THE IMPACT OF HOUSE BILL NO. 129 ON FUNDING FOR CENTRAL ADMINISTRATION IN THE SCHOOL DISTRICTS OF GEORGIA

Introduction

With the passage of House Bill No. 129 by the 1995 Georgia General Assembly has come major changes in the allocation of state funds for central administration. Section 3 of the Bill amended Code Section 20-2-186 of the Quality Basic Education Act (QBE) of 1985 by changing provisions relating to funding of salaries of superintendents, administrative personnel, and visiting teachers. Prior to the changes made by HB 129, QBE provided funds for each district's central office personnel, including the salary of the superintendent, an assistant superintendent for business affairs, an assistant superintendent for instruction, one social worker, one accountant, and two full-time secretaries. HB 129 eliminated funds for the two assistant superintendents, and it reduced the allocation for secretaries from two full-time secretaries to one half-time secretary. Beginning in FY 1996, the total number of funded positions included only the superintendent, a social worker, an accountant, and a one-half time secretary.

HB 129 also changed the fixed allocation per FTE for the superintendent, accountant, and secretarial positions to a differential amount based upon each school district’s total FTE count. Base funding for these positions was set for districts with 1,000 FTEs or less. Additional funds for central office personnel were provided for larger systems based upon the school district’s size but at decreasing amount per FTE (See Box). The funding for the social worker position remained a fixed allocation per FTE; for FY 1995 and FY 1996, the allocations for one social worker were $7.26 and $7.69 per FTE, respectively. This report investigates the impact of House Bill No. 129 on funding for central administration in Georgia school districts. Section II presents research on central administration, while Section III examines the impact of the Bill on funding of central administration in Georgia. Section IV presents implications and recommendations.

Research on Funding for Central Administration

Although superintendents and central office administrators are ultimately responsible for the translation of policy into practice, the role of central administration in achieving school effectiveness has generally been neglected by researchers. Crowson and Glass charge that central office personnel are the "least thoroughly researched role[s] in American public education." Two studies on school district administration expenditures are worth mentioning, however.

In their study on educational spending patterns across the 50 states, Odden and his associates found that:

The largest portion of increased spending on education has been used to hire more teachers; more teachers are used to reduce class size and to provide more out-of-classroom services, primarily "pull-out" instruction for handicapped and low-achieving students. Meanwhile, expenditures for administration are modest on average, even districts in the country."
BOX
Formula for Determining Allocation for Central Administration

Section 3 of Georgia House Bill 129 provides that:

(1) Each local system shall earn, for any number of full-time equivalent students equal to or under 1,000, funds sufficient to pay the beginning salaries of a superintendent, accountant, and one-half the salary of a secretary [The amount for FY 1996 was $62,125]; and

(2) For numbers of full-time equivalent students over 1,000 and less than 2,001, 80 percent of the amount obtained by multiplying the number of students over 1,000 by the amount earned in paragraph (1) of this Code section divided by 1,000; and

(3) For numbers of full-time equivalent students over 2,000 and less than 3,001, 70 percent of the amount obtained by multiplying the number of students over 2,000 by the amount earned in paragraph (1) of this Code section divided by 1,000; and

(4) For numbers of full-time equivalent students over 3,000 and less than 4,001, 60 percent of the amount obtained by multiplying the number of students over 3,000 by the amount earned in paragraph (1) of this Code section divided by 1,000; and

(5) For numbers of full-time equivalent students over 4,000 and less than 10,001, 33 percent of the amount obtained by multiplying the number of students over 4,000 by the amount earned in paragraph (1) of this Code section divided by 1,000; and

(6) For numbers of full-time equivalent students over 10,000, and amount equal to 25 percent of the amount obtained by multiplying the number of students over 10,000 by the amount earned in paragraph (1) of this Code section divided by 1,000.

Moreover, high-spending districts expended funds for administration in the same proportion as low-spending districts, with 9 to 11 percent of expenditures allocated for administration. Of these expenditures, 3 to 4 percent were allocated for central administration and 6 to 7 percent for school administration. In his study of 702 New York school districts, Brewer argues that the claims being voiced nationally about the high costs expended for administration were overstated. Brewer found that administrative costs were about 11 percent of the districts' budgets, with 4 percent expended for central office administration and 7 percent for building level administration. Nevertheless, education decision makers frequently consider cutting central administration staff to free more money for direct instruction. To which Brewer responds that:

... reducing class sizes ... or hiring more experienced or qualified teachers does not appear to guarantee better performing children. It is therefore somewhat surprising that many proposed school reforms involve shifting resources away from noninstructional resources to instructional purposes. Presumably this is based on a belief that noninstructional resources have negative effects, or at least smaller positive effects, on how well schools perform.5

Impact of House Bill No. 129 on Funding for Central Administration in Georgia

In order to investigate the impact of HB 129 on funding for central administration (personnel and operations) we considered how HB 129 would have shifted state funds among local school districts for FY 1995, the year preceding the implementation of HB 129. During FY 1995, state funding for central administration was more than $90 million, or 2.9 percent of total QBE funding. Combining the funds for central administration with that for school administration, state funding was more than $375 million, or 11.9 percent of total QBE funding. If HB 129 had been applied in FY 1995, state funds for central administration would have been reduced by $9.5 million, a 10.4 percent decrease from the actual state funding for central administration in FY 1995.
Combined state funding for central administration and school administration would have decreased by 2.5 percent (See Table 1).

HB 129 would also have increased the amount of funds for central office personnel in small school districts and decreased the amount in large districts, as illustrated in Table 2. 137 of the 180 school districts would have received more funds per FTE in FY 1995 under HB 129. These were the smallest districts in the state, with FTE counts ranging from 147 to 8,019. The 43 districts that would have experienced a decrease in funding for central administration had enrollments ranging from 5,874 to 82,894 FTEs.

To further illustrate this point, Taliaferro -- the smallest district in the state with 147 FTEs -- received a state allotment of $50.17 per FTE in FY 1995 for central office personnel. However, if HB 129 had been implemented in FY 1995, Taliaferro's allotment would have increased to $430.31 per FTE, or by 757.7 percent. A sharp contrast to this increase is the change in allotment for the largest school district in the state, DeKalb County with an enrollment of 82,894 FTEs in FY 1995. It also received $50.17 per FTE for central office personnel in FY 1995. However, HB 129 would have reduced DeKalb County's allotment to $25.15 per FTE in FY 1995, for a decrease of 49.9 percent.

Not surprisingly, the funding gap between the smallest and largest districts for central office personnel widened when we adjusted for differences across districts in purchasing power. This effect is due in large part to the fact that in Georgia the smallest districts tend to be located in rural counties where the cost of living is low; and conversely, the largest districts are located in urban areas where the cost of living is high. For example, the purchasing power of rural Taliaferro County's state allotment under HB 129 of $430.31 is $492.33, an increase of 14.4 percent. By contrast, the purchasing power of the allotment for suburban Gwinnett County of $25.23 per FTE is $21.75, a decrease of 13.8 percent. Overall, the purchasing power of the total state allotment for central office personnel was 1.3 percent less than the actual allotment.

Perhaps, however, the most visible distinction in funding for central administration is the difference in administrative expenditures in Georgia's school districts as compared to those of the rest of the nation (Table 3). In FY 1992, current state plus local funded expenditures per FTE for central administration in Georgia was consistently less than the national average for all sizes of school districts. Comparisons show that current expenditures for central administration for the smallest districts (193 - 1,000 FTE) averaged $220.28 per FTE in Georgia versus $258.21 nationally. Comparisons of the largest districts also show that current expenditures in Georgia were much lower than the national average for districts above 40,000 FTEs: $41.31 in Georgia versus $78.43 nationally.

Further inspection reveals the effects of HB 129 on current expenditures for central administration. If HB 129 had been implemented in FY 1992, the smallest districts would have greatly benefitted. On average, school districts under 4,000 FTEs would have experienced an increase in funding from HB 129. The loss in funds for central administration would have become progressively greater as district size increased; and conversely, funds would have grown as district size shrunk. The smallest (169-1,000 FTEs) and largest (above 40,000 FTEs) districts would have experienced the greatest increases and decreases in net funds, respectively. On average, current expenditures for central administration would have been $270.25 per FTE for the smallest districts and $15.44 per FTE for the largest districts (Column 3, Table 3).

Finally, a comparison of how much local money was allocated to enhance state QBE earnings for central administration in FY 1995 shows that local funds as a percentage of central administration was larger for the largest districts than for the smallest districts. As illustrated in Table 4, the proportion of central expenditures local funds was 69.2 percent ($95.44 per FTE) for the largest districts and 65.5 percent ($171.24 per FTE) for the smallest districts. Moreover, the proportion of local funds needed to match actual FY 1995 expenditures would have significantly changed under HB 129; the proportion of central administration financed by local funds by the largest districts would have been 82.5 percent ($113.79 per FTE), as compared to 41.3 percent ($107.99 per FTE) for the smallest districts, assuming no change in central office expenditures.

Implications

Passage of HB 129 has brought into question the adequacy of state funds for central office administration in the largest school districts of the state. This report shows that HB 129 has sharply reduced state funding for central office personnel to the largest districts in the state. The findings in this report also suggest that the state allocation for central administration in the largest districts may be under funded, as compared to the smallest districts in the state and the largest districts in the country. As a consequence, the largest districts in Georgia are forced to either allocate more local funds to pay for the costs of central administration, eliminate positions to cut costs for central office personnel,
<table>
<thead>
<tr>
<th></th>
<th>State Funding for Central Office Personnel</th>
<th>Percentage of Total QBE Funding</th>
<th>State Funding for Central Administration</th>
<th>Percentage of Total QBE Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia Actual</td>
<td>72,058,728</td>
<td>2.3%</td>
<td>91,194,852</td>
<td>2.9%</td>
</tr>
<tr>
<td>Georgia with HB 129</td>
<td>62,587,638</td>
<td>2.0%</td>
<td>81,723,763</td>
<td>2.6%</td>
</tr>
<tr>
<td>% Difference</td>
<td>-13.1%</td>
<td>-10.4%</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>State Funding for School Administration</td>
<td>State Funding for Administration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgia Actual</td>
<td>287,445,232</td>
<td>9.0%</td>
<td>378,640,084</td>
<td>11.9%</td>
</tr>
<tr>
<td>Georgia with HB 129</td>
<td>287,445,232</td>
<td>9.1%</td>
<td>369,168,995</td>
<td>11.6%</td>
</tr>
<tr>
<td>% Difference</td>
<td>0.0%</td>
<td>-2.5%</td>
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State funding includes QBE formula earnings and QBE allotments for benefits, training, and experience, and operations. Total QBE funding in FY 1995 was $3,183,988,871.

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<tbody>
<tr>
<td>District Gainers $/FTE</td>
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<td></td>
<td></td>
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<tr>
<td>40K-85K</td>
<td></td>
<td>31</td>
<td>20</td>
<td>31</td>
<td>42</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Losers $/FTE</td>
<td></td>
<td>5</td>
<td>23</td>
<td>15</td>
<td></td>
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</table>
### TABLE 3. A COMPARISON OF THE EFFECTS OF HOUSE BILL 129 ON CURRENT EXPENDITURES FOR CENTRAL ADMINISTRATION, IF APPLIED IN FY 1992

<table>
<thead>
<tr>
<th>School District Size (FTE)</th>
<th>Average National Current Expenditures per FTE</th>
<th>Average Georgia Actual Current Expenditures per FTE</th>
<th>Average Georgia with HB 129 Current Expenditures per FTE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>193-1,000</td>
<td>$258.21</td>
<td>$220.28</td>
<td>$270.25</td>
</tr>
<tr>
<td>1,001-2,000</td>
<td>165.85</td>
<td>118.10</td>
<td>126.14</td>
</tr>
<tr>
<td>2,001-3,000</td>
<td>135.64</td>
<td>97.41</td>
<td>101.70</td>
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<tr>
<td>3,001-4,000</td>
<td>124.93</td>
<td>81.45</td>
<td>82.78</td>
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<tr>
<td>4,001-10,000</td>
<td>104.41</td>
<td>69.79</td>
<td>61.64</td>
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<tr>
<td>10,001-40,000</td>
<td>81.22</td>
<td>61.95</td>
<td>41.47</td>
</tr>
<tr>
<td>40,001-80,000</td>
<td>78.43</td>
<td>41.31</td>
<td>15.44</td>
</tr>
</tbody>
</table>

*These expenditures were calculated using the following formula: GaAct Exp = ($47.90 * FTE) + HB 129 FY 1992. WHERE: GaAct Exp = Georgia Actual Expenditures, $47.90 = Georgia Actual per FTE for central office personnel in FY 1992, FTE = the district's FY 1992 FTE count, and HB 129 FY 1992 = FY 1996 HB 129 allotment adjusted for FY 1992 dollars (social worker included). To adjust for FY 1992 dollars, the FY 1992 service index (1.00) was divided by the FY 1995 service index 1.1875. These expenditures exclude adjustments for benefits, training and experience.

### TABLE 4. A COMPARISON OF STATE AND LOCAL FUNDING FOR CENTRAL OFFICE PERSONNEL, BY DISTRICT SIZE, FY 1995

<table>
<thead>
<tr>
<th>School District Size (FTE)</th>
<th>Georgia Actual</th>
<th>Georgia with HB 129</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average District Expenditures per FTE</td>
<td>Average State QBE Earnings per FTE</td>
</tr>
<tr>
<td>under 1,000</td>
<td>$261.58</td>
<td>$90.33</td>
</tr>
<tr>
<td>1,001-2,000</td>
<td>119.71</td>
<td>60.98</td>
</tr>
<tr>
<td>2,001-3,000</td>
<td>112.87</td>
<td>52.64</td>
</tr>
<tr>
<td>3,001-4,000</td>
<td>89.77</td>
<td>52.47</td>
</tr>
<tr>
<td>4,001-10,000</td>
<td>86.93</td>
<td>49.72</td>
</tr>
<tr>
<td>10,001-40,000</td>
<td>99.44</td>
<td>48.85</td>
</tr>
<tr>
<td>over 40,000</td>
<td>137.85</td>
<td>42.42</td>
</tr>
</tbody>
</table>

This table includes funding for central office personnel for salaries, benefits, training and experience. Average state QBE earnings exclude Local Fair Share earnings. Georgia with HB 129 state QBE earnings were calculated using the following formula: State QBE = ($50.17 * FTE) + HB 129. WHERE: State QBE = Georgia Actual State QBE Earnings, $50.17 = Georgia Actual per FTE for central office personnel in FY 1995, FTE = the district's FY 1995 FTE count, and HB 129 = FY 1996 HB 129 allotment adjusted for FY 1995 dollars (social worker included). Georgia with HB 129 earnings exclude adjustments for benefits, training and experience.
or both. Therefore, the reductions in state funding to the largest districts raise concerns about the state’s commitment to adequately fund central administration in those districts.

At the same time, HB 129 raises the issue of the state’s effort to consolidate independent city school districts. It has been the policy of the state to encourage the consolidation of independent school districts with their adjacent county school districts. Yet, the additional funds provided to the smaller independent districts under HB 129 creates a disincentive for those districts to merge with neighboring districts. Thus, HB 129 complicates the task of consolidating independent school districts in the state.

HB 129 has also directly impacted the structure of the QBE formula. Originally, the QBE formula was designed to provide sufficient funds to each school district according to the costs assigned to each instructional program, regardless of district size. That is, the state allotment for an FTE in an instructional program in a large district was the same allotment for an FTE in the same program in a small district. In this sense, state funding was neutral with regard to district size. In sharp contrast, the formula enacted under HB 129 divides the state allotment for central office personnel based upon the total FTE count in a district. This change in the structure of the formula benefits the smaller districts and penalizes the largest districts.

Based on the findings of their research, we recommend that state lawmakers consider carefully examining the actual cost of central administration and how those costs vary by district size, and then adjusting HB 129 allotment formula accordingly.

Notes


5Brewer, D.J. (1994), pp. 149-150.

6These allotments exclude costs for benefits, training and experience. They were calculated using the following formula: HB 129 + (7.69 * FTE) WHERE: HB 129 = FY 1996 HB 129 allotment for the district, 7.69 = the fixed FY 1996 allotment for one social worker, and FTE = the district’s FY 1995 FTE count. The FTE count is the first count for FY 1995.

7Since no comprehensive cost adjustment for central office administration was available, the research group utilized Chambers’ Teacher Cost Index (TCI) and McMahon’s Cost-of-Living (COL) index. The rationale for incorporating both indices is that each measures different cost factors to estimate the differences in cost that districts pay for various funding components. More specifically, this analysis employs Chambers’ TCI to reflect district costs for those components linked to superintendents since the same theoretical framework that applies to teacher costs can also be applied to the costs for professional education personnel. In a similar manner, McMahon’s COL is used to reflect those funding components connected to social workers, accountants, and secretaries since the costs of such workers employed by school districts tend to mirror the costs of similar workers employed in other economic sectors. The cost adjustment employed for this report used the following ratio mix of Chambers’ TCI and McMahon’s COL: 52.1 to 47.9. The basis for this ratio is that 52.1 percent of the FY 1995 allotment for central office personnel was allocated for 3 superintendent positions; and 47.9 percent was for one social worker, one accountant, and two secretarial positions. For a more conceptual discussion in support of the above rationale, see Barro, Stephen, M. (November, 1993). Cost-of-education differentials across the states. Washington, DC: National Center for Education Statistics.

8Current expenditures for central administration include expenditures for central administration for salaries, employee benefits, purchased services and supplies, and operations. These expenditures do not include direct costs (e.g., adult education, community colleges, etc.) and community services expenditures.

9The results of this national data inquiry illustrates a comparison of the effects of HB 129 applied in FY 1992 dollars, actual funding in FY 1992, and national funding in FY 1992 for central administration by school district size. The most current national data available to make these comparisons were available from the National Center for Educational Statistics. Because national data for FY 1995 and FY 1996 were not available, it was necessary to apply HB 129 to the 1992 data to determine the relative effects of the Bill if it had been implemented in 1992. Consequently, the researchers adjusted the HB 129 allotments for FY 1995 to reflect FY 1992 dollars. It was believed that this method would produce an illustration of Georgia’s relative position nationally in funding central administration and be representative of current funding patterns nationally.

10This part of the analysis assumes that local funds for central administration would have remained unchanged.
ABOUT THE AUTHOR

Dwight R. Doering is a Research Associate in the Fiscal Research Program and a former parochial and public school teacher. His responsibilities at FRP include the management and analysis of federal and state education data. His research interests include educational leadership, education finance, school choice, and the charter schools movement.

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