

**Funding Georgia's
Public Schools:
An Overview**

What We'll Cover...

- An overview of public school funding
- The difference between federal, state and local revenue
- The local budgeting process
- A few current funding challenges
- Our local funding picture

Points to consider:

- This presentation is considered an overview of Georgia's school funding system. It is not intended to give all of the details of this system, which many call complex.
- Handouts are provided with the presentation package: handout on various program and weights; and a brochure on Funding Facts that may be customized with local funding information.
- Herb Garrett and Jeffrey Williams of the Georgia School Superintendents Association; and members of the staff of the Georgia School Boards Association are on hand to assist you if you need help in gathering financial data on your local school system. You can reach GSSA at 404-651-0940. GSBA can be reached at 770-962-2985 or 800-226-1856.

How are Public School Systems Funded?

Federal Funds = 7.40%
State Funds = 51.26%
Local Funds = 41.34%

*According to the Georgia Department of Education website.

Points to Consider:

- These are figures for 2005.
- The DOE website is: www.doe.k12.ga.us
- These figures represent an average. For some systems these percentages will be significantly different. The presenter might consider looking up his/her local district's percentage on the Georgia Department of Education's website. Go to www.gadoe.org. Under the "Inside DOE" section in the center of the home page is the "Finance/Budget" area. Click on the "Finance/Budget" link. This takes you to the "Office of Finance and Business Operations" page. Once there you will find a listing for "Office of Finance" on the right side of the screen. Select one of the available headings — "SPLOST," "QBE Funding," or "Revenue/Expenditure Reports" — to access the information.



Federal Funding

- Only about 7% of funds for most systems
- Earmarked for certain programs only - very little flexibility

Points to Consider:

- These funds are allocated for programs that serve children who qualify for special education, who do not speak English, or who are deemed at-risk and qualify under free/reduced lunch programs (Title I). Systems with a military base also qualify for special funds.
- Federal funds can be used only for the programs they are allocated for; they cannot be moved into another program area.
- No Child Left Behind is a part of the federal program.



State Funding

- QBE = Quality Basic Education Act - includes the "formula" used to earn funds through a partnership involving state and local revenues
- Some state revenue for public education is allocated through a set called "categorical grants" - for example, that's how transportation is funded.
- The state pays each system an amount of money for each student based on a QBE "foundation formula."

Points to Consider:

- QBE was enacted in 1985 as an attempt to provide the basics of direct and indirect instructional costs to Georgia's public schools. QBE has never been fully funded.
- About 90% of QBE funds go to paying salaries.
- QBE Direct Instructional Costs Include: Instructional Staff (e.g. teachers); Paraprofessionals; Art, Music and PE Teachers; Counselors and Other Specialists; Items such as textbooks, supplies and equipment; 20 additional days of instructional time
- QBE Indirect Instructional Costs Include: Superintendent/Principals; Psychologists and Social Workers; School and Central Office Support; Facility and Maintenance and Operations Personnel; Staff Development; Media
- The formula is driven by the number of "full-time equivalents" or FTEs, which is defined as the number of students who are enrolled in each segment (or class) during the school day.



What is added to the QBE "foundation formula"?

- The QBE foundation formula is "weighted" to allow for differences in cost between grade levels, classes and/or students with different needs.
- The QBE foundation formula for FY05 = \$2,362, which is the revenue earned from the state for one regular high school student. This amount is then added to or "weighted."

Points to Consider:

- Segments are weighted so that classes that require a lower student-teacher ratio, such as a special education class, receives more funding than a regular social studies class that has a higher maximum class size. All students are counted by the segments in which they are enrolled and then the system's QBE earnings are calculated.



QBE "foundation formula" continued...

- The QBE foundation formula for FY05 = \$2,362, which is the revenue earned from the state for one regular high school student.
- This amount is then "weighted" and added to in order to reflect the special needs of the students.

Points to Consider:

- A regular high school student was chosen as the basis for the formula because these students don't typically cost as much to educate as a kindergarten student for example.



Here are two more examples of how the formula may be "weighted"

- Students who receive services such as special education or Limited English Proficiency earn more money because it costs more to educate students in these programs because of all the mandates associated with them.
- A high school vocational lab class earns more funding than a second grade class.

Points to Consider:

- As examples of different earnings for different kinds of students (based on 2005 figures):
 - A kindergarten student earns \$3,901.51
 - A 4-5 grade student earns \$2,448.12
 - A special education student at a level IV earns \$13,594.76
 - The special education student would have been weighted much higher than the other two. The kindergarten student higher than the 4-5 grade student. It all depends on what level of support the student needs in the classroom setting.
- Remember that 90% of QBE funding goes towards salaries.

State Funds Qualifying for QBE Funds

- Districts are required to levy the equivalent of at least five mills in property taxes as a basic local commitment.
- All districts then have revenues equal to the "local five mill share" (LFMS) deducted from their total QBE earnings, and the state pays the balance of the earnings.

Points to Consider:

- LFMS is five mills of tax on the equalized adjusted property tax digest.
- What is raised by five mills in one system is VERY different in another.
- (100% Equalized Adjusted Property Tax Digest)
 - X 40%
- (Agricultural, Homestead, Veteran & Age 65 and over Exemptions)
 - X .005 =
 - Local Five Mill Share

System's QBE Formula Calculation

- System's Local Five Mill Share =

System's State QBE Formula Earnings

- Mill- A tax rate of one mill represents a tax liability of one dollar per \$1,000 of assessed property value.



State Funds "Equalizing" the System

- Georgia attempts to equalize the inequities in property wealth per student that exists in the state.
- All 180 systems are ranked according to property wealth per student.
- Lower 75% of districts, based on property wealth per student, then qualify to earn equalization grants.

Points to Consider:

- Seeks to narrow the gap - per student - between the school systems.
- Based on taxable property wealth.
- In 2005, about \$371 million in state funds went to school systems in the form of equalization grants.
- Amount of each system's equalization grants is influenced by its local millage rate.



Local Funding

- Property taxes make up the primary source of revenue for local school systems. These funds are used for the operating budget.
- Special Purpose Local Option Sales Tax (SPLOST) funds can be used for capital expenditures like buildings and technology, but NOT salaries and other operating expenses.

Points to Consider:

- Local funds are also used to pay for local salary supplements and benefits (including Social Security in many systems). Many school systems in Georgia choose to pay their teachers higher salaries than the state salary schedule in order to attract and retain the best teachers.
- Local funds supplement state and federal funds in additional ways:
 - pays for maintenance and operations
 - helps to reduce class size
 - pays for additional curriculum programs
 - funds extracurricular activities for students
 - transportation
 - technology and more
- SPLOST - Special Purpose Local Option Sales Tax - many systems also use these funds to repay bonded indebtedness. May be different than the sales tax passed by the county government. Voters must approve this tax.



Local Funding

- School systems may also call on voters to approve the sale of bonds in a referendum to pay for capital expenditures or technology.

Points to Consider:

- A bond referendum may still be a good way to raise large sums of money to pay for capital expenditures. The purchase of bonds must be approved by voters in the community.

What Did Georgia School Systems Spend on Instruction in 2004?

The average that Georgia's local school systems spent per FTE* in 2004 = \$7,261.37

Of that amount,
\$5,031.41 went directly to instruction

*Per FTE or Full Time Equivalent student **
According to Georgia Department of Education website.

Points to Consider:

- Other expenditures per FTE for FY04 were:

Pupil Services - \$207

Staff Services - \$378

General Administration - \$304

School Administration (Including, but not limited to, counselors, school psychologists, lead teachers and curriculum directors) - \$452

Transportation - \$324

Maintenance and Operations - \$563

- Cover your local per pupil expenditure in the local funding section at the end of this presentation.

- FTE - Full Time Equivalent is defined as the number of students who are enrolled in each segment (or class) during the school day, divided by six (the number of daily segments).

What Happens Locally?

- The budget process begins with board and superintendent setting the vision and priorities for the district's educational program.

Points to Consider:

- Local boards and superintendents must follow state and federal laws and the rules and regulations of the Georgia Board of Education in setting the budget. Funds are not sent to school systems without regard to how they are spent. Federal and state funds come with many strings attached. Local funds supplement the budget in areas where there have been austerity reductions and/or there has not been adequate funding provided.

Budget Process Continues

- Funds are allocated based on state and federal mandates. Funds are also allocated based on what the state considers to be a “foundation” level of support.
- Your local property tax millage rate is established to generate revenue needed to supplement underfunded areas and address local educational priorities.

Points to Consider:

- An underfunded mandate occurs when a law is passed that requires funding, but then does not get fully funded. The local system is still required to follow the law, but has to pay for implementation out of local funds. One example is the cost of providing textbooks. The state pays anywhere from 25% to 30% of the cost of textbooks, leaving the local system to fund the remainder.
- Consider the following: in many school systems, bus transportation is provided for students who live within a mile of schools because parents and the community have determined that this is in the best interest of the students. This expense is paid for totally out of local dollars and it is expensive. The state does not consider this an unfunded mandate as there is no law calling for school systems to transport students within a mile and a half from school. That is what the state formula will provide for. Citizens also need to make decisions about programs such as art and music because these types of programs are often funded locally.
- Also consider rising fuel costs. Just as these kinds of escalating costs impact citizens, imagine the effect on a local school system providing transportation to hundreds or thousands of students.



Funding Challenges in Georgia

- **Underfunded Mandates**

Three of many examples:

- *Textbooks - State does not pay the full cost of a textbook*
- *Instructional equipment and supplies used by teachers in the classroom*
- *Sick leave - funds used to pay for substitute teachers*

Points to Consider:

- Presenter may have more local examples. Check with the local school system finance officer.
- State law mandates 12 days of sick leave, but doesn't pay the full cost of providing them.



Funding Challenges in Georgia

- **Salaries** - State does not pay the cost of many benefits associated with teacher salaries (e.g. Social Security costs)
- **Increasing enrollments** - means increased need for teachers (salaries/benefits), classrooms, textbooks, etc.

Points to Consider

- Although a “midterm adjustment” for enrollment growth is allotted, earnings are based in part on data from the previous year. To an extent, local funds have to be used for that year.



Funding Challenges in Georgia

- **Recruitment and retention of highly qualified teachers**
- **Need to educate an increasingly diverse student population**
- **Competition for funding at the state level - Medicaid, Public Safety, etc.**

Points to Consider:

- All educational groups and school systems want to employ the most “highly qualified teachers” as the federal No Child Left Behind (NCLB) now requires. To recruit and retain the most highly qualified teachers, especially in some subject areas, will require additional funding.



Funding Challenges in Georgia

- **Limited sources of revenue**
 - School systems have little flexibility in using state or federal funding
 - Use of SPLOST or bond revenues has limited flexibility
 - Wide variance among systems in wealth limits ability to raise revenue

Points to Consider:

- Use local SPLOST examples here, if applicable. Talk with local finance officer.
- Little flexibility is much more true about federal funds than state funds.



Funding Challenges in Georgia

- **Limited sources of revenue,**
continued
 - Local property tax rate is limited to 20 mills for school operation (except by referendum)
 - Many systems do not have sufficient reserves to use during lean budget years

Points to Consider:

On the State's Horizon

- Investing in Educational Excellence
IE² - Governor's Education Finance
Task Force to define excellence,
examine the current funding
structure and develop a new funding
formula
- Go to www.ie2.org for more
information on the work of the Task
Force

Points to Consider:

- Check the IE2 website for any updates.

How are We Doing Today Locally?

Customize or Delete Slide
Example:
Insert FY-05 Revenues

Points to Consider:

- Show percentages from federal, state and local sources.
- What is the local school system's millage rate?

Customize or Delete Slide Local FY-05 Budget

Example: Insert Copy of
FY-05 Budget
Information/Expenditures

Points to Consider:

- Show percentages that go to instruction and other areas of operation.

Our Local Challenges

Customize or Delete Slide

Example: Insert items that are funded locally such as art and music teachers; school nurses; new textbooks; salary supplements for teachers

Points to Consider:

Question and Answer Period

Insert Name of
Presenter