

KENTUCKY'S DROPOUT RATE
OCTOBER 2006- PERFORMANCE AUDIT

The Auditor Of Public Accounts Ensures That Public Resources Are Protected, Accurately Valued, Properly Accounted For, And Effectively Employed To Raise The Quality Of Life Of Kentuckians.



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

October 12, 2006

Gene Wilhoit, Commissioner
Department of Education
Commissioner's Office
500 Mero St.
Frankfort, Kentucky 40601

Dear Commissioner Wilhoit:

Re: Performance Audit of Kentucky's Dropout Rate

The enclosed report, Kentucky's Dropout Rate, offers specific recommendations to ensure that the reported dropout numbers are accurate and calculation methods are consistent. We will be distributing this report in accordance with the mandates of Kentucky Revised Statute 43.090. Additionally, we also will distribute copies to members of the General Assembly committees with oversight authority for education, as well as other interested parties.

In accordance with Kentucky Revised Statute 43.090(1), the Department of Education must notify the Legislative Research Commission and the Auditor of the audit recommendations it has implemented and of the recommendations it has not implemented, and reasons therefore, within sixty (60) days of the completion of the final audit.

Our Division of Performance Audit evaluates the effectiveness and efficiency of government programs as well as completing risk assessments and benchmarking of state operations. We will be happy to discuss with you at any time this audit or the services offered by our office. If you have any questions, please call Ellen Hesen, Acting Director of the Division of Performance Audit, or me.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



Executive Summary

Audit Objectives

The Kentucky Auditor of Public Accounts conducted this performance audit to determine whether Kentucky's dropout rate is valid and accurate. In order to develop findings, the scope of the audit focused on the following sub-objectives:

- Determine the legal criteria related to dropout rate and its effect on school funding.
- Determine how Kentucky calculates the dropout rate.
- Determine if Kentucky's dropout numbers are accurately reported to the Kentucky Department of Education (**KDE**).
- Determine how Kentucky's dropout rate compares nationally and research any national trends related to reducing the dropout rate.

Background

Dropout counts for grades 7-12 are required at both the state and federal levels. KDE's *Nonacademic Data Report Guidelines (Guidelines)* is the main source of detailed information on counting dropouts in Kentucky.

Kentucky's dropout rates have been increasing over recent years with the largest number of dropouts occurring in the 10th grade. The increase has occurred for both genders; however, the dropout numbers for African Americans have increased significantly when compared with other ethnic groups.

The number of dropouts for the 2004-2005 school year is underreported by at least 1,979 students, which is 30% of the dropouts reported.

School districts, as a whole, are reporting fewer dropouts than the number of students that are coded as dropouts within the student information system. Based on estimates using KDE information, the total number of dropouts reported for the 2004-2005 school year is underreported by at least 1,979 students, or 30% of the number of dropouts reported. According to the student information system, 8,588 students were coded as dropouts who did not return to the district by the October 1, 2005 cut-off date, but the school districts only reported 6,609 dropouts. This estimate could be impacted by adjustments made outside the student information system, improper coding practices, and potentially duplicative data.

A major adjustment that would increase the estimate of underreported dropouts involves students that drop out during the summer (summer dropouts). Summer dropouts are not coded in the student information system as a dropout so it is the responsibility of the school districts to track these students and include them in the dropout count.

Districts cannot calculate the dropout count using only the student information system.

For schools and districts to calculate an accurate dropout number, they need to develop a separate tracking method because the required data is not maintained within the student information system. This is due to dropout coding inadequacies and the need to track factors outside of the school system. While dropout reporting is not the primary function of the student information system, it is reasonable to expect that the school's student

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KDE does not validate the dropout count and does not emphasize the need for accurate dropout reporting.

information system should facilitate tracking the number of dropouts for a given school year.

By choosing not to validate the dropout information submitted by districts, KDE has deemphasized the need for accurate reporting. Presently, school districts are required to submit dropout and other nonacademic data concerning the previous school year to KDE via a web application by November 1st of each year. This information is reviewed for reasonableness, but supporting documentation is not routinely requested and KDE does not compare these numbers to the districts' withdrawal codes for the same period.

The lack of detailed instructions and training has produced inconsistent approaches to counting dropouts.

KDE has not provided detailed instructions or adequate training on how to track, adjust, or validate each school or district's dropout numbers. The main information provided by KDE that discusses dropouts is in the *Guidelines*. The *Guidelines* provide some brief information as to how students should be coded within the system and which codes are considered dropout codes. However, there is no discussion of how summer dropouts should be tracked or how to monitor the additional adjustments needed to ensure compliance.

Inaccurate dropout counts impact graduation rate reporting.

Because Kentucky's formula for calculating the graduation rate is currently dependent upon the dropout numbers reported by the districts for grades 9-12, the graduation rate has been overstated. In recent years, the education world has been focusing and publicizing the issue of raising the graduation rate instead of discussing lowering the dropout rate. Regardless of the perspective on education goal setting, the two statistics are related in that dropout numbers are factors for both.

Dropout rates on the national level are not consistent and, therefore, not comparable.

Each state uses an assortment of definitions to determine who is considered a dropout, and each state collects dropout data at different times throughout the school year using multiple data collection methods and systems. Determining exactly who America's dropouts are can be a tough question to answer as there are a number of ways states calculate their dropout rates. The many distinct ways of tracking youth no longer in school results in unreliable aggregate national dropout figures. Due to the multiple ways of calculating the dropout rate, experts say the tracking of students is flawed.

Recommendations

1. The Kentucky Department of Education (**KDE**) should strengthen the dropout portion of its *Nonacademic Data Report Guidelines (Guidelines)* to provide detailed instructions on identifying, tracking, calculating, and reporting dropouts. These modifications should decrease the likelihood of inconsistent approaches to calculation, and increase the comparability of the districts' dropout rates.

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Simplified instructions should be distributed to all district and school officials who are involved in the dropout reporting process. At a minimum, these instructions should include the following:

- Detailed definitions as to which students should be included in the dropout counts. The different variables to define would be:
 - A) Students coded as dropouts in the student information system;
 - B) Students that returned as of October 1st of the following school year;
 - C) Students that did not return from the summer prior to the reporting school year (summer dropouts);
 - D) Students that were coded as dropouts but are General Educational Development (**GED**) diploma recipients as of October 1st of the following school year;
 - E) Students that were coded as dropouts but enrolled in a district-operated/contracted, state-approved secondary program leading to a certificate of completion or a GED as of October 1st of the following school year; and
 - F) Students coded as legitimate withdrawals but the school has determined not receiving educational services.
 - A formula to provide a visual illustration of the treatment of the different variables within the calculation of the dropout number. Using the variables above, a possible formula would be:
$$\text{Dropout Number} = A - B + C - D - E + F$$
 - A requirement for districts to maintain documentation to support the dropout numbers reported to KDE, as well as defining what type of documentation should be maintained. Such documentation should include, but not be limited to, name, statewide student identifier (**SSID**), grade, last date enrolled, and reason for inclusion in the district's dropout count.
 - A required tracking method to be used to monitor those students no longer enrolled in the student information system, i.e., summer dropouts, dropouts that may have received their GED, and withdrawn students who may not be receiving educational services.
 - A requirement that district and school officials verify legitimate withdrawals. For example, the *Guidelines* could require an annual review of students who have withdrawn to attend another school (public or private) in the same or another district in order to determine that the students are still receiving educational services.
2. KDE should require Software Technology, Incorporated (**STI**), or any subsequent vendor, to develop enhancements to the student information system that will allow users to create a report that will list potential dropouts by name or SSID; to record summer dropouts and withdrawals in the system; and to allow the information to be tracked over multiple school years.

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3. KDE, in conjunction with STI, or any subsequent vendor, should provide annual training to all district and school officials involved with dropout reporting. This training should address not only how the system can be used to track dropouts, but also the limitations of the system in calculating dropouts.
4. KDE should request supporting documentation from a random number of districts on an annual basis to determine if each district's dropout count was accurately reported.
5. KDE should continue to work with the Council on Postsecondary Education to conduct a data match to determine if any of Kentucky's reported dropouts received a GED as of the October 1st deadline. This information should be made available to the districts.
6. If KDE intends to start using the National Governors Association (NGA) Graduation Counts Compact formula to calculate the graduation rate in 2009, prior to the release of such rates, officials should amend 703 KAR 5:001, Section 1(25) to reflect that formula instead of the National Center for Educational Statistics leaver rate formula that the state currently uses.
7. Kentucky, along with other states, should consider adopting a dropout calculation method currently under development by the NGA to increase national uniformity and comparability.

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Abbreviations and Acronyms

Alliance	Alliance for Excellent Education
APA	Auditor of Public Accounts
CCD	Common Core of Data
Compact	Graduation Counts Compact
CPE	Council on Postsecondary Education
DAC	District Assessment Coordinator
DPP	Director of Pupil Personnel
GED	General Educational Development
Guidelines	<i>Nonacademic Data Report Guidelines</i>
KDE	Kentucky Department of Education
NCES	National Center for Educational Statistics
NCLB	No Child Left Behind
NGA	National Governors Association
SEEK	Support Education Excellence in Kentucky
SSID	Statewide Student Identifier
STI	Software Technology, Incorporated

Chapter 1

Introduction

Audit Objective – Why The APA Conducted This Audit

In August 2003, the General Assembly’s Program Review and Investigations Committee requested the Auditor of Public Accounts (APA) verify Kentucky’s reported dropout rate. The review was initially deferred while the Kentucky Department of Education (KDE) implemented an upgraded reporting system that would assign a unique student identifier by the end of the 2003-2004 school year. KDE then advised that statewide implementation had been further delayed until the 2005-2006 school year. Following preliminary interviews, a decision was made to continue with the audit so that useful recommendations to improve the process could be provided.

The APA conducted this performance audit to determine whether Kentucky’s reported dropout rate is valid and accurate. The APA focused the scope of the audit on the following sub-objectives in order to develop findings.

- Determine the legal criteria related to dropout rates and its effect on school funding.
- Determine how Kentucky calculates the dropout rate.
- Determine if Kentucky’s dropout numbers are accurately reported to KDE.
- Determine how Kentucky’s dropout rate compares nationally and research any national trends related to reducing the dropout rate.

The audit team surveyed the 171 Kentucky school districts serving grades K-12 about dropout reporting procedures used to define and report dropouts to KDE in November 2005. The response rate for the survey was 98%, with 168 districts responding. Results from this survey are discussed throughout the text of this report and in Appendix V.

Appendix I consists of a detailed description of the audit procedures performed and the sources of information used to develop this report.

Reasons Why Students Are Dropping Out

Students drop out of school for many reasons including: they are failing classes, not getting along with teachers, and need to financially support their families. *The Silent Epidemic*, a 2006 report concerning dropouts in this nation conducted by Civic Enterprises in association with the Bill & Melinda Gates Foundation, concluded that a student’s decision to drop out is complex and relates to the individual student, their family, school, and community. The report also states that a student’s decision is personal; it reflects a student’s unique life circumstances, and is often part of a gradual process of disengagement from school.

According to *The Silent Epidemic*, one early warning sign that can be predictive of a student dropping out, as early as elementary school, is a student’s attendance patterns. Other warning signs include: low grades,

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little or no homework being done, discipline and behavioral problems, lack of involvement in class and in school activities, pregnancy, being held back a grade or more, students who transfer, and those who experience difficulty with the transition into the 9th grade.

The Silent Epidemic also provided what it found to be the top reasons students drop out of school. The report surveyed more than 450 racially diverse 16 to 24 year olds in 25 different locations with high dropout rates, including cities, suburbs, and rural towns. The top five reasons cited in this report provide “major factors” in a dropout’s decision to quit as:

- Classes not being interesting (47%);
- Missed too many days and could not catch up (43%);
- Spent time with people who were not interested in school (42%);
- Had too much freedom and not enough rules (38%); and
- Failing in school (35%).

In addition, some students noted their ability, under state law, to drop out of school either because they reached an age to do so or their parents signed them out. The report goes on to discuss that in the majority of the states, students are only required to stay in school until they are 16 or 17. It further states that once students understood the legal age at which they could drop out, they stated that it gave them a new freedom to make choices.

Two of Kentucky’s neighboring states have taken steps to address this situation. Indiana, for one, is looking beyond raising the legal dropout age. Indiana passed a bill, which was effective July 1, 2006, that specifies “a student younger than 18 may only receive permission to drop out of high school for financial or health reasons or with the permission of a court.” Also, Illinois has its age requirement set at 17 years of age, with an exemption stating that the student must be employed and excused by a school official before s/he will be allowed to leave school. Please refer to Appendix II for a list of all states’ age requirements for school attendance and exemptions.

Impact of Dropouts

High school dropouts negatively impact Kentucky and the nation due to the loss of productive workers, the earnings and revenues they would have generated, and the higher costs associated with increased incarceration, health care, and social services. The Alliance for Excellent Education (**Alliance**) estimated that more than 18,000 students did not graduate from Kentucky’s high schools in 2004, costing the state more than \$4.8 billion over a lifetime in lost wages, taxes, and productivity. Nationally, the Alliance estimates 1.3 million students dropped out in 2004, costing up to \$325 billion over the lifetimes of the 2004 dropouts. See Appendix VI for each state’s projected lost earnings due to dropouts.

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In Governor Ernie Fletcher's State of the Commonwealth address in 2006, he noted that Kentucky was "consistently in the bottom 10 states" in students who receive high school diplomas, college graduates, and per capita income. Governor Fletcher has promoted a new initiative, "Get Competitive Kentucky," to improve high schools and attract quality teachers.

High school dropouts each earn about \$9,200 less per year than high school graduates, and are more likely to end up either on public assistance or in prison. *The Silent Epidemic* reported that four out of every ten young adults, ages 16 to 24, lacking a high school diploma received some type of government assistance in 2001. Throughout their lives, dropouts are more likely than other citizens to draw on welfare and other social programs.

A dropout is 70%-80% more likely to be in jail or in prison as a person with at least a high school diploma. The average annual cost of maintaining a prisoner is at least three times higher than the annual dollars expended to educate a school-age child. *The Silent Epidemic* estimated that the lifetime cost to the nation for each youth who drops out of school and later moves into a life of crime, ranges from \$1.7 to \$2.3 million.

Around the country, other states are reporting the same economic impacts. In Nebraska, if high school dropouts had graduated instead of dropping out, there would be 35,000 fewer people receiving public assistance at an annual savings of \$130 million. In Missouri, more than half the inmates in prisons lack a high school diploma, and national studies show that up to 8 out of 10 inmates arrive at prison without a diploma, all resulting in an enormous burden on the public sector and its tax dollars. In Missouri, it costs an average of \$20,000 per year to house one inmate; it costs a little over \$6,000 per year to provide a year of education in the public schools. Ohio also reports spending nearly three times more per prisoner than per public school pupil.

As the pool of dropouts continues to grow, employment opportunities for them are more limited because today's economy requires the labor force to have increased literacy, more education, enhanced technological skills, and lifelong learning. Employment projections indicate that jobs requiring only a high school diploma will grow by just 9% by the year 2008, while those requiring a bachelor's degree will grow by 25%. For many dropouts, any chance for a decent job is gone and there are few chances of latching onto better paying factory jobs. A dropout working two full-time minimum wage jobs, 16 hours a day, five days a week barely grosses \$21,000 per year, which means they bring home about \$14,000 a year after taxes and usually lack health insurance.

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Job options are further limited by the U.S. military's reluctance to recruit dropouts. According to the Office of the Assistant Secretary of Defense, studies have concluded that those who drop out of high school are 30% more likely to quit the armed forces.

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Counting Dropouts – Federal Requirements

The federal No Child Left Behind (NCLB) Act was passed January 8, 2002, to increase school accountability and performance. It contains reporting and testing requirements that states must follow to obtain federal funds. NCLB requires each state to submit data from all school districts regarding annual school dropout numbers for grades 7 through 12, broken down by race and gender. This information is reported to and under the requirements of the National Center for Educational Statistics (NCES). According to NCES, a dropout is an individual who:

1. Was enrolled in school at some time during the previous school year;
2. Was not enrolled at the beginning of the current school year;
3. Has not graduated from high school or completed a state or district approved educational program; and
4. Does not meet any of the following exclusionary conditions:
 - a. Transfer to another public school district, private school, or state or district approved education program;
 - b. Temporary absence due to suspension; or
 - c. Death.

Counting Dropouts – State Requirements

Both KRS 158.145 and KRS 158.6455 contain language related to defining dropouts, but KDE's *Nonacademic Data Report Guidelines (Guidelines)* is the main source of detailed information on counting dropouts in Kentucky. The following text discusses the requirements of each.

KRS 158.145(2)(a) contains the following statement concerning dropouts:

All students who drop out of a school during a school year and all students who have not graduated, fail to enroll in the school for the following school year, and do not transfer to another school, shall be included in the statewide annual average school dropout rate, except as provided in KRS 158.6455(1)(b).

KRS 158.6455(1)(b), which was not in effect until the 2006-2007 school year, contains the following information as to who will be included and excluded in the school's annual average dropout rate:

A student shall be included in the annual average dropout rate if the student was enrolled in the school of record for at least thirty (30) days during the school year prior to the day he or she was recorded as dropping out of school. A student shall not be included in a school's annual average dropout rate if:

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- The student is enrolled in a district-operated or district-contracted alternative program leading to a certificate of completion or a General Educational Development (**GED**) diploma; or
- The student has withdrawn from school and is awarded a GED diploma by October 1 of the following school year.

KDE's *Guidelines* for the 2004-2005 school year states that the Kentucky Board of Education has adopted the federal NCES definition of a dropout. It also contains some additional definitions and requirements related to counting dropouts:

- A school year is defined as the 12-month period of time beginning with the opening day of the 2004-2005 school year and ending the day prior to the opening of the 2005-2006 school year.
- Schools are accountable for a full school year as defined above. This means that a student who drops out over the summer must be reported. A summer dropout is counted during the school year in which s/he failed to return, not during the school year s/he completed.
- Schools are responsible for verifying the whereabouts of all students enrolled for the 2004-2005 school year who withdrew from school.
- Schools must account for withdrawals in grades 7-12. Any student in grades 7-12 who is not accounted for is considered a dropout.
- Each school must document a student as a legitimate school leaver (i.e., documented transfer or completer), or the student is automatically considered a dropout.

These *Guidelines* also contain a chart to assist the schools in determining if a student is a dropout, and what code should be used to assign to this student within the student information system. The following five codes are considered "dropout codes" in the student information system used by all 176 Kentucky school districts: W06; W07; W16; W18; and SSP2. The definition for each code follows: (Please see Appendix IV for a more complete list of enrollment status codes.)

- A student who is 16, but not yet 18 years of age, and has dropped out is coded as W06.
- A student withdrawn due to those communicable medical conditions listed in 902 KAR 2:020, Section 2(1), that pose a threat in school environments, accompanied by a doctor's statement certifying the condition, or any other health related condition for which the student is too ill to participate in regular school attendance or local homebound instructional services, or if the student has obtained a doctor's statement certifying the condition, is coded as W07.

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- A pupil who has moved out of this public school district and for whom enrollment elsewhere has not been substantiated is coded as W16.
- A pupil 18 years of age or over who has withdrawn is coded as W18.
- A student who has been expelled for behavioral reasons and is not being provided educational services is coded as SSP2. (However, according to KDE, suspended students are not considered dropouts.)

The following table illustrates, by school year, the factors districts should have considered when counting dropouts for the 2004-2005 school year.

Table 2.1: Who is counted as a dropout for the 2004-2005 school year?

2003-2004 School Year	Students, who finish the school year and are required to return the following school year, but decide to drop out over the summer, have until October 1, 2004, to return to the district without being included in the 2004-2005 dropout count.
2004-2005 School Year	Students coded as W06, W07, W16, W18, and SSP2 during the 2004-2005 school year have until October 1, 2005 to return to the district without being included in the 2004-2005 dropout count.
2005-2006 School Year	Students who dropped out over the summer of 2004 or were withdrawn under the codes of W06, W07, W16, W18 or SSP2 during the 2004-2005 school year, have until October 1, 2005 to obtain a GED from a state approved program without being included in the 2004-2005 dropout count. Some students coded as legitimate school leavers should be verified as still receiving educational services as of October 1, 2005.

Source: Created by the APA, based on the *2005-2006 Nonacademic Data Report Guidelines (2004-2005 School Year Data)* and interviews with Kentucky Department of Education.

October 1st is the annual deadline for determining school dropouts, which is done using three years of data. The schools report this information to the districts, and the districts then must submit the numbers to the state by November 1st each year. The state then reports each district's numbers to the Common Core of Data (CCD) at NCES.

With an October 1st deadline, districts have approximately three months to recapture students who end the reporting school year assigned to one of the five dropout codes. For example, in the case of the 2004-2005 dropout count, this meant districts had until October 1, 2005, to reenroll a student who finished the 2004-2005 school year coded as a W06. Reenrollment of such a student by that date would mean that the student would not be included in the dropout count for the 2004-2005 school year.

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Kentucky's Student Information System

In 1999, the Commonwealth of Kentucky selected Software Technology, Incorporated (**STI**) as its sole vendor of student information systems. The state mandated that all schools within its 176 districts use STI's core system, a module called STIOffice, for their educational data management needs.

The districts use the module known as STIDistrict. STIDistrict allows data entered into STIOffice at a particular school to be uploaded and accessed by those in the district office for use in research and daily decision-making. STIDistrict also provides a unique student identifier to each student that assists the districts in tracking students and accumulating all student enrollment records.

STI has recently developed the STIState module. STIState enables aggregation and analysis of data at the state level by tying in all STIDistrict modules from across the state into a central database of statewide student information. The goal of STIState is three-fold: (1) to enable state-level administrators to create state reports, relieving the districts of that burden; (2) to allow the assignment of unique statewide student identifiers (**SSID**); and (3) to provide a statewide centralized enrollment program that will allow key student information to flow with a student as they withdraw and enroll in a different district.

Kentucky's student information system has cost the state \$7 million thus far through mid-February 2006. KDE is currently in the process of letting a new contract for maintenance of the system. As of August 31, 2006 (the date of exit conference), the contract had yet to be awarded.

Kentucky's Dropout Rates

Nationally, Kentucky tied, with New Hampshire and Vermont, for the 17th highest state dropout rate for grades 9-12 during the 2001-2002 school year of all 50 states and the District of Columbia. This ranking is based on NCES data. The 2001-2002 school year is the most recent state comparison released by NCES.

Kentucky's dropout numbers, as provided by KDE, have been increasing over recent years with the largest number of dropouts occurring in 10th grade. The increase has occurred for both genders, but the dropout numbers for African Americans have increased significantly when compared with other ethnic groups. The following two tables present statewide dropout numbers from the three most recent reporting periods by gender and then by race/ethnicity.

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Table 2.2: Dropout Count by Gender, Last Three Reporting Cycles

Grade	2002-2003		2003-2004		2004-2005	
	M	F	M	F	M	F
7	30	10	22	7	20	15
8	48	30	39	29	50	43
9	873	455	894	525	868	495
10	1091	652	1050	700	1109	738
11	912	698	944	687	1000	705
12	734	618	767	561	902	664
Sub-total	3688	2463	3716	2509	3949	2660
TOTAL	6151		6225		6609	
RATE 7-12	2.18%		2.18%		2.29%	
RATE 9-12	3.31%		3.33%		3.47%	

Where: M = Male and F = Female.

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Table 2.3: Dropout Count by Race/Ethnicity, Last Three Reporting Cycles

Grade	2002-2003						2003-2004						2004-2005					
	W	AA	AI	AS	HI	OT	W	AA	AI	AS	HI	OT	W	AA	AI	AS	HI	OT
7	30	10	0	0	0	0	24	3	0	1	1	0	23	8	0	1	3	0
8	58	13	1	0	5	1	55	8	0	1	4	0	67	20	2	0	4	0
9	1102	193	2	6	21	4	1189	175	6	9	29	11	1099	210	0	1	38	16
10	1474	225	2	7	28	7	1440	265	7	6	26	6	1445	343	1	11	36	11
11	1397	178	0	9	19	7	1372	216	2	9	25	7	1391	269	2	7	26	10
12	1187	135	2	6	16	6	1139	156	6	4	17	6	1260	255	6	4	29	12
TOTAL	5248	754	7	28	89	25	5219	823	21	30	102	30	5285	1105	11	24	136	49

Legend: W = White, AA = African American, AI = American Indian, AS = Asian, HI = Hispanic, and OT = Other.

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Note: The statewide 2004-2005 race/ethnicity total for the information supplied by the Kentucky Department of Education is one unit higher than the statewide 2004-2005 gender total because one district submitted one more dropout for the ninth grade under the section broken down by race/ethnicity than submitted for the same grade under the section broken down by gender.

Findings and Recommendations

FINDING #1: The number of dropouts for the 2004-2005 school year is underreported by at least 1,979 students, which is 30% of the dropouts reported.

School districts, as a whole, are reporting fewer dropouts than the number of students that are coded as dropouts within the student information system. Based on estimates using KDE information, the total number of dropouts reported for the 2004-2005 school year is underreported by at least 1,979 students, or 30% of the number of dropouts reported. According to the student information system, 8,588 students were coded as dropouts who did not return to the district by the October 1, 2005 cut-off date, but the school districts only reported 6,609 dropouts.

This estimate of unreported dropouts increases the statewide reported dropout rate of grades 7-12 by 0.69%. For the 2004-2005 school year, the reported dropout rate was 2.29% for grades 7-12 and 3.47% for grades 9-12. After adjusting the dropout count, the dropout rates would increase to 2.98% for grades 7-12 and to a maximum of 4.7% for grades 9-12.

The estimated number of unreported dropouts is based solely on a comparison of the number of students **coded** as a dropout within the student information system and the number of students **counted** as a dropout in a separate report to KDE. Attempts to validate Kentucky’s dropout number through replication of district level enrollment information were unsuccessful because KDE did not have access to any district level student specific data. The possibility of obtaining this data electronically from the districts was not viable for the 2004-2005 school year, which was the most recent year for which a dropout count was reported. This issue is discussed in more detail in Appendix I.

KDE was able to provide: the number of dropouts reported as of October 1, 2005 (**dropout report**); the number of students coded as a dropout using codes W06, W07, W16, and W18 during the 2004-2005 school year (**withdrawal report**); and the total number of students who, after dropping out during the 2004-2005 school year, returned to the same district by October 1, 2005 (**return report**).

The following table depicts statewide totals from the three reports, by grade when available, and includes statewide school membership (enrollment) to put the numbers in perspective.

Table 3.1: Statewide Comparison of the 2004-2005 Dropout Code Totals to Dropout Counts

Grade	Membership	Withdrawals	Returns	Dropouts	%	Difference	%
7	50,618	207	N/A	35	0.06	172	0.33
8	51,117	273	N/A	93	0.18	180	0.35
9	56,637	2111	N/A	1363	2.40	748	1.32
10	48,331	2534	N/A	1847	3.82	687	1.42
11	42,582	2283	N/A	1705	4.00	578	1.35
12	39,075	1853	N/A	1566	4.00	287	0.73
Total	288,360	9261	673	6609	2.29	1979	0.69

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

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District-specific information, found in Appendix III, demonstrates that districts, as a whole, followed no set pattern when it came to this analysis. Eighty-nine (89) districts reported fewer dropouts for the 2004-2005 school year than the number of students coded as dropouts, less the number of students that returned to that same district by October 1, 2005. In thirty-five (35) cases, the district's number of coded dropouts matched its dropout report exactly, or the combination of the district's coded dropouts less the number of returning students exactly matched its dropout number. Fifty-two (52) districts reported more dropouts than the number coded as a dropout/return, indicating that these districts might be taking into consideration factors outside of the student information system.

Events That Could Impact the Dropout Number Estimate

The estimated number of unreported dropouts could be impacted by adjustments made outside the student information system, improper coding practices, and potentially duplicative data. These events could increase or decrease the estimated number of unreported dropouts. The factors requiring adjustments outside the system will be discussed in more detail within Finding #2: Districts cannot calculate the dropout count using only the student information system.

A major adjustment not tracked in the student information system involves students that drop out during the summer (summer dropouts). Summer dropouts are not coded in the system as dropouts so it is the responsibility of the school districts to track these students and include them in the dropout count. In addition, any student who legitimately withdrew from the district during the school year, but is found to be no longer receiving educational services, should be added to the dropout count as well.

Because the 2004-2005 withdrawal report is cumulative, the number of students coded as a dropout using the four dropout codes could be overstated. If a student was coded as a dropout but then the district determined that they had merely transferred to another school district, the withdrawal report would reflect the use of that dropout code even though it was corrected. However, considering that there were 35 school districts whose withdrawals agreed with their dropout numbers and no other withdrawal data was available, this information continued to be used for estimate purposes.

Our estimate could also decrease if an event occurred that would exclude a student from the dropout count, but the code was not changed (improper coding practices) or could not be changed (occurred after the school year but prior to October 1). Examples include students coded as a dropout but later determined to have transferred to a new district, private school, or state/district approved education program. Also, although not applicable until the 2006-2007 school year, a student coded as a dropout at the end of

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a school year, who receives a GED by the October 1st cut-off date, should not be included in the dropout count.

A sample of school districts was contacted to determine the reasons for the difference between the number of students coded and those counted as dropouts, as well as the extent of possible duplications. Contacted officials were unable to provide any specific reasons for the differences or any information to dispute the withdrawal numbers. Due to concerns about the lack of electronic data and supporting documentation, no further fieldwork was conducted.

To further support that unreported dropouts exist, statewide membership data was analyzed to determine the percentage of decrease for a class of students from freshman to senior year. The following table illustrates membership decline and that Kentucky's reported dropout rate may not accurately reflect the dropout situation.

Table 3.2: Membership Decline Analysis

Year of Graduation	Class Membership				Overall Decrease in Membership from Freshman to Senior Year
	Freshman Year	Sophomore Year	Junior Year	Senior Year	
Class of 2005	53,878	47,743	42,361	39,075	14,803 = 27%
Class of 2004	53,687	47,077	42,303	39,025	14,662 = 27%
Class of 2003	55,354	47,776	42,278	38,901	16,453 = 30%
Class of 2002	54,455	46,783	41,230	37,290	17,165 = 32%

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

FINDING #2: Districts cannot calculate the dropout count using only the student information system.

For schools and districts to calculate an accurate dropout number, they must develop a separate tracking method because the required data is not maintained within the student information system. This is due to dropout coding inadequacies and the need to track factors outside of the school system. While dropout reporting is not the primary function of the student information system, it is reasonable to expect that the school's student information system should facilitate tracking the number of dropouts for a given school year.

Kentucky is not alone in its inability to electronically track dropouts using its student information system. The Education Research Center at *Education Week* polled all 50 states and the District of Columbia to produce individual state reports on the educational technology used across the nation. According to the reports, 44 respondents, which include

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Kentucky, have a student data system that is able to track individual students. Of those 44 respondents, 7 could not track student dropout or completion status using their student information systems. As expected, Kentucky responded that its student information system could not be used to track dropout or completion status.

According to APA survey results, 115 (or 68%) of the 168 school districts that responded stated a student could not be included in the dropout total without being given a withdrawal code. This response illustrates the significance that districts have given to the student information system and the use of withdrawal codes. However, withdrawal code information is only one component within the dropout count.

These issues are complicated by the fact that the student information system stores each school year in a separate database, and the databases cannot “talk” to each other. Counting dropouts for a given school year involves obtaining student data for three school years. As it presently stands, the student information system is incapable of producing a report that pulls data from three separate school years, and multiple years’ databases cannot be opened or accessed simultaneously.

Problems Exist for Coding Numerous Summer Events

Adjustments to enrollment information cannot be made once the school year is over. Students that do not return after the summer cannot be coded as a dropout and students coded as dropouts in a previous year cannot be reclassified as a legitimate school leaver. These students are listed as “inactive.” It is then the school’s responsibility to track down those students on the “inactive” list to determine whether s/he is a dropout, transferred to a new district or private school, or died. Even though these students are never properly coded in the student information system, the district can add and remove that student from the dropout count, as long as this information is being tracked and monitored independently by the school district.

Due to the lack of proper coding, schools/districts are not officially required to document or follow-up on summer dropouts as they would other students that had been coded as dropouts. According to KDE officials, there are no regulations or policies concerning the schools’ “inactive” lists, and these “inactive” students are not included in the scope of KDE’s attendance audits. Therefore, there is no incentive or control in place for schools to change a student’s status from “inactive” to “dropout.”

While the *Guidelines* contain language stating that summer dropouts should be coded as a W16 (unsubstantiated withdrawal), in practice, schools are not giving a code to a student who does not officially enroll. The *Guidelines* for reporting 2004-2005 school year data state that “for end of year adjustments made for accountability purposes, the W16

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withdrawal code shall be applicable to pupils enrolled at the end of the previous school year who failed to enroll in this or any other school district at the beginning of the current school year.” However, the student information system does not allow a student to be enrolled and coded as a withdrawal on the same day.

Through interviews with representatives of school districts, it was determined that some districts have created an informal tracking system, but the APA was unable to determine if this informal tracking is the basis for the reported dropout count. According to APA online survey results, most districts stated that the student information system was used. In addition, 97 districts responded that “handwritten notes or lists” were used, and 33 used “electronic spreadsheets.”

No guidance is provided by KDE on how to track students outside the system. In fact, 35% of the school districts responded that the “inactive” list was not used when calculating the dropout number.

Tracking Factors Outside the School System

There are additional adjustments to the dropout count that require the schools to obtain information from sources outside the student information system. These adjustments are required due to the definitions of who should be included in the dropout count per the statutes and the *Guidelines*.

For example, according to the *Guidelines*, students who obtained their GED from a state-approved program by October 1, 2005, should not have been included in the dropout count for the 2004-2005 school year. Information on which individuals have obtained their GED is not available in the electronic student information system. To ensure an accurate dropout count, districts should determine whether any student in their dropout count has obtained a GED. This would require the schools to contact an entity outside the school system. (Also, effective with the 2006-2007 school year, students who are enrolled in a district-operated or district-contracted alternative program leading to a certificate of completion or a GED should also be removed from the dropout count.)

Also, if a student withdraws under the codes W03, W10, W11, or W12, the school must determine whether the student is receiving educational services in order to calculate the school’s dropout rate correctly. These codes are used when students have transferred to a nonpublic school, have been expelled and withdrawn to a state agency or a regional alternative facility, or have been withdrawn under the jurisdiction of the court. These students should be recoded as dropouts if they are not receiving educational services. This requires Kentucky’s public schools to contact home schools, private schools, state agencies and facilities, and the court system. If this procedure is not performed, the dropout count will not be accurately calculated.

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Lastly, starting with the 2006-2007 school year, school and district officials should verify that students who transferred to other public school districts remain enrolled in those other school districts for thirty days after the date of enrollment. According to KRS 158.6455, “a student shall be included in the annual average dropout rate if the student was enrolled in the school of record for at least thirty (30) days during the school year prior to the day he or she was recorded as dropping out of school.” While this portion of the statute did not take effect until July 1, 2006, it implies that students who transfer to other public school districts and drop out prior to being enrolled for thirty days are the responsibility of the former district and must, therefore, be counted as dropout on the former districts’ records. Starting with the 2006-2007 school year, the school or district must follow up on the student 30 days after the transfer to determine if s/he is still enrolled.

FINDING #3: KDE does not validate the dropout count and does not emphasize the need for accurate dropout reporting.

By choosing to not validate the dropout information submitted by districts, KDE has deemphasized the need for accurate reporting. Presently, school districts are required to submit dropout and other nonacademic data concerning the previous school year to KDE via a web application by November 1st of each year. This information is reviewed for reasonableness but supporting documentation is not routinely requested and KDE does not compare these numbers, to the districts’ withdrawal codes for the same period.

KDE officials within the Department of Assessment and Accountability review the raw data for any inconsistencies (such as math errors), perform “reasonableness checks” on the information as needed (such as comparing the data to the previous year’s data), and notify districts of their responsibility to make approved adjustments to the data.

KDE officials do not routinely request supporting documentation from the districts, or even from a sample of districts. In fact, 82% of districts responding to our survey indicated that KDE has never requested documentation from them related to the dropout numbers that they had reported. However, approximately 94% of the districts surveyed stated they require supporting documentation from the schools to validate the dropout numbers submitted to the district.

KDE officials indicated that due to reductions in KDE staffing levels in recent years and the nature and extent of current staff assignments, the need for additional data verification services would require a review of priorities to determine if other, less critical priorities exist that could be discontinued.

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Nonetheless, the dropout rate does have two indirect connections to funding, as well as a direct connection to the dropout prevention grant program. In addition, there are statutory requirements that KDE monitor dropout rates and reduce these rates; indicating legislative interest in a valid dropout rate.

First, the Support Education Excellence in Kentucky (**SEEK**) program is based in large part on average daily attendance of students. SEEK funding is provided to districts based on the number of students in attendance. Dropouts are not in attendance and, thus, are not a factor in average daily attendance calculations. However, districts would be entitled to more SEEK funds if students who drop out stayed in school.

The second connection to funding is the accountability index, a statistic that combines a school's academic and nonacademic factors to determine if a school has met its threshold level for school improvement. According to state regulations, the dropout rate accounted for 1.9-2% of the accountability index for middle schools (grades 6-8) and 3.56-3.75% of the accountability index for high schools (grades 9-12). For a short time, the General Assembly provided "rewards" for districts based on their achieved accountability index (which usually amounted to about \$20 million/year), but funding ended with the 2000-2002 biennium budget and the rewards stopped.

Even though the rewards have been discontinued, funding for KDE's Dropout Prevention Grants is still being provided. KDE's Dropout Prevention Branch, which was established in the mid-1980s, provides grants to school districts with elevated dropout rates. When it was first enacted, effective July 14, 2000, KRS 158.146 required KDE to administer grant programs to districts that have a three-year average annual dropout rate in excess of 5%. The grants, which are paid through available state funding, are awarded for a two-year period to eligible districts through an application process. For the current grant cycle, 2004-2006, 33 districts were eligible, but only 22 districts applied to receive the grants. Only 13 of the 22 districts that applied received Dropout Prevention Grants that totaled \$1.5 million for the two-year period.

Also, in accordance with KRS 158.146, 75% of dropout prevention funds are allocated toward interventions and activities at the elementary and middle school levels. The remaining 25% of funds are to be spent in programs at the high school level. Although research has shown that early intervention programs are the most successful, the actual results will need multiple years of review to properly evaluate the success of Kentucky's Dropout Prevention Grants.

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There are several statutes that contain language demonstrating a legislative mandate for KDE to monitor and analyze dropout information. KRS 158.145, 158.146, 158.6451, and 158.6455 all contain language that establish goals for dropout rates. KRS 158.145 specifically states that, by the year 2006, no school will have an annual dropout rate that exceeds five percent (5%). These statutes should provide KDE with the reason to monitor and validate dropout numbers, even if there are no monetary penalties associated with not meeting the goals set by the General Assembly.

FINDING #4: The lack of detailed instructions and training has produced inconsistent approaches to counting dropouts.

KDE has not provided detailed instructions or adequate training on how to track, adjust, or validate each school or district's dropout numbers. The main information provided by KDE that discusses dropouts is in the *Guidelines*. The *Guidelines* provide some brief information as to how students should be coded within the system, and which codes are considered dropout codes. There is no discussion, however, of how summer dropouts should be tracked, or how to monitor the additional adjustments needed to ensure compliance. The "inactive" list, as mentioned in a previous finding, is not discussed in the *Guidelines*, even though this list will contain students that should be included in the dropout count.

KDE does have a formula for calculating the dropout rate: *Dropout Rate = Number of Dropouts / Fall Membership*. But there is no formula for calculating the numerator of that formula, i.e., the number of dropouts.

Even though 79% of the school districts responding to our online survey thought that KDE had provided them with enough guidance, half of the districts responding (85 school districts) have developed their own additional procedures to document the process that each school should use to calculate its dropout number. (See Appendix V for the complete survey responses.)

To illustrate where inconsistent interpretations may affect dropout reporting, the following is an excerpt of responses to the online survey question #14:

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Table 3.3: Question 14 from the APA Survey

Question: For each type of student below, select “Yes” if they are included in your dropout number calculation or “No” if they are not included in your dropout number calculation during the 2004-2005 school year:				
	“Yes” Responses	%	“No” Responses	%
Students that completed the 2003-2004 school year but did not show up for school at the beginning of the 2004-2005 school year.	120	71%	48	29%
Students who withdrew to take the GED during the 2004-2005 school year.	127	76%	41	24%
Students who have completed the 12 th grade during the 2003-2004 school year, but did not graduate and did not return to school for the 2004-2005 school year.	122	73%	46	27%

Source: Auditor of Public Accounts, based on information submitted by 168 districts.

Training is not provided to the many positions and staff that appear to be involved with dropout calculations. According to KDE, the District Assessment Coordinator (**DAC**) and the district’s Director of Pupil Personnel (**DPP**) are the main positions responsible for calculating and verifying the dropout number. Nonetheless, training on calculating the dropout number is generally only offered at the annual Kentucky Directors of Pupil Personnel conference each fall.

According to the APA survey responses, only 55 DPPs and 22 DACs compile the dropout numbers for their districts. Surprisingly, 28 other positions were given as a response, ranging from the Superintendent at the district level, to the Attendance Clerk at the school level. In fact, Guidance Counselor, with 78 responses, was the position most often responsible for calculating the dropout rate, as provided in the survey.

As 30 different positions have a hand in calculating the state’s dropout numbers, consistency will be difficult to achieve. Since these positions are receiving little or no training and over half of the districts are using procedures developed internally, dropout rates are not comparable across the 176 school districts.

Due to the complications that exist as to who should be included in the dropout number, and the importance of reporting accurate numbers, additional guidance and training should be developed to produce consistent dropout reporting by the schools and districts so that dropout rates will be accurate and comparable.

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FINDING #5: Inaccurate dropout counts impact graduation rate reporting.

Because Kentucky's formula for calculating the graduation rate is currently dependent upon the dropout numbers reported by the districts for grades 9-12, the graduation rate has been overstated. In recent years, the education world has been focusing and publicizing the issue of raising the graduation rate instead of discussing lowering the dropout rate. Regardless of the perspective on education goal setting, the two statistics are related, in that dropout numbers are factors for both. The graduation rate formula for Kentucky is:

$$\frac{\text{Completers}^{\text{CY}}}{\text{Completers}^{\text{CY}} + \text{Grade 12 dropouts}^{\text{CY}} + \text{Grade 11 dropouts}^{\text{CY-1}} + \text{Grade 10 dropouts}^{\text{CY-2}} + \text{Grade 9 dropouts}^{\text{CY-3}}}$$

Where CY=Current year and Completers=Those students attaining a standard diploma in 4 years or Individual Education Plan specifying more than 4 yrs;

Source: 703 KAR 5:001, Section 1 (25).

If dropouts are generally underreported, then the denominator will be smaller than it should be, causing the graduation rate to be higher than it should be. This is important to understand because the graduation rate often serves as the starting point for setting goals for achievement or progress, and if the dropout numbers are wrong, then the graduation rate will also be stated incorrectly.

Kentucky's reported graduation rate has hovered around the 80% mark for the last five years, but this does not mean that our dropout rate should be around 20%. Contrary to popular opinion, graduation rates and dropout rates are not necessarily the inverse of one another. Some students are neither graduates nor dropouts. Some take longer than four years to graduate, some receive non-diploma credentials, others transfer out of the district, and, sadly, others die. These students, along with students in a few other categories, consist of those who are not represented by either rate. The table below portrays the statewide graduation rate for each of the past five school years.

Table 3.4: Statewide Graduation Rates, by School Year

2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
79.72	80.83	79.15	81.29	82.84

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Three important entities have recently emphasized the importance of graduation rates: the Kentucky's Council on Postsecondary Education (CPE), the federal government, and the National Governors Association (NGA). The following information discusses their goals related to graduation rates, and the impact of inaccurate reporting.

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First, officials at CPE recently revisited the 2020 goals set by the 1997 General Assembly to move Kentucky toward the national average of education attainment. CPE stated that one way of meeting the goal for college graduates is for public schools to increase from 72% to 81% the number of ninth graders who graduate from high school. CPE obtained this baseline graduation rate from information provided by NCES for the 2002-2003 school year. However, according to information provided by KDE, as depicted in Table 3.4, Kentucky has already reached the goal desired by CPE.

Due to inconsistent sources of data and an overstated graduation rate resulting from an underreported dropout count, the actual starting place from which the graduation rate must rise is not known. According to CPE, projections will be adjusted if Kentucky's graduation rate is calculated differently.

Secondly, the NCLB Act's performance measures include graduation rates for public secondary schools. If dropout rates, and subsequently, graduation rates, are being reported inaccurately, then the judgments of high school performance are being made with erroneous information.

Finally, in 2005, the NGA developed the Graduation Counts Compact (**Compact**), which was initially supported by governors from all 50 states. One component of the Compact recommends using the four-year cohort graduation formula, which does not include dropout data. By 2009, 39 states plan to report a graduation rate using the Compact formula, according to officials from governors' offices and state education agencies across the nation. Kentucky responded that steps have been taken to report the Compact rate by 2009, but Kentucky's law has yet to be revised to support this change in the graduation formula. If our graduation rates are computed using a more reliable formula, it may appear that our schools are doing worse than previously reported.

The NGA's Graduation Counts Compact was an effort to improve the quality of graduation rate data, and there are efforts underway to develop a common formula for dropouts as well. According to an NGA program director, there have been meetings and discussions on this issue, and they expect to release a report this fall. The dropout calculation likely will be consistent with the graduation calculation, and be a four-year cohort measure using the same denominator as the graduation rate. At this time, the NGA plans to recommend the NCES definition of a dropout, and make other recommendations on how states can improve the process of tracking and coding students.

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FINDING #6: Dropout rates on the national level are not consistent and, therefore, not comparable.

Each state uses an assortment of definitions to determine who is considered a dropout, and each state collects dropout data at different times throughout the school year using multiple data collection methods and systems. Determining exactly who America's dropouts are can be a tough question to answer since there are a number of ways states calculate their dropout rates. The many distinct ways of tracking youth no longer in school result in unreliable aggregate national dropout figures. Due to the multiple ways of calculating the dropout rate, experts say the tracking of students is flawed. The following table provides an explanation and example of three different methods used to calculate dropout statistics.

Table 3.5: Different Methods for Calculating Dropout Rates

Type of Dropout Statistic	Definition	Example	Relative Value
<i>Event Rate</i> (may also be referred to as the annual rate or incidence rate)	Measures the proportion of students who drop out in a single year without completing high school.	Five out of every 100 young adults (ages 15-24 in grades 10-12) enrolled in high school in October 1999 left school before October 2000 without successfully completing a high school program.	Typically yields the smallest rate.
<i>Status Rate</i> (may also be referred to as the prevalence rate)	Measures the proportion of students who have not completed high school and are not enrolled at one point in time, regardless of when they dropped out.	In October 2000, 3.8 million young adults were not enrolled in a high school program and had not yet completed high school. These youth accounted for 10.9% of youth ages 16-24 in the U.S. in 2000 (NCES, 2002).	Yields a rate that typically falls between event and cohort rates.
<i>Cohort Rate</i> (may also be referred to as the longitudinal rate)	Measures what happens to a single group (or cohort) of students over a period of time.	The district percentage of ninth graders in Minneapolis who were reported as dropouts four years later was 35.2% (Minnesota Department of Children, Families and Learning, 2000).	Typically yields the largest rate of dropout.

Source: National Center on Secondary Education and Transition

Kentucky has reported the state's dropout numbers to the CCD at NCES since 1997. Kentucky collects dropout data for grades 7-12 from every district and reports the data by gender and ethnicity, as required by the NCLB and NCES. Even though Kentucky has been submitting data since the 1997-1998 school year, there were still five states that did not submit dropout data for the 2001-2002 school year, the most current year for which data is available from NCES.

Some states only collect data for grades 9-12 while other states provide an overall dropout number without breaking down the data by gender and ethnicity. These differences in reporting to the CCD make it nearly impossible to adequately compare dropout rates from one state to the next. Even though these discrepancies exist, the CCD still compares the data

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received by each participating state and ranks each state from high to low. According to the CCD, Kentucky was tied for the 17th highest state dropout rate in the nation for the 2001-2002 school year, with a dropout rate of 4.0% for grades 9-12.

The Annie E. Casey Foundation ranked Kentucky's overall child well-being in 2004 at 42nd in the U.S. in their 2006 Kids Count project. The project also listed Kentucky's percent of teens, ages 16 to 19, in 2004 who are high school dropouts as 10%, which ranks Kentucky 41st overall in the U.S. which is dramatically different from the CCD's ranking. The U.S. Census Bureau also provided information on the percentage of students who drop out at different grade levels and at different ages using different dropout statistics. Each source reviewed provided a different dropout rate for Kentucky.

Hence, dropout confusion is not just a Kentucky problem, but also a problem that affects the nation. Educational researchers agree that there are too many ways to calculate the dropout rate. Without reliable information, state education agencies cannot determine the severity of problems or make comparisons about the effectiveness of schools. Kentucky and other states should address this issue so that data is reliable and comparable, both within the respective states, and between different states. A nationally accepted definition and formula would allow this data to be more valuable in management and funding decisions.

Recommendations

1. The Kentucky Department of Education (**KDE**) should strengthen the dropout portion of its *Nonacademic Data Report Guidelines (Guidelines)* to provide detailed instructions on identifying, tracking, calculating, and reporting dropouts. These modifications should decrease the likelihood of inconsistent approaches to calculation, and increase the comparability of the districts' dropout rates. Simplified instructions should be distributed to all district and school officials who are involved in the dropout reporting process. At a minimum, these instructions should include the following:
 - Detailed definitions as to which students should be included in the dropout counts. The different variables to define would be:
 - A) Students coded as dropouts in the student information system;
 - B) Students that returned as of October 1st of the following school year;
 - C) Students that did not return from the summer prior to the reporting school year (summer dropouts);
 - D) Students that were coded as dropouts but are General Educational Development (**GED**) diploma recipients as of October 1st of the following school year;

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- E) Students that were coded as dropouts but are enrolled in a district-operated/contracted, state-approved secondary program leading to a certificate of completion or a GED as of October 1st of the following school year; and
 - F) Students coded as a legitimate withdrawal but the school has determined are not receiving educational services.
- A formula to provide a visual illustration of the treatment of the different variables within the calculation of the dropout number. Using the variables above, a possible formula would be:
$$\text{Dropout Number} = A - B + C - D - E + F$$
 - A requirement for districts to maintain documentation to support the dropout numbers reported to KDE, as well as defining what type of documentation should be maintained. Such documentation should include, but not be limited to, name, statewide student identifier (**SSID**), grade, last date enrolled, and reason for inclusion in the district's dropout count.
 - A required tracking method to be used to monitor those students no longer enrolled in the student information system, i.e., summer dropouts, dropouts that may have received their GEDs, and withdrawn students who may not be receiving educational services.
 - A requirement that district and school officials verify legitimate withdrawals. For example, the *Guidelines* could require an annual review of students who have withdrawn to attend another school (public or private) in the same or another district in order to determine that the students are still receiving educational services.
2. KDE should require Software Technology, Incorporated (**STI**), or any subsequent vendor, to develop enhancements to the student information system that will allow users to create a report that will list potential dropouts by name or SSID; to record summer dropouts and withdrawals in the system; and to allow the information to be tracked over multiple school years.
 3. KDE, in conjunction with STI, or any subsequent vendor, should provide annual training to all district and school officials involved with dropout reporting. This training should address not only how the system can be used to track dropouts, but also the limitations of the system in calculating dropouts.
 4. KDE should request supporting documentation from a random number of districts on an annual basis to determine if each district's dropout count was accurately reported.

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5. KDE should continue to work with the Council on Postsecondary Education to conduct a data match to determine if any of Kentucky's reported dropouts received a GED as of the October 1st deadline. This information should be made available to the districts.
6. If KDE intends to start using the National Governors Association (NGA) Graduation Counts Compact formula to calculate the graduation rate in 2009, prior to the release of such rates, officials should amend 703 KAR 5:001, Section 1(25) to reflect that formula instead of the National Center for Educational Statistics leaver rate formula that the state currently uses.
7. Kentucky, along with other states, should consider adopting a dropout calculation method currently under development by the NGA to increase national uniformity and comparability.

Scope

The Kentucky Auditor of Public Accounts (**APA**) conducted this performance audit to determine whether Kentucky's dropout rate is valid and accurate. The APA concentrated on the dropout count and rate for the 2004-2005 school year, since that was the year with the most recently reported information. In order to develop findings, the scope of the audit focused on the following sub-objectives:

- Determine the legal criteria related to dropout rates and its effect on school funding.
- Determine how Kentucky calculates the dropout rate.
- Determine if Kentucky's dropout numbers are accurately reported to the Kentucky Department of Education (**KDE**).
- Determine how Kentucky's dropout rate compares nationally and research any national trends related to reducing the dropout rate.

This audit was conducted in accordance with generally accepted Government Auditing Standards promulgated by the Comptroller General of the United States, with the exception of the standard (**7.59**) related to validating data from computer-based systems. Aggregate withdrawal and return information provided by KDE from its student information system was used in this report to estimate the number of unreported dropouts; however, evidence that the computer-processed data was valid or reliable was not obtained. Direct tests were not a possibility because the specific names of individuals included in the dropout count were not available. The audit team decided to use the information from the student information system without testing the system's general controls because the data from that system was the only information available for comparison to the dropout numbers reported by the districts. The audit team worked to present the limitations of the system and the information used, as well as to discuss the possible impact such limitations would have on the findings presented in this audit.

Methodology

The audit team undertook many actions to identify potential sources of data that could provide audit evidence. We reviewed data collected by the audited entity (KDE), data generated by the auditors themselves, and data provided by third parties. We further reviewed physical, documentary, testimonial, and analytical evidence by observing the student information system, examining criteria related to dropout reporting, interviewing various KDE and school district officials, and computing and comparing various data sets.

Research

Our research began with a review of the KDE's website for details about the calculation of the dropout rate, and any other information concerning Kentucky's dropout rate. Next, we examined the relevant sections of Kentucky Revised Statutes and the Administrative Regulations occurred next. Finally, we reviewed relevant sections of the No Child Left Behind Act and information from the National Center for Educational Statistics website.

To determine how Kentucky's dropout rate compares to other states, the APA searched the National Center for Education Statistics website, as this organization compiles educational statistics nationally. Specifically, we analyzed data from the Common Core of Data, which included definitions of a dropout, tables of dropout percentages by state, and reporting practices of each state in the nation. Also reviewed was the Annie E. Casey Foundation's 2006 Kids Count project, which ranks each state by the overall measure of the educational, social, economic, and physical well being of children. One of the factors used to determine the overall rank, is the percent of teens who are high school dropouts ages 16-19. Information also came from various reports, publications, and articles on the subject of dropout reporting and prevention nationwide.

Interviews

We first interviewed a representative with the Texas Education Agency, who was in the news at the time this audit began because it was being reported that Houston had 2,999 summer dropouts not included in their dropout number. Next, we interviewed various members of KDE's staff, district officials in both Franklin and Shelby County, and a member from each of the Legislative Research Commission's Education and Budget Review Committees. Also, we conducted phone interviews with various district officials concerning dropout count procedures, and held a meeting with the Dropout Prevention Branch to discuss an overview of the Branch and obtain information on grants distributed by the Branch listed in accordance with KRS 158.146.

Data Review and Analysis

The APA requested data from KDE staff concerning their attendance audit process in an effort to better understand how and when attendance audits are performed, analyzed dropout prevention grant recipients for the last three biennia, and gathered information about the current student information system utilized by the state and all levels below to monitor attendance and enrollment.

Initially, the audit team planned to request enrollment data at the beginning and end of the most recent school year, along with withdrawal code information, and calculate the exact amount by which, if any, the reported dropout numbers differed. Due to the Houston example and interviews with KDE and school district officials, summer dropouts became a concern in that they were not being included in Kentucky's dropout count. However, after it was determined that school districts would not be able to provide this enrollment data and KDE did not have student data for the 2004-2005 school year, the focus shifted to performing a reasonable test using the dropout and withdrawal information provided by KDE.

While the report resulting from this audit focuses on the 2004-2005 school year, KDE provided data from multiple school years. This data included: the 2002-2003, 2003-2004, and the 2004-2005 school year – end withdrawal reports for all districts by school and grade; the E03 – coded status report for all districts by school, not grade, as of October 1, 2005;

statewide membership counts by grade and year, for 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, and 2004-2005; and the 2002-2003, 2003-2004, and the 2004-2005 dropout reports released by KDE for all districts by school and grade.

APA Online Survey

To obtain information from each school district on dropout reporting procedures, we developed an online survey. The 171 Kentucky school districts serving grades K-12 were sent a link to the survey on May 15, 2006. The response rate for the survey was 98%, with 168 districts responding. This survey was used to determine the school districts' knowledge of the dropout calculation process, the use of codes within the student information system relating to the dropout codes, and it asked questions concerning the dropout numbers reported to KDE in November 2005.

Age of Required School Attendance, by State

Appendix II

Source: *The Silent Epidemic* by Civic Enterprises using information from U.S Department of Labor, data updated as of December 2005.

State	Age of Required School Attendance	Exemptions
Alabama	16	Legally and regularly employed under child labor law
Alaska	16	
Arizona	16	14 with parental consent and gainfully employed
Arkansas	17	Must complete school year
California	18	
Colorado	16	Has current age and school certificate or work permit
Connecticut	18	16 with parental consent
Delaware	16	
District of Columbia	18	
Florida	17	May terminate at 16 with parental consent
Georgia	16	
Hawaii	18	15 if employed
Idaho	16	
Illinois	17	Employed and excused by school official
*Indiana	18	16 with consent of parent and principal, 14 if parent agrees and State Labor bureau issues a certificate, and must go back to school within 5 days of termination of employment for which certificate was issued
Iowa	16	
Kansas	18	16 and 17 with parental consent
Kentucky	16	
Louisiana	18	17 with parental consent
Maine	17	15 or completed 9th grade
Maryland	16	
Massachusetts	16	14
Michigan	16	
Minnesota	16	
Mississippi	17	
Missouri	16	14
Montana	16	Or completion of 8th grade, whichever is later
Nebraska	18	14 and 16 with parental consent; special legislation for home schooling
Nevada	17	14 and excused by board of trustees; 14 if work is necessary for own or parents' support
*Law revised 7/1/06		

Age of Required School Attendance, by State

Appendix II

Source: *The Silent Epidemic* by Civic Enterprises using information from U.S Department of Labor, data updated as of December 2005.

State	Age of Required School Attendance	Exemptions
New Hampshire	16	
New Jersey	16	
New Mexico	High School Graduate	17 if excused by school board and employed in a gainful trade or occupation or child is in alternative schooling with parental consent
New York	16	17 in cities with 4,500 or more population and union-free school districts
North Carolina	16	
North Dakota	16	Necessary to support family
Ohio	18	16 with parent's and superintendent's permission
Oklahoma	18	16 if excused by written joint agreement
Oregon	18	Or excused by district school board; 16 with consent of school and parent
Pennsylvania	17	16 if regularly engaged in employment with a certificate, 15 if in farm work or domestic service in private home with permit, and 14 if completed elementary school with permit recommended by district superintendent of schools or principal of private school
Rhode Island	18	16 with written consent
South Carolina	17	16 if further attendance is determined by court to be disruptive, unproductive or not in best interest of child
South Dakota	16	Or completion of 8th grade if member of certain religious organizations
Tennessee	18	
Texas	18	
Utah	18	16 and 8th grade completed
Vermont	16	15 and completed 6th grade and services needed for support of family
Virginia	18	Exempt any pupil with parent and principal's consent or superintendent or a court which believes the minor cannot benefit from education at school
Washington	18	16 if parent agrees, or child is emancipated, or has received certificate of competence
West Virginia	16	
Wisconsin	18	
Wyoming	16	

Comparison of Self-Reported Dropout Count to Data From the Student Information System, by District

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

The following table depicts the results, district by district, of the APA's comparison of students coded as dropouts in the student information system to the number of dropouts reported by the districts via the Nonacademic Data Report web application for the 2004-2005 school year.

The first column labeled **Name of District**, includes all 176 districts, including the 5 districts that serve only grades K-8.

The second column labeled **Dropout Code Totals**, represents the sum total of all students who ended the 2004-2005 school year coded to one of four withdrawal codes known as dropout codes (W06, W07, W16, and W18). This information was provided by KDE from information in the student information system.

The third column labeled **Coded Returns as of 10/1/05**, represents the sum of students who were enrolled in the 2005-2006 school year under the code of E03 as of October 1, 2005, the cut-off date for a student to return to school without being included in the dropout count for the 2004-2005 school year. This information was provided by KDE from information in the student information system.

The fourth column labeled **Number of Dropouts Reported**, is the number of dropouts reported by each district through the Nonacademic Data Report web application. The information was provided by KDE, but was not generated by them.

The fifth column labeled, **Difference Between Coded and Reported Number of Dropouts**, is simply that - the difference between the number of dropouts coded as such in the student information system (column 2 less column 3) and what was reported (column 4). Column six is the percentage of the difference compared to the reported number of dropouts.

Any differences, negative or positive, provide a starting point for further verification at the district level concerning an explanation for the difference. While some differences may be due to adjustments being made outside of the student information system, other differences could be the result of improper coding practices and/or duplicative data.

Comparison of Self-Reported Dropout Count to Data From the Student Information System, by District

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Name of District	Dropout Code Totals	Coded Returns as of 10/1/05	Number of Dropouts Reported	Difference Between Coded and Reported Number of Dropouts	
				#	%
Adair County	26	0	36	10	27.78%
Allen County	23	2	21	0	0.00%
Anchorage Independent	0	0	0	0	0.00%
Anderson County	27	5	27	5	18.52%
Ashland Independent	32	0	38	6	15.79%
Augusta Independent	0	0	0	0	0.00%
Ballard County	12	0	8	(4)	(50.00%)
Barbourville Independent	0	0	0	0	0.00%
Bardstown Independent	10	0	8	(2)	(25.00%)
Barren County	55	2	63	10	15.87%
Bath County	12	0	12	0	0.00%
Beechwood Independent	1	0	0	(1)	*
Bell County	105	1	28	(76)	(271.43%)
Bellevue Independent	2	0	0	(2)	*
Berea Independent	2	0	8	6	75.00%
Boone County	145	18	132	5	3.79%
Bourbon County	22	0	24	2	8.33%
Bowling Green Independent	17	1	15	(1)	(6.67%)
Boyd County	27	0	28	1	3.57%
Boyle County	21	0	19	(2)	(10.53%)
Bracken County	12	0	9	(3)	(33.33%)
Breathitt County	32	3	22	(7)	(31.82%)
Breckinridge County	20	0	18	(2)	(11.11%)
Bullitt County	160	7	99	(54)	(54.55%)
Burgin Independent	1	0	2	1	50.00%
Butler County	15	0	12	(3)	(25.00%)
Caldwell County	25	3	28	6	21.43%
Calloway County	13	0	12	(1)	(8.33%)
Campbell County	41	0	16	(25)	(156.25%)
Campbellsville Independent	13	0	12	(1)	(8.33%)
Carlisle County	1	1	2	2	100.00%
Carroll County	12	0	14	2	14.29%
Carter County	59	0	48	(11)	(22.92%)
Casey County	31	0	21	(10)	(47.62%)
Caverna Independent	7	0	7	0	0.00%
Christian County	107	1	89	(17)	(19.10%)
Clark County	58	2	62	6	9.68%
Clay County	68	12	80	24	30.00%
Clinton County	26	1	12	(13)	(108.33%)
Cloverport Independent	0	4	0	4	*
Corbin Independent	2	0	2	0	0.00%
Covington Independent	29	1	14	(14)	(100.00%)
Crittenden County	12	0	13	1	7.69%
Cumberland County	21	0	25	4	16.00%
Danville Independent	14	0	11	(3)	(27.27%)
Daviess County	62	2	32	(28)	(87.50%)
Dawson Springs Independent	4	0	4	0	0.00%
Dayton Independent	6	1	6	1	16.67%
East Bernstadt Independent	0	0	0	0	0.00%
Edmonson County	27	50	28	51	182.14%
Elizabethtown Independent	26	0	26	0	0.00%
Elliott County	13	0	16	3	18.75%
Eminence Independent	2	0	1	(1)	(100.00%)
Erlanger-Elsmere Independent	4	0	4	0	0.00%
Estill County	14	1	8	(5)	(62.50%)
Fairview Independent	6	1	5	0	0.00%
Fayette County	673	1	419	(253)	(60.38%)
Fleming County	28	0	23	(5)	(21.74%)
Floyd County	84	1	62	(21)	(33.87%)

* Number of dropouts reported was zero. Division by zero is not permitted.

Comparison of Self-Reported Dropout Count to Data From the Student Information System, by District

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Name of District	Dropout Code Totals	Coded Returns as of 10/1/05	Number of Dropouts Reported	Difference Between Coded and Reported Number of Dropouts	
				#	%
Fort Thomas Independent	2	0	3	1	33.33%
Frankfort Independent	9	0	7	(2)	(28.57%)
Franklin County	51	0	53	2	3.77%
Fulton County	5	0	5	0	0.00%
Fulton Independent	3	0	3	0	0.00%
Gallatin County	12	0	4	(8)	(200.00%)
Garrard County	39	0	37	(2)	(5.41%)
Glasgow Independent	22	0	22	0	0.00%
Grant County	50	3	32	(15)	(46.88%)
Graves County	69	10	24	(35)	(145.83%)
Grayson County	39	0	38	(1)	(2.63%)
Green County	5	0	5	0	0.00%
Greenup County	34	0	31	(3)	(9.68%)
Hancock County	0	0	0	0	0.00%
Hardin County	207	13	184	(10)	(5.43%)
Harlan County	95	23	61	(11)	(18.03%)
Harlan Independent	10	1	9	0	0.00%
Harrison County	38	5	27	(6)	(22.22%)
Harrodsburg Independent	3	0	3	0	0.00%
Hart County	30	0	26	(4)	(15.38%)
Hazard Independent	0	0	0	0	0.00%
Henderson County	67	0	69	2	2.90%
Henry County	32	1	28	(3)	(10.71%)
Hickman County	7	2	8	3	37.50%
Hopkins County	93	0	85	(8)	(9.41%)
Jackson County	32	3	22	(7)	(31.82%)
Jackson Independent	0	0	0	0	0.00%
Jefferson County	3,165	58	1949	(1,158)	(59.42%)
Jenkins Independent	0	0	0	0	0.00%
Jessamine County	131	0	75	(56)	(74.67%)
Johnson County	23	0	3	(20)	(666.67%)
Kenton County	95	1	70	(24)	(34.29%)
Knott County	22	3	19	0	0.00%
Knox County	55	2	47	(6)	(12.77%)
LaRue County	7	0	7	0	0.00%
Laurel County	283	1	98	(184)	(187.76%)
Lawrence County	35	0	34	(1)	(2.94%)
Lee County	10	2	12	4	33.33%
Leslie County	22	4	12	(6)	(50.00%)
Letcher County	30	4	23	(3)	(13.04%)
Lewis County	21	3	11	(7)	(63.64%)
Lincoln County	52	1	48	(3)	(6.25%)
Livingston County	10	1	13	4	30.77%
Logan County	34	2	25	(7)	(28.00%)
Ludlow Independent	3	0	2	(1)	(50.00%)
Lyon County	2	0	2	0	0.00%
Madison County	69	0	70	1	1.43%
Magoffin County	3	1	13	11	84.62%
Marion County	31	1	42	12	28.57%
Marshall County	16	0	17	1	5.88%
Martin County	62	0	34	(28)	(82.35%)
Mason County	21	0	24	3	12.50%
Mayfield Independent	23	1	21	(1)	(4.76%)
McCracken County	36	0	29	(7)	(24.14%)
McCreary County	22	99	24	101	420.83%
McLean County	13	0	9	(4)	(44.44%)
Meade County	48	12	40	4	10.00%
Menifee County	2	0	14	12	85.71%

Comparison of Self-Reported Dropout Count to Data From the Student Information System, by District

Source: Auditor of Public Accounts, based on information provided by the Kentucky Department of Education.

Name of District	Dropout Code Totals	Coded Returns as of 10/1/05	Number of Dropouts Reported	Difference Between Coded and Reported Number of Dropouts	
				#	%
Mercer County	7	0	7	0	0.00%
Metcalfe County	9	1	10	2	20.00%
Middlesboro Independent	29	5	39	15	38.46%
Monroe County	20	5	15	0	0.00%
Montgomery County	92	9	29	(54)	(186.21%)
Monticello Independent	9	1	4	(4)	(100.00%)
Morgan County	30	1	23	(6)	(26.09%)
Muhlenberg County	43	47	45	49	108.89%
Murray Independent	14	0	4	(10)	(250.00%)
Nelson County	54	1	26	(27)	(103.85%)
Newport Independent	48	0	7	(41)	(585.71%)
Nicholas County	10	0	12	2	16.67%
Ohio County	42	3	19	(20)	(105.26%)
Oldham County	37	2	34	(1)	(2.94%)
Owen County	35	0	17	(18)	(105.88%)
Owensboro Independent	78	9	29	(40)	(137.93%)
Owsley County	16	3	11	(2)	(18.18%)
Paducah Independent	49	1	25	(23)	(92.00%)
Paintsville Independent	6	65	14	73	521.43%
Paris Independent	0	0	0	0	0.00%
Pendleton County	7	0	10	3	30.00%
Perry County	49	12	38	1	2.63%
Pike County	112	6	119	13	10.92%
Pikeville Independent	12	1	12	1	8.33%
Pineville Independent	4	0	3	(1)	(33.33%)
Powell County	55	4	44	(7)	(15.91%)
Providence Independent	5	2	1	(2)	(200.00%)
Pulaski County	84	3	66	(15)	(22.73%)
Raceland Independent	0	0	1	1	100.00%
Robertson County	13	0	10	(3)	(30.00%)
Rockcastle County	15	1	22	8	36.36%
Rowan County	42	4	38	0	0.00%
Russell County	49	9	38	(2)	(5.26%)
Russell Independent	13	2	13	2	15.38%
Russellville Independent	12	0	12	0	0.00%
Science Hill Independent	0	0	0	0	0.00%
Scott County	89	8	73	(8)	(10.96%)
Shelby County	67	0	81	14	17.28%
Silver Grove Independent	2	0	0	(2)	*
Simpson County	38	2	32	(4)	(12.50%)
Somerset Independent	18	0	10	(8)	(80.00%)
Southgate Independent	0	0	0	0	0.00%
Spencer County	10	0	16	6	37.50%
Taylor County	12	0	13	1	7.69%
Todd County	16	0	11	(5)	(45.45%)
Trigg County	22	0	16	(6)	(37.50%)
Trimble County	18	0	10	(8)	(80.00%)
Union County	48	81	44	77	175.00%
Walton-Verona Independent	0	0	0	0	0.00%
Warren County	110	0	75	(35)	(46.67%)
Washington County	11	3	6	(2)	(33.33%)
Wayne County	31	0	24	(7)	(29.17%)
Webster County	15	3	23	11	47.83%
West Point Independent	0	0	0	0	0.00%
Whitley County	52	0	41	(11)	(26.83%)
Williamsburg Independent	0	0	0	0	0.00%
Williamstown Independent	7	0	10	3	30.00%
Wolfe County	3	1	1	(1)	(100.00%)
Woodford County	25	0	22	(3)	(13.64%)
	9,261	673	6609	(1,979)	(29.94%)

* Number of dropouts reported was zero. Division by zero is not permitted.

Enrollment Status Code Definitions

Appendix IV

Source: **KDE's 2005-2006 Nonacademic Data Report Guidelines (2004-2005 School Year Data) and 702 KAR 7:125.**

E03 A pupil enrolling for the first time during the current school year in either a public or nonpublic school, who has withdrawn as a W06, W07, W13, W16, or W18 during the previous school year.

W01 A pupil transferred to another homeroom in the same school.

W02 A pupil transferred to another public school in the same public school district.

W03 A pupil transferred to a nonpublic school in this public school district.

W04 A pupil transferred, without change of residence, to a school outside this public school district.

W05 A pupil who has moved out of this public school district and for whom a request for student records has been received of enrollment has been substantiated.

W06 A pupil who is 16, but not yet 18, years of age and has dropped out.

W07 A pupil withdrawn due to those communicable medical conditions that pose a threat in school environments listed in 902 KAR 2:020, section 2(1), accompanied by a doctor's statement certifying the condition, or any other health related condition for which the student is too ill to participate in regular school attendance or local homebound instructional services, or if the student has obtained a doctor's statement certifying the condition.

W08 A pupil withdrawn due to death.

W09 A pupil graduated or completed a 504 plan or an individual education plan prior to the end of the school term or year.

W10 A pupil who has been expelled for behavioral reasons withdrawn to a state agency.

W11 A pupil who has been expelled for behavioral reasons and withdrawn to a regional alternative facility not ran by the expelling local school district.

W12 A pupil under the jurisdiction of the court.

W13 A pupil withdrawn for a second or subsequent time who initially withdrew as a W06, W07, W10, W13, W16, or W18, and has previously been reported as a dropout for accountability purposes.

W16 A pupil who has moved out of this public school district for whom enrollment elsewhere has not been substantiated. For end of year adjustments for accountability purposes, the W16 code shall be applicable to pupils enrolled at the end of the previous school year who failed to enroll in this or any other school district at the beginning of the current school year.

W17 An entry-level student in the primary program, withdrawn during the first 2 school months due to immaturity or mutual agreement by the parent, guardian, or other custodian and the school in accordance with 704 KAR 5:060.

Enrollment Status Code Definitions

Appendix IV

Source: KDE's 2005-2006 Nonacademic Data Report Guidelines (2004-2005 School Year Data) and 702 KAR 7:125.

W18 A pupil 18 years of age or over who has withdrawn.

SSP2 A Safe School Code used to note student expulsions by the district's Board of Education after which educational services are not provided.

(Dropout codes are in **bold face**: W06, W07, W16, W18, and SSP2.)

1. Are there district-approved, written procedures that document the process that each school can use to calculate their dropout number? Yes-85, No-83

2. Do you feel that KDE has provided you with enough guidance on how to calculate the dropout numbers and which students should be included? Yes-132, No-36, **Selected “Other Comments” by the completers of the survey but not all comments are listed:** “If everyone in across the state used the same method, it would probably be more valid.” “The law has changed and it seems that we have to search the KDE website for revisions. It would be helpful if a state-wide e-mail/letter came out with this information.” “How the dropout percentage is calculated is not clearly available.” “There are always questions about GED students.” “It would be nice if KDE could send final worksheets listing dropouts by grade back to the district.” “The criteria to determine a drop-out is confusing for all individuals involved in the reporting process.” “There is confusion on the no shows at the beginning of the year and who is tracking these students.” “There seems to be too much room for interpretation in the present guidelines. Schools believe they are doing things accurately, but there are slight variations in procedures from school to school.”

3. Do you feel that your district’s dropout number, as reported to KDE in November 2005, was accurate? Yes-162, No-6

4. How do the schools in your district track the students that should be counted in the dropout number? STI Database-167, Electronic Spreadsheet-33, Handwritten Notes or List-97, **“Other Methods” provided by the completers of the survey, all comments are provided:** Dropout Questionnaire/Form/Survey-19, Home Visits/Phone Calls/Letters-10, Lists-11, Communication with others-7, Records-6, Adult Ed/GED-2, Customized Database-2, Military Records-1, College Admissions-1, Dropout Task Force Committee-1, Transfer Forms-1, Identified through criteria listed in Board Policy 08.141 At Risk Students-1

5. Could a student be included in the dropout total without being given a withdrawal code? Yes-53, No-115

6. Is the dropout number compiled at the District or School Level? District Level-116, School Level-52

7. What position (job title) compiles the dropout number for your district? DPP-55, Principal-13, DAC-22, Guidance Counselor-78, Assistant Superintendent-2, Attendance Clerk-28, **“Other Positions” provided by the completers of the survey, all comments are provided:** Assistant Principal-5, Central Office-1, Superintendent-1, High/Middle School Counselor-1, Academic Dean-1, Secretary of DPP-1, Secretary of DAC-1, Administrative Staff-1, Secretary-1, Drop Out Prevention Coordinator-1, Dropout Coordinator-1, Dropout Prevention Officer-1, Accountability, Research, & Planning Data Analyst-1, Attendance Data Technician-1, School-Level Personnel-1, STI-1, STI Clerk-1, Instructional Supervisor-1, Director of District-Wide Services-1, Attendance Assistant-1, Administrative Assistant-1, School Registrar-1, Office of Deputy Superintendent-1, Assistant Superintendent Secretary-1

8. Students that dropout during a given school year should be included in the dropout calculation unless they returned to school by October 1 of the following school year. How do the schools in your district track whether or not the students return? STI Database-157,

Electronic Spreadsheet-28, Handwritten Notes or List-92, **Selected “Other Comments” by the completers of the survey but not all comments are listed:** “Phone calls, letters, personal contacts.” “Dropout Questionnaire.” “Requests for Records to other schools.” “DPP follow up from preceding year.” “Home visits and phone calls on GED participants.” “Interview Relatives.” “Record Requests, GED notifications, Military notifications.”

9. Please estimate, based on your experience, what percentage of students that dropout during a school year return prior to October 1 of the next school year? <5%-110, 5-10%-35, 10-15%-12, 15-20%-6, **“Other Percents/Comments” by the completers of the survey, all comments are provided:** 32%, <3%, “We have no experience with dropouts”, “Most return and attend our drop-out program to obtain a diploma (probably 75%).”

10. If it is determined that a student who dropped out during a given school year returned to school after October 1 the following school year but prior to your submission of dropout numbers to KDE, do you adjust the dropout calculations? Yes-63, No-105

11. Do you require supporting documentation to validate the dropout numbers reported by each school in the district? Yes-158, No-10

12. Where is the individual supporting information maintained, i.e., the names of students included in the dropout numbers? Individual School-144, District Office-116, Districts that answered **both** Individual School and District Office-92, **Selected “Other Locations” by the completers of the survey but not all comments are listed:** “They have papers at schools as well as the district office.” “School Counselor's Office.” “DAC Office.” “Copies of information are sent to DPP.” “Individual School: information is kept in the guidance office; District Office: information is kept with the DAC.” “Student dropout questionnaire kept at school and copy sent to Central Office.” “Records requests at schools and at Pupil Personnel.”

13. Has KDE ever requested documentation from your district to support the dropout numbers that you had reported to them via the Nonacademic Data Report? Yes-31, No-137

14. For each type of student below, select “Yes” if they are included in your dropout number calculation or “No” if they are not included in your dropout number calculation during the 2004-2005 school year:

A) Students that completed the 2003-2004 school year but did not show up for school at the beginning of the 2004-2005 school year. Yes-120, No-48

B) Students who withdrew to take the GED during the 2004-2005 school year. Yes-127, No-41

C) Students who enrolled in a secondary GED program during the 2004-2005 school year. Yes-86, No-82

D) Students who have completed the 12th grade during the 2003-2004 school year, but did not graduate and did not return to school for the 2004-2005 school year. Yes-122, No-46

15. Besides KDE, do you report the schools’ dropout number to any other entities? School Board-159, Local Newspaper-56, Parent Newsletters-19, Parent Teacher Organizations-6, **Selected “Other Entities” by the completers of the survey but not all comments are listed:** “School Report Card/District Report Card.” “We report to the community via the school report cards, which go into the paper. Also, we participate in the KIPP Project, and the dropout

calculation is part of that data. The Superintendent and School Board review this survey.”
 “School District Web-Site.” “District staff and employees.” “Administrative Staff and
 occasionally court/CDW.” “Local YSC, other district programs/grants requiring the data, any
 community agency, etc, requesting the data.” “School board in which dropout data is presented
 is broadcast on local Cable TV channel.”

16. If a student withdraws from your district to enroll in either a private school or to be home schooled, is there staff assigned to routinely follow up on these students in an effort to validate that they are still receiving educational services? Yes-110, No-58

17. Do you use the inactive list when calculating your dropout numbers? Yes-110, No-58

18. Please rate the overall process used in calculating dropout numbers. Poor-8, Manageable-86, Good-60, Excellent-14

19. What improvements would you suggest for the dropout calculation process? Selected “Comments” by the completers of the survey but not all comments are listed: “This district does not have enough dropouts to provide a useful suggestion.” “Use STIState report to pull numbers. Study district procedures, programs, of districts that have a ‘zero’ dropout rate. Publish a best practices approach to reporting. Study outstanding districts and look at their students enrolling in home schools to avoid dropout status.” “It would be nice if the Student Management software included a way to calculate and red flag those students that were dropouts.” “STI State Enrollment Program should make ‘no-shows’ easier to locate so long as they're in the State.” “More clarification concerning students who withdraw and complete the GED before the October 1 deadline. Also, clearer definitions on ‘drop out’ definitions. The process has become more complicated since adjusting for 4-years instead of the current year.” “Improving communication between the public schools and the GED program. I know there have been students that received their GED before the Oct. 1 cutoff, but our school district was not aware and had to count them as a dropout.” “It would good if STI could produce a (current year) monthly as well as an on going yearly dropout rate report that could be given to parents, school board members, and others.” “It would be helpful to receive a report from KDE after the STI Rollover of student data.” “There should be an upgrade to STI in order to track inactive students who have not returned.” “Do not have time to search the KDE website for revisions and/or changes. A simple e-mail with attachments would be helpful. Students that leave the district and we can verify school enrollment elsewhere is difficult. These students may be enrolled a private school and we do not receive a records request but we must count them as a dropout. Also, it would be very helpful that there is a process to validate GED completion in the state.” “Giving leeway to receiving schools of students that come, enroll, stay a short time and drop out. It is unfair to get a transfer that spends almost all their year in another district, is way behind on credits, we accept them and then they drop out.” “If a student does not return the next year and does not enroll in any other school, there needs to be a clarification on how we count them as a drop out if they never enroll.” “I would like to see a step-by-step method of calculation and a set of guidelines passed down from KDE to be used so that data would be consistent for all districts.” (13)

Selected “Additional Comments” by the completers of the survey but not all comments are listed: “Since KDE implemented the STI Database Program, it has become much easier to maintain student dropout information and calculations. If the correct student information is

entered into the Database, there is less room for errors because the program makes the calculations for you.” “Tighter legislation should be put in place if directors of pupil personnel are to enforce homeschools. I have been the victim of the Home School Defense lawyer out of Washington.” “I would also like to be able to use STI to color code dropouts in our database. I attempted to do this, but could only color code one group of students - we chose to color code homebound students.” “We feel that W12 should not be counted against districts. We also feel that students who become legal adults at age 18 and can sign themselves out of school should not be held accountable to the districts since there is nothing schools can do to prevent them from leaving.” “We do not have the resources (personnel, time, afraid of lawsuits) to follow up with home schools. This is a MAJOR issue that needs to be addressed through legislation. We will reap the benefits of this uneducated population in the coming years. Legislators must address this issue immediately.” “Our school district strives to see that every student completes their high school education, by whatever avenue can be pursued.”

Lost Earnings for Dropouts

Appendix VI

Source: Alliance for Excellent Education.

State	9th Grade (2000-01) All		Non-Graduates In 2004	Lost Lifetime Earnings (\$260,000 per dropout)*
	Students (#)	Graduation Rate (%)		
AL	60,245	61.4	23,255	\$6,046,300,000
AK	11,348	64.2	4,063	\$1,056,380,000
AZ	70,124	67.3	22,931	\$5,962,060,000
AR	36,055	70.5	10,636	\$2,765,360,000
CA	476,142	68.9	148,080	\$38,500,800,000
CO	61,097	69	18,940	\$4,924,400,000
CT	40,423	77	9,297	\$2,417,220,000
DE	10,366	64.3	3,701	\$962,260,000
DC	4,207	65.2	1,464	\$380,640,000
FL	238,161	53	111,936	\$29,103,360,000
GA	126,793	55.5	56,423	\$14,669,980,000
HI	15,915	66	5,411	\$1,406,860,000
ID	19,471	79.6	3,972	\$1,032,720,000
IL	163,806	75	40,952	\$10,647,520,000
IN	79,825	72.4	22,032	\$5,728,320,000
IA	40,660	78.2	8,864	\$2,304,640,000
KS	38,780	74.1	10,044	\$2,611,440,000
KY	54,187	65.3	18,803	\$4,888,780,000
LA	53,879	64.5	19,127	\$4,973,020,000
ME	17,134	72.1	4,780	\$1,242,800,000
MD	71,705	75.3	17,711	\$4,604,860,000
MA	59,213	71	17,172	\$4,464,720,000
MI	142,663	74	37,092	\$9,643,920,000
MN	70,236	78.9	14,820	\$3,853,200,000
MS	39,386	58	16,542	\$4,300,920,000
MO	75,173	72.9	20,372	\$5,296,720,000
MT	13,321	77.1	3,051	\$793,260,000
NE	24,122	77.3	5,476	\$1,423,760,000
NV	29,972	54.7	13,577	\$3,530,020,000
NH	17,578	73.9	4,588	\$1,192,880,000
NJ	95,228	86.3	13,046	\$3,391,960,000
NM	28,944	61.2	11,230	\$2,919,800,000
NY	245,311	61.4	94,690	\$24,619,400,000
NC	111,745	63.5	40,787	\$10,604,620,000
ND	9,204	79.5	1,887	\$490,620,000
OH	159,724	70.7	46,799	\$12,167,740,000
OK	49,667	69.8	14,999	\$3,899,740,000
OR	44,574	73.6	11,768	\$3,059,680,000
PA	153,523	75.5	37,613	\$9,779,380,000
RI	12,557	73.5	3,328	\$865,280,000
SC	63,776	50.7	31,442	\$8,174,920,000
SD	10,920	79.4	2,250	\$585,000,000
TN	73,141	57.5	31,085	\$8,082,100,000
TX	355,019	65	124,257	\$32,306,820,000
UT	35,538	78.3	7,712	\$2,005,120,000
VT	8,594	77.9	1,899	\$493,740,000
VA	98,062	73.8	25,692	\$6,679,920,000
WA	87,238	62.6	32,627	\$8,483,020,000
WV	23,592	70.7	6,912	\$1,797,120,000
WI	77,683	78.2	16,935	\$4,403,100,000
WY	7,711	72.4	2,218	\$553,280,000
Nation	3,913,738	68	1,252,396	\$325,622,960,000



**EDUCATION CABINET
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Commissioner of Education

September 25, 2006

Crit Luallen
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort, KY 40601

Re: Performance Audit of Kentucky's Dropout Rate

Attached please find the Kentucky Department of Education's response to the recommendations of the audit of Kentucky's Dropout Rate.

The Kentucky Department of Education will use this report as a tool to emphasize to local school districts the necessity to accurately calculate and report dropout numbers. While I do not believe that Kentucky's dropout rate is underreported by 30%, I agree that a more diligent effort should be undertaken to supply school districts with the tools necessary to accurately report dropout data to the department.

I appreciate the opportunity to respond to the recommendations provided by your office. I am pleased that many of the recommendations noted in the report are reflective of the objectives KDE has already begun to implement or consider. I will gladly use this report as the Department continues to improve dropout data and the reporting process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gene Wilhoit".

Gene Wilhoit, Commissioner
Kentucky Department of Education

GW:yp

Attachment

cc: Kyna Koch, Associate Commissioner
Pam Rogers, Associate Commissioner

Kentucky Department of Education's Response to:
Kentucky's Dropout Rate
Auditor of Public Accounts Performance Audit
September 2006

1. The KDE should strengthen the dropout portion of its *Nonacademic Data Report Guidelines* to provide detailed instructions on identifying, tracking, calculating, and reporting dropouts. These modifications should decrease the likelihood of inconsistent approaches to calculation, and increase the comparability of the districts' dropout rates. Simplified instructions should be distributed to all district and school officials who are involved in the dropout reporting process. At a minimum, these instructions should include the following:
 - Detailed definitions as to which students should be included in the dropout counts. The different variables to define would be:
 - A) Students coded as dropouts in the student information system;
 - B) Students that returned as of October 1st of the following school year;
 - C) Students that did not return from the summer prior to the reporting school year (summer dropouts);
 - D) Students that were coded as a dropout but are GED recipients as of October 1st of the following school year;
 - E) Students that were coded as a dropout but are enrolled in a district-operated/contracted, state-approved secondary program leading to a certificate of completion or a GED as of October 1st of the following school year; and
 - F) Students coded as a legitimate withdrawal but the school has determined that s/he is not receiving educational services.
 - A formula to provide a visual illustration of the treatment of the different variables within the calculation of the dropout number. Using the variables above, a possible formula would be:
Dropout Number = A-B+C-D-E+F
 - A requirement for districts to maintain documentation to support the dropout numbers reported to KDE, as well as defining what type of documentation should be maintained. Such documentation should include, but not be limited to, name, SSID, grade, last date enrolled, and reason for inclusion in the district's dropout count.
 - A required tracking method to be used to monitor those students no longer enrolled in the student information system, i.e., summer dropouts, dropouts that may have received their GED, and withdrawn students who may not be receiving educational services.
 - A requirement that district and school officials verify legitimate withdrawals. For example, the *Guidelines* could require an annual review of students who have withdrawn to attend another school (public or private) in the same or another district in order to determine that the students are still receiving educational services.

*Along with the **Nonacademic Data Report Guidelines** the KDE also publishes dropout calculation guidelines in the **Pupil Attendance Manual**. The **Pupil Attendance Manual** includes specific dropout definitions, scenarios and time requirements. This manual is posted on the web and is supplied in hard copy to all attendees of the annual Kentucky Directors of Pupil Personnel Conference. The KDE will review both documents to ensure that information necessary for school district staff to accurately determine the dropout numbers is included. The KDE currently reviews the use of withdrawal codes when*

conducting attendance audits. Attendance audits are conducted on approximately 40 school districts each year.

APA Reply: In response to Recommendation #1, KDE references another resource, the *Pupil Attendance Manual*. For the year audited, the *Pupil Attendance Manual* did not provide any dropout calculation instructions different than, or in addition to, the instructions set forth in the *Guidelines*. According to KDE, the *Guidelines* is the key document containing the rules for the collection of dropout data. Thus, the APA focused on the *Guidelines* in this report. We appreciate the KDE's acknowledgement that both the *Guidelines* and the *Pupil Attendance Manual* will be reviewed to assure that necessary and consistent information will be provided to determine dropout numbers.

2. KDE should require STI, or any subsequent vendor, to develop enhancements to the student information system that will allow users to create a report that will list potential dropouts by name or SSID; to record summer dropouts and withdrawals in the system; and to allow the information to be tracked over multiple school years.

The Kentucky Department of Education, using data supplied at the state level, is implementing procedures in which the department will determine a list of potential dropouts for each district. The list will include students withdrawn using dropout codes as well as summer dropouts, less students having received their GED or reenrolled within the appropriate time frame. Once the list of potential dropouts is determined, districts will be given the opportunity to review the list and make corrections. The KDE intends to continue implementation with the current SIS vendor or any subsequent vendor.

3. KDE, in conjunction with STI, or any subsequent vendor, should provide annual training to all district and school officials involved with dropout reporting. This training should address not only how the system can be used to track dropouts, but also the limitations of the system in calculating dropouts.

The KDE in conjunction with STI, or any subsequent vendor, will include dropout training in the SIS training curriculum.

4. KDE should request supporting documentation from a random number of districts on an annual basis to determine if each district's dropout count was accurately reported.

The KDE will consider requesting supporting documentation for reported dropouts for a sample of districts and make a determination as to the benefits of receiving and reviewing the supporting documentation.

5. KDE should continue to work with the CPE to conduct a data match to determine if any of Kentucky's reported dropouts received a GED as of the October 1st deadline. This information should be made available to Districts.

As stated in the response to recommendation 2, the KDE will incorporate data received from the CPE concerning students receiving their GED within the appropriate time frame.

-
6. If KDE intends to start using the NGA Compact formula to calculate the graduation rate in 2009, prior to the release of such rates, officials should amend 703 KAR 5:001, Section 1(25) to reflect that formula instead of the NCES leaver rate formula that the state currently uses.

The Kentucky Department of Education first implemented student tracking with unique identifiers in 2005-06. When this cohort of students completes high school, KDE intends to implement the NGA Compact graduation rate formula. KDE will amend 703 KAR 5:001 to reflect the NGA formula prior to reporting in 2009-10.

7. Kentucky, along with other states, should consider adopting a dropout calculation method currently under development by the NGA to increase national uniformity and comparability. The NGA is in the process of recommending a dropout calculation that will be a four-year cohort measure using the same denominator as the NGA's proposed graduation rate.

The Kentucky Department of Education adopted the NCES dropout definition and will continue to submit data to CCD for national reporting using the NCES definition. KDE would consider a new calculation method that would increase national comparability.

"... The audit discovered that districts couldn't accurately calculate the dropout rate using the current student information system. "

STI Response: This statement ignores the fact that KDE policy dictates what students can or cannot be entered in the system. By way of explanation, the fully implemented STI system can track students that do not return from the previous year; however, the school districts are told that only students that show up for school can be enrolled in the STI system. This is not a shortcoming of the system. It is instead a policy or regulation decision controlled by the Kentucky Department of Education.

"...The review determined that Kentucky's dropout number for the 2004 –2005 school year was underreported by at least 1,979 students - 30% of the number of dropouts reported. For that school year, the dropout rate for grades 9 – 12 was reported as 3.47%. However, based on the number of students coded as dropouts within the student information system the dropout rate should have been approximately 4.7%."

STI Response: The report clearly states that the student information system does not track dropouts; rather the system only records the withdrawal codes. Again, this is a result of policy or regulation regarding the tracking of students and not a misreporting of dropouts as implied by this statement.

"Students who leave school at the end of one school year, yet who do not return at the beginning of the next school year, known as summer dropouts, are not coded in the student information. ..."

STI Response: The reason the summer dropouts are not coded in the system is because KDE directs districts to only enter students that are present in the school. The system has the ability to track the entry of summer dropouts, so they could be included in the system and could be reported.

"...The Auditor's Office recommends that the student information system should be enhanced to properly code and track Kentucky's students. The system must be able to track dropouts by name or identification number. It should also be able to record summer dropouts and allow information to be tracked over multiple school years."

STI Response: This statement ignores the implementation of the state Student Identifier and the creation of STIState which provides real-time enrollment and data transfer among districts as well as the multiple years of data at the KDE. It also falsely states that the system cannot currently 'properly code and track Kentucky's students'. As stated above, summer dropouts can be tracked in the system. State policy prohibits the districts from tracking those students. Another fact overlooked is that the system tracks multiple year enrollment and withdrawal data for all students in the database. While it is a one-year database at the school, the districts have the ability to carry inactive students that withdraw in the previous year or do not show up at the beginning of the next school year. All of the above would enhance the state's ability to track dropouts.

"... 'Once a working student tracking system is implemented the Kentucky Department of Education should train school districts to use the system properly.' Luallen said."

STI Response: The STI student information system has been in place for over twenty years in some districts and in all districts since 2003. To state that "once a working student tracking system is implemented" implies that the existing system is not working and is not an accurate portrayal of the situation.

The following summarizes STI's concern regarding the report as explained above:

- *The report states that the STI student information system is incapable of tracking summer dropouts. However, this is a limitation of current KDE policy, not the STI system. The current policy requires that a student attend a school in order to be enrolled. The SIS can handle students that dropout during the summer if the policy on who can be enrolled at the beginning of the year is changed.*
- *The report ignores the assignment of the SSID and the ability to track students across years.*
- *The report ignores the fact that KDE has implemented STIState and now has the ability to track students across multiple years.*
- *The report ignores the fact that the SIS allows the tracking of prior year withdrawals. It is a policy decision at the district and/or state regarding whether these records are carried over from year to year.*
- *The report ignores the fact that the SIS tracks enrollment and withdrawal history across years. If the state modified how summer withdrawals are handled at the beginning of the year and carried over withdrawals as inactive, districts could address the concern about former withdrawals not being accounted for in the dropout reports.*
- *The STIDistrict program allows districts to produce a list of dropouts based on the current KDE policy regarding who should be captured in the student information system. If the policy changed, the system could report on all of the dropouts including summer dropouts.*

APA RESPONSE:

With all due respect, nowhere in the Report do we use the term, "STI student information system." Although the Report does identify STI as the Commonwealth's "sole vendor of student information systems" when referring to the computer software products STI offers as a contract vendor of the Commonwealth, the phrase, "student information system," as used throughout the Report, refers to the specific system and procedures established and implemented by the Kentucky Department of Education.

For instance, in the Report, reference to the "student information system" includes, *inter alia*, (a) the Kentucky Department of Education's (KDE's) total system of identifying, tracking, managing, categorizing, and accounting for students and (b) its guidelines and policy directives to schools and districts related to student data reporting. It is the aggregate of all these components, and more, which the Report references when using the term, "student information system."

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Copies of this report or other previously issued reports can be obtained for a nominal fee by faxing the APA office at 502-564-0067. Alternatively, you may order by mail:

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General Questions

General questions should be directed to Jeff Derouen, Director of Communication, at (502) 573-0050 or the address above.