

An underlying factor in the small percentage of students whose residence was verified is the lack of clear state requirements. AOE reported that it expects school boards to follow 16 VSA §1075 but acknowledged the statute is vague. In particular, the statute states that school boards shall determine students' legal residences, but it does not specify how or how often this determination is to be made. In addition, AOE has not provided any instructions to schools on how to address this issue. Because of this, it is uncertain the extent to which school boards are required to verify students' towns of residence.

AOE relies on residency information in the Fall 2014 public school census when calculating the number of equalized pupils. The WSESU did not know whether the residency data provided by parents and guardians was accurate, since the majority of the WSESU's selected students did not have their residency verified.

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<sup>35</sup> We have not audited this new process.

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## Conclusions

Vermont's state funding of public education is based in part on homestead property taxes which, in turn, relies on AOE's calculation of equalized pupils. To perform this calculation, AOE executes complex calculations laid out in statute, provides guidance and instructions to school districts, and performs other tasks to ensure the quality of data used in the calculation. AOE generally followed the law in performing its calculations and performed checks of the data used in the calculation. However, errors found in spot checks of data submitted by selected school districts indicated that improvements in data quality could be made. Although not found to have a substantial effect statewide, errors found in the numbers of ELL students, state-placed students, or ELL students that do not reside with families receiving nutrition benefits can affect calculations of equalized pupils and homestead property tax rates at an individual school district level. Based on reviews of the errors, tests conducted at the WSESU and its schools, and AOE's processes, additional guidance to the school districts and data quality checks for certain data inputs would improve the quality of these types of data.

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## Recommendations

We make the recommendations in Table 8 to the Secretary of the Agency of Education.

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**Table 8: Recommendations and Related Issues**

<b>Recommendation</b>	<b>Report Pages</b>	<b>Issue</b>
1. Develop more detailed criteria for districts in reporting of: <ul style="list-style-type: none"><li>• Federally funded students, and</li><li>• ELL designation.</li></ul>	12-15	Spot-checks of data from selected school districts found errors, which we attribute to problems with AOE's instructions and guidance. With respect to federal funding, AOE's instructional materials state that funding source code 06 should be used when a student is federally funded, but it does not define what that means. AOE's written instructions for ELL-related data collection did not always align with AOE's own practices.

Recommendation	Report Pages	Issue
<p>2. Develop a process to evaluate the completeness and accuracy of school districts reporting of homeschooled students, such as a system edit or backend checks for data anomalies.</p>	13	<p>The FY 2015 census data contained 87 students coded as homeschooled for whom ADM was calculated as 1.0, which is conceptually inconsistent. Eighty-three of those students had no hours reported and four had partial hours reported. Our spot-checks of attendance hours of 11 students (three schools) determined that these hours were reported inaccurately, which resulted in the associated ADM calculations being calculated inaccurately. AOE did not catch these errors because it has no edits for homeschooled students listed as attending school full-time, and does not perform any backend checks for anomalies related to this category of students.</p>
<p>3. Improve the process for reconciliation of state-placed students; ensuring that the year-end reports submitted by supervisory unions are consistent with the information provided by DCF.</p>	13, 14	<p>To determine those state-placed students that should be included in the ADM counts, AOE compares school year-end reports to the data provided by DCF. However, the review process was incomplete in that AOE did not question cases when DCF listed students being placed in a particular municipality, but school districts did not include the same students in their reports. We reviewed state-placed students' reports from three supervisory unions for two years and found five of the six reports had omitted some state-placed students.</p>
<p>4. In the Fall census submissions, obtain student level designations to identify:</p> <ul style="list-style-type: none"> <li>• ELL students, and</li> <li>• ELL students who do not reside with families receiving nutritional benefits.</li> </ul>	14-17	<p>Our spot-checks of data found errors in the categories of ELL students as well as ELLs who do not reside with families receiving nutritional benefits. AOE is not likely to identify these types of errors because the numbers are currently reported in aggregate (i.e., not at the student level). According to an AOE information technology official, they used to require that student records in the public school census include an indicator of whether a student was an ELL student. She explained that this requirement was removed because they could not reconcile this data to the AOE ELL database. Even if a reconciliation for individual students is not possible, AOE could determine the difference between the ELL data reported in the census and what is in the ELL database at a district level, which could identify significant discrepancies. Student level ELL data in the census would better position AOE to follow up and resolve such discrepancies.</p>

Recommendation	Report Pages	Issue
5. Direct school districts to use DCF Directly Certified reports for the information regarding ELL students receiving nutritional benefits (3SquaresVT).	17	Our spot-checks of data found errors in the number of ELL students who do not reside with families receiving nutritional benefits. The errors are attributable at least in part to AOE's instructions that direct supervisory unions to gather counts of ELL students not residing with families receiving nutrition benefits from students' applications for free or reduced lunch when more accurate data is available directly from monthly DCF reports.
6. Compare what the school districts report for ELL students and ELL students that do not reside with the families receiving nutrition benefits to the data in the AOE ELL database and DCF Directly Certified reports and follow up on significant differences.		
7. Provide guidance to school boards regarding the interpretation of 16 VSA §1075 and whether or the extent to which it requires them to verify students' legal residences.	21, 22	AOE reported that it expects school boards to follow 16 VSA §1075 but acknowledged the statute is vague. In particular, the statute states that school boards shall determine students' legal residences, but it does not specify how or how often this determination is to be made. AOE has not provided any instructions to schools on how to address this issue.

## Management's Comments and Our Evaluation

On March 2, 2016, the Secretary of Education provided comments on a draft of this report. These comments are reprinted in Appendix VII along with our evaluation of those comments. The Secretary's comments did not explicitly address our recommendations. In some cases, the comments included general statements that improvements would be made or considered while in other cases issues and related recommendations were not addressed at all.

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In accordance with 32 VSA §163, we are also providing copies of this report to the commissioner of the Department of Finance and Management and the Department of Libraries. In addition, the report will be made available at no charge on the state auditor's website, <http://auditor.vermont.gov/>.

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## Appendix I

### Scope and Methodology

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To address our first objective, we reviewed Vermont statutes and the State Board of Education Rules to identify criteria for the calculation of the number of equalized pupils. To gain an understanding of the processes related to data inputs into the calculation of the number of equalized pupils and the validation of those inputs, we interviewed information technology officials from AOE.

We reviewed Excel® spreadsheets with the AOE's calculations of the number of equalized pupils. In reviewing the AOE calculations we assessed:

- whether AOE's calculation formula is in compliance with statutory and other regulatory provisions,
- whether they are mathematically accurate, and
- the accuracy of system-generated ADM calculations for Windsor Southeast Supervisory Union.

To evaluate the data used in the calculation of the number of FY 2016 equalized pupils, we traced the data inputs used in the calculation to the originating data files on a district level, including:

- FY 2014 ADM counts
- FY 2015 ADM counts
- FY 2014 state-placed student counts
- Poverty related counts used in the FY 2016 equalized pupils calculations
- FY 2015 ELL student counts
- FY 2015 ELL students not receiving nutritional benefits (3SquaresVT) counts
- FY 2016 pre-K estimates

We assessed the reliability of the following census files and of the detailed ADM calculation files:

- FY 2014 public schools census submission
- FY 2015 public schools census submission
- FY 2014 tuitioned student census submission
- FY 2015 tuitioned student census submission
- FY 2014 AOE detailed ADM calculation file
- FY 2015 AOE detailed ADM calculation file

In particular, we reviewed files for garbled and illogical data, and blank values.

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## Appendix I

### Scope and Methodology

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We performed additional procedures for the following data segments:

- *State-placed students.* To determine the validity of the state-placed student counts compiled by AOE for the selected supervisory unions, we traced and confirmed AOE's counts to the reports submitted by the supervisory unions for the 2012-2013 and 2013-2014 school years, and then reconciled that information with the DCF monthly reports, available at AOE. We inquired of AOE about their processes related to the reporting and verification of state-placed students and reviewed the Agency's guidance to the school districts related to these students. Further, we followed up with DCF and the selected supervisory unions on discrepancies. This analysis was performed using data analysis software.
- *Poverty.* To determine the validity of the poverty counts used in the calculation of the number of equalized pupils, we made inquiries to DCF system staff, reviewed the related system code, and assessed whether the poverty count extracts are consistent with the statutory requirements. We performed the assessment using data analysis software.
- *ELL students.* To determine the validity of the aggregate ELL counts provided to AOE in the tuitioned student census, we reviewed regulatory definitions of an ELL student and AOE's instructions related to reporting of ELL counts. Also, we obtained AOE's database of ELL students as of January 2015 and compared that data to the aggregate ELL counts reported in the FY 2015 tuitioned student census for the selected supervisory unions. We followed up with the AOE and selected school districts on the discrepancies. We performed this analysis using data analysis software.
- *ELL students who do not reside with the families receiving nutritional benefits.* To determine the validity of the aggregate counts of ELL students who do not reside with the families receiving 3SquaresVT benefits, which is reported during the tuitioned student census, we reviewed the related statutory definitions and AOE's reporting instructions. We traced aggregate counts reported to AOE to schools, verifying information on an individual student basis. Further, we obtained a DCF-prepared Directly Certified Report as of October 2014 and compared students (not) receiving 3SquaresVT benefits, based on that report to the names and numbers reported and verified by the selected supervisory unions. We performed this analysis using data analysis software.
- *Homeschooled students.* To determine the validity of the full or part time statuses reported for the selected homeschooled students, we



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## Appendix I

### Scope and Methodology

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followed up with the AOE Homeschool Division and the schools, first to verify whether particular students were approved as homeschooled students and then to confirm the hours of their FY 2015 enrollment. The identified discrepancies were relayed to AOE for follow-up. We performed this analysis using data analysis software.

- *Federally funded students.* To determine the accuracy of reporting students as federally funded during the census, we inquired of AOE for the detailed guidance on such reporting. Further, we followed up with the selected school districts that used the federally funded code in their census submissions, validating the basis for such reporting. We performed this analysis using data analysis software.

We recalculated the number of equalized pupils and homestead property tax rates based on the noted corrected counts for six school districts.

For objective 2, we selected the Windsor Southeast Supervisory Union (WSESU) in which to perform our audit testing. We chose this supervisory union because:

- It is a mid-size supervisory union, based on ADM numbers for FY 2015
- It covers multiple municipalities
- It has at least a few students in the following categories—state-placed, 3SquaresVT recipients, and ELL students

There were five schools that were part of the WSESU: Albert Bridge School, Hartland Elementary School, Windsor Jr/Sr. High School, Windsor State Street School, and Weathersfield School.

To gain an understanding of the WSESU and schools' procedures, we interviewed WSESU and school officials to obtain process information concerning student enrollment, verification of student residences, and data reporting to AOE.

To determine whether the number of students reported in the Fall 2014 public school census by these five schools was complete, we compared the number of students in the census to the number of students enrolled in PowerSchool as of September 11, 2014. This is because PowerSchool could produce a report showing enrollment as of September 11, 2014, but could not for the schools' ADM period of September 11, 2014 through October 9, 2014.

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## Appendix I

### Scope and Methodology

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In addition, we randomly selected 75 student records for our testing.<sup>36</sup> The number of students tested per school was calculated based on a pro-rated share of total students.

For the 75 randomly selected students, we performed the following procedures:

- We visited each school and reviewed student files to determine whether information maintained by the school was consistent with information reported in the Fall 2014 public school census.
- We visited the WSESU and reviewed verification of residency documents to determine whether these students' residences had been verified by the WSESU.
- We reviewed student information in PowerSchool to determine whether this information was consistent with information reported in the Fall 2014 public school census.
- We also discussed exceptions found during testing with school or WSESU personnel, in order to verify the accuracy of our results.

Our audit work was performed between June 2015 and February 2016 and included site visits to the following:

- Agency of Education headquarters, Barre
- Windsor Southeast Supervisory Union, Windsor
- Windsor Jr/Sr High School, Windsor
- Windsor State Street School, Windsor
- Albert Bridge School, West Windsor
- Hartland Elementary School, Hartland
- Weathersfield School, Weathersfield

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>36</sup> Since this was not a statistical sample, the results cannot be projected.

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## **Appendix II**

### **Abbreviations**

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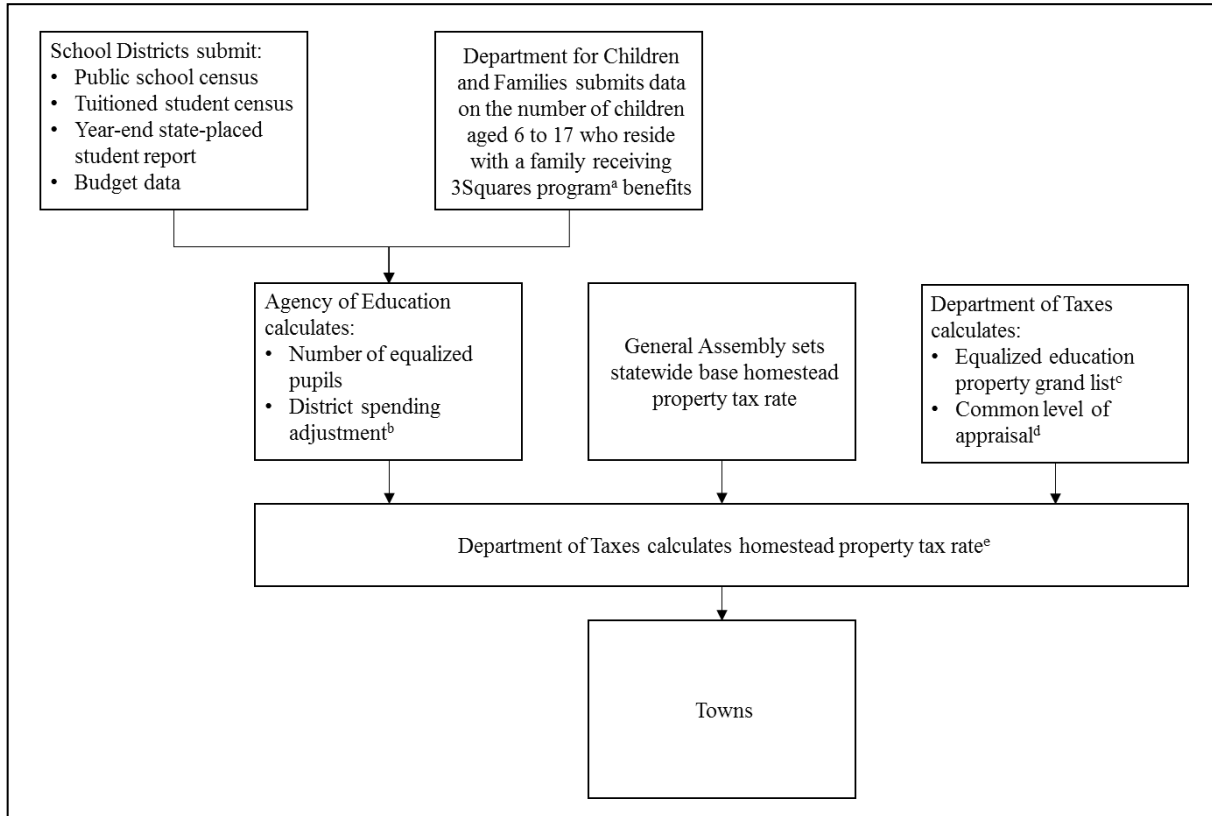
ADM	Average daily membership
AOE	Agency of Education
DCF	Department for Children and Families
EEE	Essential early education
ELL	English language learners
FY	fiscal year
LTM	Long-term membership
LTWM	Long-term weighted membership
Pre-K	Prekindergarten
WSESU	Windsor Southeast Supervisory Union

# Appendix III

## Simplified Diagram of the Statewide Homestead Property Tax Calculation

Figure 2 provides a simplified illustration of the primary inputs and calculations performed to determine homestead property tax rates.

**Figure 2: Simplified Illustration of the Calculation of Homestead Property Tax Rates**



- <sup>a</sup> A program that provides nutrition benefits to families with gross household income of or less than 185% of the federal poverty level.
- <sup>b</sup> The district spending adjustment is the ratio of the school district's education spending plus excess spending per equalized pupil to the base education payment for the school year.
- <sup>c</sup> The equalized education property grand list means one percent of the aggregate fair market value of all non-residential and homestead property adjusted in accordance with 32 VSA §5401.
- <sup>d</sup> The common level of appraisal is the ratio of the aggregate value of local education property grand list to the aggregate value of the equalized education property tax grand list.
- <sup>e</sup> Municipality homestead tax rates vary depending on factors, such as the numbers of equalized pupils, district spending adjustment, and common level of appraisal.

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## Appendix IV

### Selected Statutory References

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Vermont's funding of public education statute (16 VSA Chapter 133) sets forth requirements for how the number of equalized pupils is calculated. This appendix sets out excerpts of the statute that pertain to this calculation.

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### Equalized Pupils

16 VSA §4001(3) defines equalized pupils as “the long-term weighted average daily membership multiplied by the ratio of the statewide long-term average daily membership to the statewide long-term weighted average daily membership.”

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### ADM

16 VSA §4001(1) states, the “average daily membership of a school district, or if needed in order to calculate the appropriate homestead tax rate, of the municipality as defined in 32 V.S.A. § 5401(9),<sup>37</sup> in any year means:

(A) The full-time equivalent enrollment of students, as defined by the State Board [of Education] by rule, who are legal residents of the district or municipality attending a school owned and operated by the district, attending a public school outside the district under section 822a of this title, or for whom the district pays tuition to one or more approved independent schools or public schools outside the district during the annual census period. The census period consists of the 11th day through the 30th day of the school year in which school is actually in session.

(B) The full-time equivalent enrollment in the year before the last census period, of any State-placed students as defined in subdivision 11(a)(28) of

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<sup>37</sup> 32 VSA §5401(9) defines a municipality as a “city, town, unorganized town, village, grant, or gore; or, in the case of property located within the territorial limits of an incorporated school district, “municipality” means an incorporated school district.”

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### Selected Statutory References

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this title.<sup>38</sup> A school district that provides for the education of its students by paying tuition to an approved independent school or public school outside the district shall not count a State-placed student for whom it is paying tuition for purposes of determining average daily membership. A school district that is receiving the full amount, as defined by the State Board [of Education] by rule, of the student's education costs under subsection 2950(a) of this title, shall not count the student for purposes of determining average daily membership. A State-placed student who is counted in average daily membership shall be counted as a student for the purposes of determining weighted student count.”

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### Long-Term Membership

16 VSA §4001(7) defines the long-term membership of a school district in any school year to be “the mean average of the district's average daily membership, excluding full-time equivalent enrollment of State-placed students, over two school years, plus full-time equivalent enrollment of State-placed students for the most recent of the two years.”

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### Determination of Weighted Membership

16 VSA §4010(a) states “on or before the first day of December during each school year, the Secretary [of Education] shall determine the average daily membership of each school district for the current school year. The determination shall list separately:

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<sup>38</sup> 16 VSA §11(a)(28) defines a state-placed student as “(A) a Vermont student who has been placed in a school district other than the district of residence of the student's parent, parents, or guardian or in an approved residential facility by a Vermont State agency, a Vermont licensed child placement agency, a designated community mental health agency, any other agency as defined by the Secretary [of Education], or by a court of competent jurisdiction in another state, territory, or country; or (B) a Vermont student who is 18 years of age or older; is living in a community residence as a result of placement by a Vermont State agency, a Vermont licensed child placement agency, a designated community mental health agency, or by a court of competent jurisdiction in another state, territory, or country, and whose residential costs are paid for in whole or in part by one of these agencies; and resides in a school district other than the district of the student's parent or parents; or (D) a Vermont student who: is in either: the legal custody of the Commissioner for Children and Families; or the temporary legal custody of an individual pursuant to 33 VSA §5308(b)(3) or (4), until a disposition order has been entered pursuant to section 5318 of that title; and is determined by the Secretary of Education to be in particular need of educational continuity by attending a school in a district other than the student's current district of residence; (E) but does not mean a student placed within a correctional facility or in the Woodside Juvenile Rehabilitation Center.”

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## Appendix IV Selected Statutory References

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- (1) resident prekindergarten children;
- (2) resident students being provided elementary or kindergarten education; and
- (3) resident students being provided secondary education.”

16 VSA §4010(b) states “the Secretary [of Education] shall determine the long-term membership for each school district for each student group described in subsection (a) of this section. The Secretary [of Education] shall use the actual average daily membership over two consecutive years, the latter of which is the current school year.”

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### Grade Weighted Long-Term Membership

16 VSA §4010(c) states “the Secretary [of Education] shall determine the weighted long-term membership for each school district using the long-term membership from subsection (b) of this section and the following weights for each class:

Prekindergarten 0.46  
Elementary or kindergarten 1.0  
Secondary 1.13”

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### Poverty Ratio

16 VSA §4001(8) defines the poverty ratio as “the number of persons in the school district who are aged six through 17 and who are from economically deprived backgrounds, divided by the long-term membership of the school district. A person from an economically deprived background means a person who resides with a family unit receiving nutrition benefits. A person who does not reside with a family unit receiving nutrition benefits but for whom English is not the primary language shall also be counted in the numerator of the ratio. The Secretary [of Education] shall use a method of measuring the nutrition benefits population that produces data reasonably representative of long-term trends. Persons for whom English is not the primary language shall be identified pursuant to subsection 4010(e) of this title.”

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### Long-term Weighted Membership

16 VSA §4010(d) states “the weighted long-term membership calculated under subsection (c) of this section shall be increased for each school district to compensate for additional costs imposed by students from economically deprived backgrounds. The adjustment shall be equal to the total from

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## Appendix IV

### Selected Statutory References

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subsection (c) of this section, multiplied by 25 percent, and further multiplied by the poverty ratio of the district.”

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#### ELL Weight

16 VSA §4010(e) states “the weighted long-term membership calculated under subsection (c) of this section shall be further increased by 0.2 for each student in average daily membership for whom English is not the primary language.”

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#### Phantom Students

16 VSA §4010(f) states “for purposes of the calculation under this section, a district's equalized pupils shall in no case be less than 96 and one-half percent of the district's equalized pupils in the previous year.”<sup>39</sup>

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<sup>39</sup> Effective until July 1, 2016, when the language is revised. The revision becomes effective July 1, 2016 and states, for purposes of the calculation under this section, a district's equalized pupils shall in no case be less than 96 and one-half percent of the actual number of equalized pupils in the district in the previous year, prior to making any adjustment under this subsection. This section is repealed effective July 1, 2020.



## Appendix V

# Demonstration of Effects of Errors on Equalized Pupils and Homestead Property Tax Calculations

Table 9 demonstrates the cumulative effect on the calculations of the FY 2016 equalized pupils number and setting of the homestead property tax rate due to the errors noted in (1) AOE's use of pre-K estimates and (2) data reported by schools and supervisory unions. The recalculation of the homestead property tax rate assumes that except for the errors noted, other critical data points, such as the school district budgets, remain unchanged.

**Table 9. Demonstration of the Effect of the Errors in the Calculation of the Number of Equalized Pupils for Selected School Districts<sup>a</sup>**

School District	FY 2016 Equalized Pupils per AOE	Error Due to AOE Use of FY 2016 Pre-K Estimates	Errors in Data Reported by School Districts in FY 2015					FY 2016 Equalized Pupils Recalculated	Effect on Homestead Property Tax for every \$100,000 of property value
			Federally Funded	Student Residence <sup>b</sup>	State-Placed Students <sup>c</sup>	English Language Learners (ELL)	ELL, Not in 3Squares VT Program		
Windsor	479.24	None	None	Overreported by 1; Underreported by 1	Under reported by 3	Under reported by 4	Under reported by 4	484.14 (Increase by 4.90)	Decrease by \$13.43
Hartland	453.14	None	None	Overreported by 1; Underreported by 4	None	None	None	454.57 (Increase by 1.43)	Decrease by \$5.03
Winooski	925.03	Over reported by 20	None	NA	None	Under reported by 7	Over reported by 24	913.96 (Decrease by 11.07)	Increase by \$16.70
Bennington	2,016.93	None	Over reported by 41 <sup>d</sup>	NA	Under reported by 10	Under reported by 6	Under reported by 4	2,032.64 (Increase by 15.71)	Decrease by \$14.30
Pownal	486.45	None	Over reported by 7 <sup>d</sup>	NA	Under reported by 2	Under reported by 3	Under reported by 3	489.55 (Increase by 3.10)	Decrease by \$5.20
Shaftsbury	452.81	None	Over reported by 4 <sup>d</sup>	NA	Under reported by 2	None	Over reported by 2	453.78 (Increase by 0.97)	Decrease by \$9.00

<sup>a</sup> This calculation is for demonstration purposes only and was performed with the assumption of no other errors or changes to other elements of the calculation of equalized pupils and the homestead property tax rate.

<sup>b</sup> Verification of residency was not in the scope of our audit except for schools that belong to the Windsor Southeast Supervisory Union (Windsor and Hartland). The errors in this column only partially offset within the calculation because they affected grade levels that had different weights in the calculation.

<sup>c</sup> This column reflects the actual number of students not reported. For the purposes of the equalized pupils calculation, the number used is the full-time-equivalent of these students.

<sup>d</sup> Incorrect reporting of students as federally funded resulted in under reporting of ADM.

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## Appendix VI

### Profile of the Schools in the Windsor Southeast Supervisory Union

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The Windsor Southeast Supervisory Union comprised of four Vermont town school districts and five schools to provide learning environments for students from pre-K to grade twelve. High school choice is available for students residing in West Windsor, Hartland, and Weathersfield, which do not operate public high schools.

The following table is a profile of the five schools in our scope. The WSESU operates the supervisory union-wide early childhood education program, which includes pre-K and EEE.

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**Table 10: Profile of the Five Schools in the Scope of Our Audit**

<b>School</b>	<b>Town</b>	<b>Grades</b>
Albert Bridge School	West Windsor	K-6
Hartland Elementary	Hartland	K-8
Windsor Jr/Sr High School	Windsor	7-12
Windsor State Street	Windsor	K-6
Weathersfield School	Weathersfield	K-8

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# Appendix VII

## Comments from the Secretary of the Agency of Education and Our Evaluation

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Agency of Education

March 2, 2016

Douglas Hoffer, State Auditor  
132 State Street  
Montpelier, VT 05633

Dear Mr. Hoffer:

I am writing in reply to the draft Equalized Pupils Audit you provided to me for review and comment by this Agency, before final publication by your office.

First of all, thank you for taking this task on. The equalized pupil count is an important component of how we determine the homestead education statewide property tax. As you note, this process stems (in part) from the decision of the Vermont Supreme Court in the case of Brigham v. State of Vermont, 692 A. 2d 384 (Vt. 1997). In the Brigham case, the Vermont Supreme Court held that the educational financing system existing (at the time) fell short of “providing every school-age child in Vermont an equal educational opportunity.” Brigham v. State, 692 A.2d 384, 386 (Vt. 1997). “In Vermont, the right to education is so integral to our constitutional form of government, and its guarantees of political and civil rights, that any statutory framework that infringes upon the equal enjoyment of that right bears a commensurate heavy burden of justification.” We appreciate your attention to this important work, and will use your feedback to reflect on and improve our processes.

Act 60, which was signed into law in June 1997, served as the legislature’s interpretation of its obligation under the Vermont Constitution to make educational opportunity available on substantially equal terms to Vermont’s children. See 16 V.S.A. § 1 (“the right to public education is integral to Vermont’s constitutional form of government and its guarantees of political and civil rights...to keep Vermont’s democracy competitive and thriving, Vermont’s students must be afforded substantially equal access to a quality basic Education”).

The State’s method for calculating a tax rate to fund public education is the mechanism by which we strive to promote and achieve the standard enunciated in the Brigham decision, and the Vermont Constitution. Undoubtedly, the State carries a heavy burden to maintain and implement a school funding scheme that meets the core needs of all students.

Therefore, we are very appreciative for your effort in evaluating our work in this realm. The public needs to know how we do this, and much like your efforts with this audit, we strive to make sure that this process is transparent and maintains fidelity to the high ideals

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embedded in the Vermont Constitution with respect to equity in learning opportunities, for all of our students.

We are very gratified that your office, after a painstaking review, has concluded that this Agency has “accurately computed the FY 2016 number of equalized pupils based on the data used in the calculation.” We also appreciated the complimentary feedback you and your staff provided at the recent audit “exit” interview about our process for executing this critical function for taxpayers and students. In addition, we have and will make a few adjustments to our processes in response to this audit.

I would like to offer the following specific comments about some of the data inputs we make at the state level, based on data submissions by local systems, in crafting the pupil count, for all districts.

### English Language Learner (ELL) Student Count

We believe that you have mistakenly relied upon data from an inapposite state level report compiled for federal reporting purposes as the correct source for the number of ELL students (ELL’s). We agree that we should review and revisit our guidance to school districts on this data collection/submission to the State. We will do so. It cannot hurt as we seek to continuously improve process and systems.

Regarding ELL’s, your report uses data from two different data sources, collected at two different times and for two different purposes with different criteria to decide the accuracy of our ELL inputs. In addition, ELL’s represent a highly mobile population. Pursuant to federal regulations, the students take the test (to determine eligibility for services) in the spring and are not confirmed as ELL until after that. And, for the purposes of equalized pupils, state law requires the Agency to make these determinations by December 15<sup>th</sup> of each year. A fundamental issue is that the data are pulled at different times, and there is student mobility between the dates of the two data pulls. We would expect these two systems to yield different numbers. Simply put, we cannot use the ELL (federal) assessment data for the purpose of correctly counting ELL students for (state) funding purposes, and we cannot use a spring collection to verify how many ELL students were enrolled at the time of the fall census. This makes comparisons problematic. This is a weakness in the system, and we will continue to evaluate strategies to improve, and we welcome any other suggestions from your office.



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### The Pre-K Count

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on page 46

Your draft report (at p. 9) states that the prekindergarten precount added 756.5 students. This figure is wrong for equalized pupil count purposes. The precount of prekindergarten students only added 267 equalized pupils. This had no material affect on the base statewide tax rate and the precount helped advance the successful implementation of the new universal prekindergarten law. We also dispute your conclusion that the precount itself was “erroneous” and not aligned with state law. To the contrary, we received direct feedback from the two (2) lead sponsors of the Universal Pre-K law. These legislators (both highly respected) stated that the intent of the Universal Pre-K law was not to harm districts that previously provided Pre-K in some form, under Act 62 of 2007. The statement of legislative intent (by Senator Mullin and Representative Buxton) is attached hereto and incorporated by reference into the Agency’s comments to the draft audit. Upon review of the whole law, we are required to “look at the whole statute, the subject matter, its effects and consequences, and reason and spirit of the law. Progressive Casualty Insurance Co. v MMG Ins. Co., 2014 VT 70, ¶ 10.

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on page 46

Here, the key legislators who wrote this law advised the Agency that it would be contrary to the intent of the legislature to implement this law in such a way that would be harmful and injurious to school districts and taxpayers. If the Agency had not allowed a precount estimate for FY 2016, it would have resulted in school districts all across the State being unable to count students that a district knew would (likely) be coming into a local system for prekindergarten. The written statement of the two key legislators confirmed our understanding of a similar discussion in the legislature at the time of the passage of the bill that became Act 166. All of these facts led us to make our decision to not injure districts through an extremely restrictive reading of the law.

Your chart at p. 10 illustrates this point well. For example, Dover, VT would have seen its homestead property tax rate increase by \$76.15 (for every \$100,000 of property value). Chelsea would have suffered a \$56.00 tax increase, Hartford’s increase would have been \$30.50. We stand by our decision to implement Act 166 in a way that was not harmful to school districts and taxpayers and which was also consistent with the legislature’s intent, and the whole statute.

### Legal Residency of Students

See our comment 4  
on page 46

Your audit examined the practices of one supervisory union (Windsor SE SU), and its member districts, in regard to compliance with 16 V.S.A. § 1075. The enforcement of this law is a local requirement. We have a role to play at the state level for sure. Mainly, it is to



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act as an appellate review body for any person aggrieved by a residency decision made by a local school board. Therefore, we try to avoid getting too closely involved in the details of individual cases, so as not to compromise our statutory role (at the state level) as an impartial adjudicator of residency appeals. We do however provide technical assistance on a regular basis to school administrators on this topic. We also maintain a body of administrative case law going back decades that we rely upon to inform that guidance along with its precedential value in deciding state level residency appeals.

We have a legal division comprised of two (2) attorneys. Our staff attorneys do not serve as legal counsel for school districts. It is both impracticable and not appropriate for our Agency to engage local policy monitoring and enforcement where the legislature has not tasked the Agency with this duty, and where the duty with which we have been tasked (adjudicating appeals) requires us to remain impartial, and at a distance, from this explicit area of local control. With that said, if there is a way for the AOE to improve its practice to assist local systems with compliance in the area of assuring the legal residence of students, we are open to it and welcome your suggestions.

Our bigger picture view on this issue is that legal residency monitoring (at the local level) is a high functioning area of statutory compliance because local boards are very mindful of the cost associated with educating non-resident pupils, at no charge. The idea of admitting a non-resident pupil, free of charge, is anathema to the mindset of every single board and district administration we interface with on this issue, whether it relates to technical support with a legal question, or docketing and hearing a state level residency appeal.

We offer no comment about WSESU specifically, except to say that our anecdotal evidence suggests that the Superintendent of Schools and his staff, and the district boards within the SU, are very aware and responsive to legal residency issues. In WSESU, there are tuition towns. Tuition towns can be more vulnerable, in our experience, to suspect claims of legal residency. The Superintendent of Schools has been in contact with our legal office on many occasions about residency issues along these lines and we believe he is acting responsibly and competently to ensure compliance with the residency law, among the member districts of the WSESU.

### Home Schooled Students

We are working to improve our data analysis in this area. We acknowledge that the state level scrutiny of the data submitted to the Agency by local systems can be improved. We are working to develop additional checks and balances at the state level. We appreciate your calling our attention to this, and expect to have improved processes in place in the



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near future.

### State-Placed Students

We agree that the Agency can seek to improve practice in evaluating local data submissions relative to the state-placed student population, including improvement in the area of cross-checking all data sources maintained internally. We restate though that our process for determining this portion of the student count is based on a statutory methodology which reflects the difficulty in exactly capturing an indisputable number for this student population. State-placed students often move among multiple districts and schools, in a single school year.

In some cases, AOE is called upon, through its MOU with DCF, to approve continuity placement for students still classified by DCF as state-placed, even though there has been a reunification and/or return to district of residence. It can, and does happen, that the district of placement during the state-placed phase is not notified by DCF of a placement change, which can occur for any number of reasons, and the student remains in a dated placement, due to a lack of system coordination. For these reasons, the legislature instituted a one year "look back" for the state-placed student count in 2007.

Again, this student population tends to be far from constant and the statute change (as codified at 16 V.S.A. § 4001(1)(B)) was conceived as a way to more accurately capture this piece of the student census count. Based on our understanding that Act 66 of 2007 was intended to remedy inaccuracies in this count, we are content with our present interpretation and practice. However, we appreciate your advice to improve system coordination between DCF and school districts and our state level data matching processes, from all relevant sources. We will work on this.

### Local Systems' Data Collection, Data Reporting, and Best Practice

The "takeaway" of your draft findings from my perspective is that local systems, arguably, are experiencing some difficulty with local data collection and submissions to the State. Once we receive the data, we are making correct calculations. That is an important validation for our Agency, but perhaps leaves more questions than answers about what all of us can do in the relevant State agencies and offices to support local systems, that, frankly, are overwhelmed on many levels. An aggravating factor at the Agency is that we have seen a dramatic and unprecedented decline in staffing since 2008, when we had 211 FTE's (83.2 paid by the state's General fund). Today, that number is 170 FTE's (53.18 paid by the state's General Fund). This somewhat limits our capacity to extend



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technical assistance to school districts on issues related to state funding, especially given other statutory claims on those scarce general fund dollars.

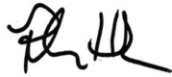
With this in mind, we hope you may see this Equalized Pupil audit as an opportunity for your office to make available to school district officials an education program consistent with the statutory duties of the Auditor's Office at 32 V.S.A. § 163(12), which calls for the Auditor to make available (to school districts) an "education program to provide instruction in fiduciary responsibility, faithful performance of duties, the importance and components of a sound system of internal financial controls, and other topics designed to assist the officials in performing the statutory and fiduciary duties of their offices." I know our local school systems would be very grateful for any assistance you can offer, as we would be as well. After reading your draft findings, we feel such an education program would be a valuable resource for school district offices that may be encountering some difficulty in executing a basic duty (the Equalized Pupil Count) which can have a direct impact on the development of homestead tax rates.

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We value any support you can offer in this arena. We would be happy to work with your office to make suggestions on such an education program offering by your office, to Vermont's school districts.

In the interim, we will take note of your report, we appreciate your recommendations, and we will continue to strive to improve our systems and practices.

Sincerely,



Rebecca Holcombe  
Secretary of Education

cc: Justin Johnson, Secretary of Administration





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## Appendix VII

# Comments from the Secretary of the Agency of Education and Our Evaluation

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February 3, 2016

Act 166 of 2014, Section 2, Statement of Legislative Intent

The intent of the legislature, with regard to Act 166 of 2014, at Section 2, was to allow all school districts to start counting (all) anticipated Pre-k students immediately upon this law taking effect, without making any distinction between districts that did, or did not provide Pre-k under Act 62 of 2007. Otherwise, school districts that were already providing Pre-k under Act 62 (which did not mandate universal access), and which expected an enrollment increase in the implementation phase of Act 166, could have been penalized in their equalized pupil calculations for complying with the new requirement of universal access to Pre-k. For example, in a district which had been serving (hypothetically) 50 students as an Act 62 provider, and which anticipated an expansion to (hypothetically) 65 students under Act 166 (in year 1), that district was expected (by the legislature) to be able to count the expanded estimate. For a district that did not provide Pre-k at all, it would all be new and solely an estimate. It is important to note that virtually all Vermont school districts, prior to the passage of Act 166 of 2014, were already providing some form of Pre-k under Act 62 of 2007. We acted as lead sponsors of Act 166 (H. 270) in the House and Senate. We never intended, in the drafting of the legislation, or its eventual implementation, that districts which provided Pre-k under Act 62 would be prevented from estimating an increase in the pupil count upon implementation of Act 166. This would have been very harmful to the tax rate for virtually every Vermont school district that expected an uptick in Pre-k enrollment in the rollout of universal access, and would not have made any sense. We did not intend this result; rather, we intended that all districts, in the rollout of Act 166, could estimate a Pre-k pupil count, without making any distinction between school districts that did or did not provide Pre-k, prior to the passage of Act 166.

Sincerely,



Kevin Mullin  
State Senator

Sarah Buxton  
State Representative

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## Appendix VII

# Comments from the Secretary of the Agency of Education and Our Evaluation

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February 3, 2016

Act 166 of 2014, Section 2, Statement of Legislative Intent

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Sincerely,

Kevin Mullin  
State Senator



Sarah Buxton  
State Representative

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## Appendix VII

# Comments from the Secretary of the Agency of Education and Our Evaluation

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AOE did not explicitly address whether it intends to implement our recommendations, either making general statements about considering improvements or not addressing the issue or recommendation at all. The following presents our evaluation of specific comments made by the Secretary.

Comment 1	<p>AOE's response is misleading. As our report states we used ELL data independently available at AOE to identify potential discrepancies but did not draw conclusions based solely on those data. We followed up on each of the potential discrepancies, thoroughly vetting them with ELL reporting staff at the supervisory unions to ensure that they only included students enrolled at a particular school at the time of census reporting and met AOE's definition of an ELL student. Supervisory unions subsequently contacted AOE to make corrections to the incorrectly reported numbers.</p> <p>As to our recommendations pertaining to the ELL student count, the criteria for those who should have been reported as ELL students was not readily available at AOE but had to be formulated and agreed on by various AOE officials at our request. In addition, AOE staff members stated that they opted to eliminate an ELL indicator at the individual student level, which limited AOE's ability to assess the accuracy and completeness of the ELL data provided by the supervisory unions. To address these deficiencies we recommended that AOE (1) provide additional guidance and (2) obtain student-level rather than aggregate ELL data from the supervisory unions.</p>
Comment 2	<p>With respect to the AOE's use of pre-K estimates, we made no changes to the report. As confirmed with the AOE financial official who performs the equalized pupils calculations, the report correctly states that AOE added a total of 756.5 students to the two-year average of ADM counts for 47 school districts. This two-year average served as a starting point in AOE's calculation of the number of equalized pupils. Instead of focusing on how this estimate of 765.5 students affected the statewide number of equalized pupils (stated as 267 in the comments), we chose to demonstrate the effects of the inclusion of pre-K estimates at the municipal level. As demonstrated in Table 2 (p.10) of the report, individual school districts benefited from the erroneous inclusion of pre-K estimates because their homestead property tax rates were lower than they should have been.</p>
Comment 3	<p>AOE chose to rely on the presumed legislative intent of Act 166 instead of the specific wording in section 2 of the act. In our consultation with the Office of the Attorney General, the Office noted that in the absence of contrary legislative history (e.g., committee reports) the plain meaning of section 2 of Act 166 should govern its implementation. AOE provided no documentation from the time frame in which Act 166 was being deliberated that supported its interpretation of legislative intent. The statements from Senator Mullin and Representative Buxton referenced in the comments and provided as an attachment (see pages 44 and 45) were dated last month, about two weeks before we sent a draft report to AOE for comment.</p>
Comment 4	<p>In its comments, AOE intimated that our recommendation to provide guidance to school boards regarding whether or the extent to which they are required to verify student residences conflicts with the agency's duty to act as an appellate review board for disputes over specific residency decisions made by school boards. We disagree, and this is contradicted by AOE's own acknowledgement that it provides technical assistance on a regular basis to school administrators on this topic. Moreover, if school administrators regularly require AOE's technical assistance, this is additional evidence that written guidance is needed.</p>

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## Appendix VII

### Comments from the Secretary of the Agency of Education and Our Evaluation

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Comment 5	We could not determine what changes, if any, AOE plans to implement regarding its processes pertaining to state-placed students. On the one hand, AOE agreed that it could improve its internal processes but then later stated that it was “content” with its current practice. We reiterate that the errors described in the report are at least partially attributable to incomplete AOE processes that could be addressed via our recommendation in this area.
Comment 6	In its response AOE implied that the basic duty of the equalized pupils count belongs to local school district offices. However, according to Vermont statute, this calculation is the responsibility of AOE.