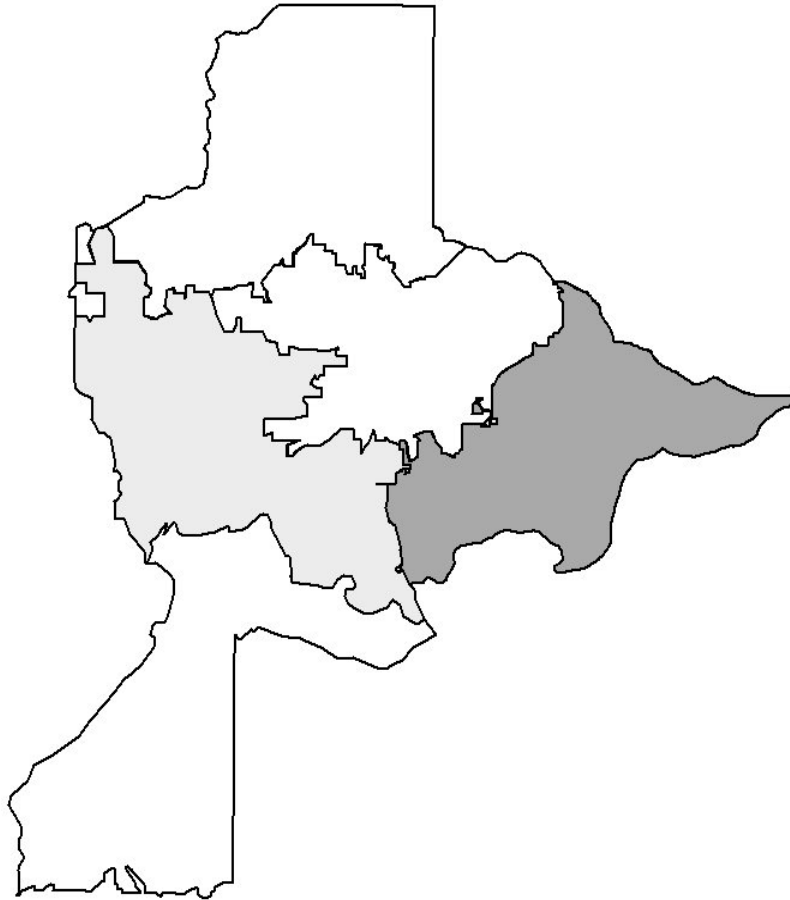


CREATING A NEW MILTON COUNTY

Report 2. The Fiscal Viability of a Milton County School System



Carl Vinson **Institute of Government**
The University of Georgia



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FISCAL RESEARCH CENTER

**STUDY REPORTS PREPARED FOR THE
CREATING A NEW MILTON COUNTY
PROJECT**

Number	Title	Author
	<i>Executive Summaries</i>	Governmental Services and Research Division, Carl Vinson Institute of Government, University of Georgia and Fiscal Research Center, Andrew Young School of Policy Studies, Georgia State University
1.	<i>Estimated Costs and Revenues for the Proposed Milton County</i>	Fiscal Research Center, Andrew Young School of Policy Studies, Georgia State University
2.	<i>The Fiscal Viability of a Milton County School System</i>	Governmental Services and Research Division, Carl Vinson Institute of Government, University of Georgia
3.	<i>The Impact of Creating Milton County on State Agencies</i>	Governmental Services and Research Division, Carl Vinson Institute of Government, University of Georgia
4.	<i>The Legal Impacts of Creating Milton County</i>	Governmental Services and Research Division, Carl Vinson Institute of Government, University of Georgia
5.	<i>New Governance Options for Milton County</i>	Governmental Services and Research Division, Carl Vinson Institute of Government, University of Georgia
6.	<i>A Comparison of County Services Provided by the Counties of Cobb, DeKalb, Fulton, and Gwinnett</i>	Fiscal Research Center, Andrew Young School of Policy Studies, Georgia State University

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The Fiscal Viability of a Milton County School System

**Governmental Services and Research Division
Carl Vinson Institute of Government
University of Georgia**

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The Fiscal Viability of a Milton County School System

Executive Summary

This report is designed to assess the degree to which a proposed Milton County School System would have sufficient revenue streams to operate in a satisfactory manner. There is no way to predict in advance how changes in economic or demographic conditions or state or local policies will ultimately impact the per student funding of education in the areas of the new proposed school systems. For this reason, in this report we are limited to examining the potential impacts of the creation of a Milton County School System as a one-time or snapshot event, whose impacts are estimated using the set of conditions, rules, and funding formulas that exist at this moment in time. The focus of this report is on the viability of a Milton County School System with regard to both operational Impacts and Capital Assets and Liabilities.

Operational Impacts relate to the impacts that school enrollment, system eligibility for funding, and the relative property tax bases have on the expected revenue stream for the new school systems. Revenue and other data were collected from the Georgia Department of Education for the most recent year for which a complete set of data was available at the time of the analysis (FY2006).

Table E1 outlines the expected allocation of local, state and federal revenues in the study period to the new Milton County School System.¹

Table E1a: Total Estimated Operational Revenues for Milton and Existing Fulton School Systems		
Source	Amount Allocated to Milton School System	Total Fulton System

¹ The revenue data used in the analysis excludes certain types of revenues (e.g., School Club funds) that can vary by year and individual school as well as certain transportation and capital-related revenue categories.

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Local Revenues	\$337,012,026	\$444,295,962
QBE Basic & T&E	\$111,133,345	\$191,820,499
Title I	\$1,094,647	\$5,443,896
Title II	\$1,447,966	\$2,719,964
Title III	\$694,132	\$870,933
Title IV (Title I component)	\$43,699	\$217,323
Title IV (Enrollment component)	\$96,129	\$144,882
Title V (Enrollment component)	\$112,128	\$168,995
Title V Poverty component)	\$53,209	\$168,995
Special Education Funding (Historical Component)	\$2,360,076	\$3,628,673
Special Education Funding (Enrollment Component)	\$6,012,636	\$9,061,998
Special Education Funding (Poverty Component)	\$335,185	\$1,064,565
Vocational Education Funding (Enrollment Component)	\$127,600	\$192,314
Vocational Education Funding(Poverty Component)	\$141,286	\$448,733
School Nutrition Lunch Program Funding	\$4,976,882	14,956,722
School Nutrition Commodity Funding	\$592,728	\$1,120,332
Other Federal funds	\$726,917	\$1,117,652
TOTAL	\$466,960,591	\$677,442,438

Note: FTEs stands for Full-Time Equivalent Students.

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Table E1b: Summary Impact		
	Milton School System	Existing Fulton System
Full-Time Equivalent Students (FTEs)	52,433	80,617
Percent of Total Revenues	68.9%	100.0%
Per FTE Revenue	\$8,906	\$8,403
Change from Current Per FTE Revenue	\$503	\$0
Percent Change	5.98%	0.00%

An additional analysis was conducted to identify the allocation to the hypothesized two new districts based on the inclusion of solely academic-related revenue sources (i.e., excluding nutrition-related programs). This analysis resulted in the Milton school district receiving a higher percentage increase in per FTE revenue.

The analysis in the Operational Impacts section of the report also tested for the potential for one or both of the new districts to be eligible for equalization grants for which the current Fulton System is not eligible. The results indicate that both of the hypothesized new school systems would be ineligible for these grants.

Finally, as a test of viability we compared the expected revenues of the new school system with existing schools systems in the Metro area and with state averages. These comparisons are presented in tables E2 and E3. **Data Note:** the Milton County School System per FTE revenue for the Metro and state comparison tables below differs from the per FTE figure presented above because a more inclusive set of revenue sources is used in these tables so as to enable a comparison among school districts.

The Fiscal Viability of a Milton County School System

School System	Per FTE Totals
Clayton County	\$7,543
Gwinnett County	\$7,370
DeKalb County	\$9,047
Cobb County	\$7,874
Atlanta Public Schools	\$11,896
<i>Average of Comparisons</i>	\$8,746
Milton	\$9,582
Existing Fulton	\$9,058
Difference between Milton and Average	\$836

Estimated Milton County School System per FTE	\$9,582
State Average Per FTE	\$8,075
Difference between Milton and State Average	\$1,507

Capital Assets Liabilities

Table E4 presents an allocation of the major capital assets based on the location of the real property in relation to the expected new school system boundaries.

	North Fulton	South Fulton
Total Number of Parcels	135 ¹	160 ²
Total Acres	1,519.0	1,016.3
Total Number of Students	57,099	33,298
Acres per 1,000 Students	26.6	30.5

² Data Source: Georgia DOE, 2006 Revenue. Found at: http://app.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.entry_form.

³ Data Source: Georgia DOE, 2006 Revenue. Found at: http://app.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.entry_form

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Total Appraised Value	\$276,647,500	\$126,569,400
Average Appraised Value per Acre	\$182,121	\$124,535
Average Appraised Value per Student	\$4,845	\$3,801
Percent of Appraised Value to Total Appraised Value of Real Property	68.6%	31.4%
Total Assessed Value (AV) (40% of appraised value)	\$110,659,000	\$50,627,760
Total AV of Land	\$47,440,360	\$7,227,400
Average AV of Land per Acre	\$31,231	\$7,111
Average AV of Land per Student	\$831	\$217
Total AV of Improvements	\$63,218,640	\$43,390,320
Average AV of Improvements per Acre	\$31,830	\$42,693
Average AV of Improvements per Student	\$1,107	\$1,303

In addition to distributing capital assets if Milton County is recreated, there are several other financial issues that need to be considered.

- Distribution of the System's fund balances. The General Fund's unreserved, undesignated (i.e., not designated for debt service) balance equaled \$107,634,790 at the close of FY 2006 (June 30, 2006).
- The System was scheduled to pay \$12.4 million for general obligations bond (G.O.) debt in 2007,⁴ leaving a total liability for G.O. bonds near \$200 million dollars. If Fulton System's Board chooses to further reduce this debt in the next couple of years so as to potentially eliminate it, the issue of the debt allocation becomes moot. However, if the debt is not eliminated and a Milton County School System is created, it is posited that the remaining G.O. debt would be assumed by the respective systems in a based on their proportion of the System's consolidated property digest. The creation of Milton County School System could affect the Fulton County Board of Education's bond rating (currently at AA for Standard and Poor's) if an agreement over debt payments between the two systems is not reached.
- Payment of liabilities associated with Teachers Retirement System (TRS). The System's pension was funded at only 43.2 percent of the total accrued actuarial liability (June 30, 2005), resulting in an accrued pension liability at the end of FY

⁴ Fulton County Board of Education Annual Financial Report, Fiscal Year 2006, pg. 11.

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- 2006 to TRS equaling \$41,127,000. Fulton County Board of Education funded its annually required contribution for its pension at 98.6 percent for 2006. The annually required contribution is based on an amortized payment schedule.
- Allocation of liabilities associated with a new ruling from the Governmental Accounting Standards Board, *Statement 45*. The new accounting statement establishes uniform financial reporting and accounting standards for non-federal government entities. More specifically, the statement requires public entities to account for non-pension retiree benefits (e.g., health care) using accrual accounting. To conform with Generally Accepted Accounting Principles (GAAP), Fulton County will need to include this liability on their balance sheet for FY 2008.
 - Allocation of long-term liabilities associated with uncompensated absences. If a teacher takes sick leave, the School System needs to hire a substitute, resulting in cash outlays. Additional research would need to be taken to learn if staff can “cash out” a portion of their unused vacation days. Total liabilities in FY 2006 for compensated absences equaled \$29,516,000.
 - Allocation of Remaining SPLOST Funds (1997 SPLOST and 2002 SPLOST). This is an issue to the extent any of the funds are dedicated to schools located within the proposed Milton County. More specifically, would Fulton County School District be obligated to transfer those revenues to the Milton County?

The Fiscal Viability of a Milton County School System

Introduction

In order to be viable, school systems, like other government entities, require on-going revenue streams to support both needed capital and operations. This report is designed to assess the degree to which a proposed Milton County School System would have sufficient revenue streams to operate in a satisfactory manner.

Fiscal viability can have a couple of dimensions. In one sense, viability can be defined as being able to marshal the same level of resources to meet the expected service obligations in a manner that is equal to the service provision. In effect, this means that resources need to be equal to current resources on a per service unit basis. In the case of a school system, the service unit is typically a student (or full-time equivalent student). Using this definition of viability would mean that in a world of limited resources, in order for a Milton County School System be viable, the split of the existing resources would need to be equivalent on a per student basis. Were the split to be uneven, it would mean that one of the systems would have to operate with resources that were less (on a per student basis) than is currently the case.

In a situation where resources are not limited, the viability of one system does not have to depend on the viability of the other system. Overtime, resource limits can be expanded. For example, in the case of school system revenues, one system may have more opportunities for property tax revenue growth. Similarly, some school systems may experience drops in student enrollment while others experience enrollment increases, which can impact the per student revenues that would respectively flow to these systems. Also, over time funding formulas can change which can impact the relative per student funding that one system may receive vis a vis another. It is expected, for example, that Georgia's Quality Basic Education (QBE) funding formulas will be fundamentally revised in the upcoming years to better reflect the resources needed to provide all students in Georgia an excellent education.

Unfortunately, there is no way to predict in advance how changes in economic or demographic conditions or state or local policies will ultimately impact the per student

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funding of education in the areas of the new proposed Milton County School System. For this reason, in this report we are limited to examining the potential impacts of the creation of a Milton County School System as a one-time or snapshot event, whose impacts are estimated using the set of conditions, rules, and funding formulas that exist at this moment in time. Limiting the analysis to a snapshot event does not mean that readers of this report should limit their consideration to the impacts that are described; only that as researchers it is not within the appropriate scope of our work to speculate on future conditions.

The second dimension of the concept of viability relates to the idea of sufficiency. While the impact of the creation of a new school system may leave one of the two school systems worse off (on a revenue per student basis) than it was previously, it does not necessarily mean that the less-funded school system does not have sufficient funds to operate in a manner that will produce a reasonable amount of success. With regard to this sufficiency component of viability, we provide some data that will allow the reader to compare the revenues per student in the proposed Milton County School System with those of comparison community school systems which may have higher or lower levels of funding.

The Fiscal Viability of a Milton County School System

Organization of the Report

This report is organized into two sections:

- Operational Impacts: a section that deals with the allocation of operational revenues of the affected school systems, and
- Capital Assets and Liabilities: a section that treats the allocation of capital resources and liabilities.

In general, the issue of viability is most closely tied to the allocation of operational revenues. This is the case for two reasons. First, because school systems are generally labor-intensive operations, the majority of expenditures are for operational costs. Secondly, because the majority of the capital needed to operate a school system is found in the schools themselves, the proposed method for allocating capital facilities by their geographic location should result in a fairly proportional allocation, i.e., one tied very closely to the share of students in the two proposed school systems.

Sources of School System Revenues

A new school system would be entitled to funding from three major sources: the local government, the state government, and the federal government. Table 1 outlines the contribution of each of these sources to the total funding of the Fulton County School System.

	Amount	Per FTE	Percent
Local Revenues	453,829,474	5,730.39	63.27
State Revenues	224,575,023	2,835.65	31.31
Federal Revenues	38,923,138	491.47	5.43
Total	717,327,635	9,057.51	100

In order to estimate the likely funding level for a new school system comprise of the proposed County of Milton area, it is necessary to examine how the various funding sources are derived. The following section provides data on the basis of operational funding sources and an estimate of their amounts.

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Operational Impacts

In the following analysis of the revenue sources and allocations to the proposed Milton County School System, only revenue sources that are used for operational expenditures are identified. Revenue sources such as the Special Local Option Sales Tax (SPLOST) that are tied to capital or debt service expenditures are addressed in the next section of this report. Similarly, although investment and rental income may be used to support school operations, these revenue sources are derived from capital assets. Because in this study we address the allocation of all fixed assets and liabilities within a single framework, the analysis of these revenues are also dealt with in the capital section of the report. Finally, we also do not include revenue sources that are dedicated to specific grants other than state or federal grants or internal service funds. Grants that are other than state or federal grants tend to be single-event revenues that go to particular schools or school system projects rather than grants used to support the core work of the school system. Also, internal service funds are typically used to manage internal costs (e.g., for repair orders) and are likely to be idiosyncratic during any particular time period. It should be noted that these excluded revenue sources account for only a minuscule portion of the overall school system budget (i.e., less than 0.0004 of the budget).

Local Revenues

Ad Valorem Revenues

The Fulton County Tax Commissioner supplied the study project team with 2007 Property Tax Data tax levy amounts for the areas Fulton County that would comprise the new Milton County and for the areas that would remain in the Fulton County School District after the proposed creation of the new county. The tax levy amounts represent the amount of taxes collected after the value of a number of state and local tax exemptions have been subtracted. The tax levy amount (or equalized digest) will not be exactly proportional to the assessed value digest, but it provides a more accurate estimate of the likely revenues for the new school systems. It should be noted that the tax levy amounts are for real property excluding Motor Vehicles and Public Utilities. For the purposes of this study, we have assumed that tax collections on these types of property

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will be proportional to the distribution of real property taxes. The reader should also note that we use the proportion of property taxes in 2007 to estimate the allocation of 2006 local revenues to the proposed Milton school system. This estimation processes is used in order to be able to report on a single year's revenues from a variety of source for which 2006 is the most recent year where data on multiple sources is available.

Property Tax Values (excluding Motor Vehicles and Utilities)

North Fulton M & O	\$ 340,715,160	75.98%
South Fulton M & O	\$ 107,723,765	24.02%
Total Fulton (Excluding Atlanta)	\$ 448,438,925	100.00%

	Percent of Tax Levy	Amount of Fulton County School System Local Ad Valorem Funding 2006	Allocated Amount
Proposed Milton County Area (i.e., North Fulton)	75.98%	\$439,140,322	\$333,650,263

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Other Revenues and Sum of Local Government Revenues

Table 4: Local Government Revenue Sources⁵

Source	Amount	Allocation Method	Percent to Milton School System	Amount Allocated to Milton School System
Ad Valorum	\$439,140,322	Tax Levy	75.98%	\$333,658,817
Tuition From Individuals Fund 100	\$491,724	Per FTE	65.04%	\$319,815
Summer School Tuition	\$518,754	Per FTE	65.04%	\$337,396
Tuition From Individuals Fund 550	\$30,547	Per FTE	65.04%	\$19,868
Federal Indirect Cost Reimbursement	\$659,924	Per FTE	65.04%	\$429,212
Other Local Revenues	\$3,454,691	Per FTE	65.04%	\$2,246,918
Total	\$444,295,962			\$337,012,026

State Revenues

The primary source of funding that the State of Georgia provides to local school districts comes from the Department of Education’s Quality Basic Education (QBE) formula grants. The exact formula for QBE funding is fairly complicated (See Appendix A for the basic QBE weights) and actual QBE funding only goes to the school district—not to individual schools. However, it is possible to apply the formula to school level data and arrive at a close approximation to the revenues that a school district would earn were it comprised of a set of particular schools. The following outlines our estimation of the revenues for a proposed Milton School District that such an application of the QBE formulas would provide.

⁵ Note: If one consults the summary sheet for local funding of the Fulton County School System, the total amount on the summary sheet is slightly larger than the amount identified in this analysis as it include revenue sources that are not likely to be continuous, consistent, or directly tied to educational expenses (e.g., school club dues).

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Prior to making this estimate however, we first must calculate what the net state QBE contributions will be. This calculation is needed because QBE funding involves both a local share requirement and a state “austerity” impact. We need to adjust for the local share requirement because we have already accounted for local revenues in the previous section of the report.

Table 5: FY2006 State QBE Contribution From Allotment Sheet⁶	
Total QBE	326,717,064
QBE Contra Account - Austerity Reduction	-15,059,303
QBE CONTRA ACCOUNT (DEBIT) or 5 mills Local Share	-119,837,262
Total State QBE Contribution	191,820,499

After the creation of the two new school systems, however, the specific QBE local share will differ because the value of 5 mill in the two new districts will not be the same. To estimate the local share we use the relative proportions of the total Fulton School System property tax base that are located in the North and South Fulton areas and apply these proportions to the total QBE local share amount that is reported by GDOE.

Table 6 : Allocation of 5 Mill Local QBE Share			
Area	Proportion of the Tax Base	Total Fulton County School 5 Mill Local Share	Allocation of Local Share
North Fulton	75.98%	\$ (119,837,262)	\$ (91,052,351.67)
South Fulton (Excludes Atlanta)	24.02%	\$ (119,837,262)	\$ (28,784,910.33)

Identifying the QBE Components

Once one has derived the state QBE contribution from the total QBE funding, it is necessary for our analysis to separate out the components of the QBE funding. For the

⁶ Does not include QBE Categorical Grants

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purposes of this study there are three major components: 1) the Base QBE component, 2) the Training and Experience (T&E) component, and the Central Administration Component. This separation is necessary because the formula drivers for these components differ.⁷

Base or Instructional Component: The base component of the QBE formula is driven by the number of segments (roughly class periods) that each school provides in one of a series of categories (see list of QBE instructional components).

List of QBE Instructional Components

- Kindergarten Pgm
- Kindergarten Early Intrv Pgm Primary Grade(1-3) Pgm Primary Grd Early Intrv(1-3) Pgm
- Upper Elementary Grd(4-5) Pgm
- Middle Grade(6-8) Pgm Middle School(6-8) Pgm
- High School Gen Educ(9-12) Pgm
- Vocational Lab(9-12) Pgm
- Students with Disab Cat I
- Students with Disab Cat II
- Students with Disab Cat III
- Students with Disab Cat IV
- Students with Disab Cat V
- Gifted Student Category VI
- Remedial Education Pgm
- Alternative Education Pgm
- Eng.Spkr.s.of Other Lang.(ESOL)
- Spec Ed. Itinerant
- Spec Ed. Supplemental Speech

⁷ The Georgia Department of Education at one time calculated a QBE allotment sheet for each individual school. However, once the requirement that local school systems spend a certain percentage of their allotment at the school where the allotment was “earned” was eliminated, the state DOE stopped running the allotment report at the individual school level. Since that time the QBE computer system has changed and the GADOE no longer is able to run the individual school allotment report. However, GADOE is in the process of developing the capability to run the individual school report and such a report may be available at some time in the future. For further information, contact Scott Austensen at 404-657-3544.

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Each of these instructional components earns a “weight” based on an assessment of how much it cost to operate a class of each individual type. Once the segment weight has been applied, the total value of the segment is then translated into an FTE for instructional staff. Additional FTEs are also earned for administrative staff.

Training and Experience Component: The T&E component provides different levels of state funding for school personnel salaries based on the amount of training (e.g., higher education degrees) and years of experience of these personnel.

Central Administration Component: Under this component each school system is provided a level of support for superintendents and assistant superintendents based on the size of the school system. Because the separation of the current Fulton School System into two could potentially impact the amount of this funding available to the new systems, this amount needs to be identified.

In the follow analysis, the approach is to extract the T&E and Central Administration components from the total QBE funding in order to identify the base amount that is allocated according to the expected FTEs in the two new systems.

Adjustment for New School System Central Administration Component

Each school system in Georgia is provided state funding for a school superintendent and for up to 6 assistant school superintendents. With the establishment of a new Milton County School System, there is a potential for an increase in state funded positions due to the “earning” of an additional school superintendent, but also a decrease in funding for assistant superintendents.

Upon analysis of the size of the proposed new school system, we concluded that both new Milton County School System would qualify for the maximum credit for superintendent positions, i.e., 1 superintendent and 6 assistant superintendents. The following table provides the calculation for the funding that the new school system would receive as a result of their earning central administration credits.

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State Contribution for Superintendent and Assistant Superintendents	\$50,336
Estimate of Number of Superintendents/Assistant Superintendents for each System	7
Total	\$352,352

Based on the FY2006 Fulton QBE System Salary and Operational Detail report, we were able to extract the data needed to estimate the amount and percentage of QBE funding coming from the Base, T&E, and Central Administration components (see Table 8). This estimate essentially involves subtracting the T&E and Central Administration components from the total to arrive at the Base component amount.

Base Component Without T&E	T&E Component	Central Administration Component	Total QBE (includes Local Share)
242,796,987	83,567,725	\$352,352	326,717,064
74.31%	25.58%	0.11%	100.00%

Base Component Estimate

In order to identify the amount of state revenue derived from the Base QBE component, we gathered location data on all the schools in the Fulton County School System and allocated schools to either the existing Fulton County School System or to the proposed Milton County School System.

Next, we gathered data on the QBE segments/FTEs for each of the schools in the Fulton County School System and sorted these data based on whether the school would belong to the Fulton County School System or to the proposed Milton County School System. Table 9 and 10 show the QBE FTE totals for the schools falling into these respective systems.

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Table 9: QBE FTE Sums for the Schools Allocated to Fulton County School System	
School Name	FTEs
Banneker High School	1564
Bear Creek Middle School	1,557
Bethune Elementary School	665
Brookview Elementary School	513
Camp Creek Middle School	902
Campbell Elementary School	1,032
College Park Elementary School	257
Conley Hills Elementary School	546
Creekside High School	2,257
E. C. West Elementary School	960
Gullatt Elementary School	521
Hamilton E. Holmes Elementary	540
Hapeville Charter Middle School	432
Hapeville Elementary School	571
Heritage Elementary School	981
KIPP Charter School	243
Lee Elementary School	573
Liberty Point Elementary School	904
McClarín Alternative School	231
McNair Middle School	843
Mount Olive Elementary School	473
Nolan Elementary School	715
Oak Knoll Elementary School	575
Palmetto Elementary School	534
Parklane Elementary School	354
Paul D. West Middle School	965
Randolph Elementary School	752
S. L. Lewis Elementary School	676
Sandtown Middle School	1,610
South Fulton Crossroads/Second Chance Programs	0
Stonewall Tell Elementary School	892
Tri-Cities High School	1,621
Tubman Elementary School	440
Westlake High School	1799
Woodland Middle School	686
Total Segment FTEs	28,184

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Table 10: QBE FTE Sums for the Schools Allocated to the Proposed Milton County School System	
School Name	FTEs
Abbotts Hill Elementary School	730
Alpharetta Elementary School	679
Alpharetta High School	1,976
Amana Academy School	241
Autrey Mill Middle School	1,224
Barnwell Elementary School	673
Centennial High School	1,970
Chattahoochee High School	2,077
Cogburn Woods Elementary School	894
Crabapple Crossing Elementary School	818
Crabapple Middle School	837
Creek View Elementary School	1,012
Dolvin Elementary School	935
Dunwoody Springs Charter School	785
Elkins Pointe Middle School	917
Findley Oaks Elementary School	878
Fulton Science Academy	385
Haynes Bridge Middle School	707
Heards Ferry Elementary School	479
Hembree Springs Elementary School	766
High Point Elementary School	763
Hillside Elementary School	698
Holcomb Bridge Middle School	683
Hopewell Middle School	1033
Independence Alternative School	339
Jackson Elementary School	549
Lake Windward Elementary School	887
Manning Oaks Elementary School	887
Medlock Bridge Elementary School	678
Milton High School	2078
Mimosa Elementary School	769
Mountain Park Elementary School	813
New Prospect Elementary School	673
North Springs High School	1,427
Northview High School	2,543
Northwestern Middle School	1,195
Northwood Elementary School	865
Ocee Elementary School	787
Ridgeview Middle School	575
River Eves Elementary School	688
River Trail Middle School	1,410
Riverwood High School	1,175
Roswell High School	2,365
Roswell North Elementary School	782
Sandy Springs Middle School	718

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Shakerag Elementary School	784
Spalding Drive Elementary	598
State Bridge Crossing Elementary School	702
Summit Hill Elementary	1,042
Sweet Apple Elementary School	915
Taylor Road Middle School	946
Webb Bridge Middle School	1,320
Wilson Creek Elementary School	921
Woodland Elementary School	842
Total Segment FTEs	52,433

Finally, based on the sum of the FTEs in the respective systems we calculate a percentage of the base QBE funding that would be allotted to the respective systems.

Table 11: Percent of Expected QBE Revenues		
Jurisdiction	QBE FTEs	Percent of Total
Proposed Milton County School System	52,433	65.04%
South Fulton Part of the Fulton County School System	28,184	34.96%
Total	80,617	100.00%

Application of Local Share Requirements

The amount of QBE state funding is the total amount of QBE funding minus the value of 5 mills of local property taxes. In order to estimate the amount of state QBE base funding for the two new systems we took the following steps:

- 1) Pulled out the T&E component from the total QBE allocation. (This amount is 243,149,339 based on the data presented in Table 8 above).
- 2) Applied the relative proportions of Total FTEs for the two new school systems to the base QBE component to arrive at the new system base QBE allocation.
- 3) Subtracted the estimated local share for the two new systems from the base QBE allocation.

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Jurisdiction	QBE FTEs	Percent of Total FTEs	Base Component of QBE	New System Base QBE Total Allocation	Local 5 mills Share	Estimate of Base Component State Funding
Proposed Milton County School System	52,433	65.04%	242,796,987	\$157,915,160	(\$91,052,352)	\$66,862,808
South Fulton Part of the Fulton County School System	28,184	34.96%	242,796,987	\$84,881,827	(\$28,784,910)	\$56,096,917

Note: Because we subtract out the total local share component from the Base QBE component, it is not necessary to subtract out any additional local share from the T&E and Central Administration components.

Training and Experience Component of QBE

The Training and Experience (T&E) component of QBE represents the additional funding that schools systems receive based on the training and experience that the school personnel have relative to a set point on the state salary schedule. Specifically, the state pays the local district the difference between the salary of an entry level teacher with a T-4 certificate and the salary that the employee would receive based on their certification level and their years of experience were that employee to only receive a salary based on the state schedule. In FY2007 the entry level T-1 salary was \$31,659.

In order to estimate the amount of T&E funding that the proposed Milton County School System could expect, we collected information on the training and experience for each certified employees or teachers in the Fulton County School System. Certified personnel that were associated with specific schools were separated from the more general school system employees (e.g., central office staff). In addition, facilities such as psycho-educational centers or museum schools that currently serve students from both North and South Fulton were culled from the dataset. For each of the approximately 10,000

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employee records we coded the teachers' school as either a school in the Milton area or a school in the South Fulton area.⁸

As Table 13 indicates, the Milton Area is estimated to receive 62.97% of the total Fulton County School System T&E. This figure is very close to the percentage of enrollment that is identified as being in the Milton Area (i.e., 63.16%). What this suggests is that there is little if any difference in the aggregate levels of training and experience of the teachers in the two areas of interest. Similarly, as is indicated by the data in Table 15, there is also very little variation in the employment of teachers on a per student basis in the two areas.

	Amount of T&E	Percent
Total Salary Difference in Milton Area:	\$50,612,026	62.97%
Total Salary Difference in South Fulton Area:	\$29,767,917	37.03%
Total Fulton T&E for Schools	\$ 80,379,943	100%

Because our sample of Fulton School System personnel is more current than the snapshot year (i.e., 2006) we are using to estimate budgets for the new school systems, the total T&E allocation estimated in the table above is somewhat less than identified in the GDOE allocation sheet. In order to adjust for this discrepancy, we apply the percentages identified in the study of current personnel to the 2006 T&E allocation as follows.

School District	GDOE T&E Allocation 2006	Percentages Identified in Sample Personnel Study	T&E Allocation
Milton	83,567,725	62.97%	\$52,622,596

⁸ The record set for the certified personnel data was for 2007. Because the data analysis excluded certain types of facilities (e.g., central office), the total T&E does not exactly match the total T&E reported by Georgia DOE for the school system as a whole.

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Table 15: Allocation of Teachers to the Milton and South Fulton Areas		
	Number	Percent
Teachers in Milton Area:	4387	63.48%
Teachers in South Fulton Area:	2524	36.52%

The data on the T&E factor suggests that achieving a fair allocation of teachers upon a division of the Fulton County School system into two school systems would not be especially difficult.

Fiscally speaking, the direct impact of a T&E QBE factor is not as important as the indirect impact. That is, as a school system hires and retains teachers with higher levels of training and experience, the amount of state QBE dollars to compensate these teachers increases as well. Hence, even were a Milton County School System to have a higher than average level of trained and experienced teachers, the system would not suffer significant financial hardship at least in terms of the flow of state T&E QBE dollars.

The potential for a negative fiscal impact of higher levels of training and experience does exist, however, in that school systems, including Fulton County, will tend to pay a local supplement to the state salary base. If it were to be the case that the salary supplement was substantially greater for teachers with higher levels of training and experience, then employing a corps of more highly trained and experienced teachers would result in higher costs for the school system and potentially force the school system to either raise taxes or lower the level of teacher quality.

In order to understand this potential for higher costs due to the impact of the local salary supplement, we analyzed the current Fulton County Schools salary schedule in light of the Georgia DOE or state salary schedule. This analysis indicated that the primary risk of increased local costs due to a difference in teacher training and experience would be from a school district having a disproportional share of teachers who had more than 23 years of

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experience. The source of this potential risk was found in the difference in the way the Fulton County Schools compensated teachers with more than 21 years of experience when compared to how the state salary schedule treats teachers with these higher levels of experience. Essentially, the state salary schedule tops out at or has a ceiling of 21 years of experience. The Fulton County School System, however, continues to provide incremental raises for teachers up to the point where a teacher has 26 years of experience.

To identify the potential risk to a Milton County School System of having a set of highly experienced teachers that could cost the system disproportionately, we analyzed the certified personnel dataset for Fulton County and counted the number of teachers with greater than 23 years experience in both the Milton and South Fulton areas (see Table 16).

Teachers in Milton Area with more than 23 years	586	63.4%
Teachers in South Fulton Area with more than 23 years:	339	36.6%
Total	925	100.0%

When one compares the share of high-cost teachers in the Milton area with the share of enrollment in the Milton area (63.16%), there is essentially no significant difference, indicating that were a Milton School System to employ the same teachers as are currently employed in the Milton area, there would be no disproportionate fiscal impact on the Milton School System.

Total State Funding

The following tables summarize the estimated allocation of the Base and Training and Experience components to the new proposed school system. We have applied an Austerity Factor that is proportionate to the estimated allocation. The Austerity Factor is an amount that is sometimes deducted from the QBE allocation based on the need for the

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state to balance its budget. In FY 2006 the austerity factor for Fulton County amounted to \$15,059,303.

Table 17: Summary of Estimated State Revenues Prior to Application of Austerity Factor

System	Base QBE	T&E	Central Administration	Total QBE Prior to Austerity Factor	Percent of Total
Milton	\$66,862,808	\$52,622,596	\$356,356	\$119,841,760	57.83%

Table 18: Allocation of Austerity Factor and Final State Revenue

System	Allocated Austerity Factor	Final State Revenue Contribution
Milton	\$8,708,415	\$111,133,345

*Federal Revenues*⁹

The vast majority of federal funding comes to the states and then to the school districts (or local education agencies or LEAs) through the various titles of the No Child Left Behind Act. The specific allocation formulas for the titles of this act are provided in the Appendix. The following presents estimates of the levels of funding that a Milton County School System would likely receive based on currently available data and existing funding formulas.

⁹ Title Funding resource person in Georgia DOE: Carmen Sanchez 404.463.6785

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Title I

Although the funding formula for Title I is somewhat complex, we are fortunate for the purposes of this study that the Georgia DOE provides Title I funding at the school level so we do not have to make an estimate of these funds. Table 19 presents these data for the schools in the Milton area.

Table 19: Title I Allocation to Schools in the Milton Area	
School Name	Title I Allocation
Abbotts Hill Elementary School	\$ -
Alpharetta Elementary School	\$ -
Alpharetta High School	\$ -
Amana Academy School	\$ -
Autrey Mill Middle School	\$ -
Barnwell Elementary School	\$ -
Centennial High School	\$ -
Chattahoochee High School	\$ -
Cogburn Woods Elementary School	\$ -
Crabapple Crossing Elementary School	\$ -
Crabapple Middle School	\$ -
Creek View Elementary School	\$ -
Dolvin Elementary School	\$ -
Dunwoody Springs Charter School	\$ 131,784
Elkins Pointe Middle School	\$ -
Findley Oaks Elementary School	\$ -
Fulton Science Academy	\$ -
Haynes Bridge Middle School	\$ -
Heards Ferry Elementary School	\$ 55,233
Hembree Springs Elementary School	\$ -
High Point Elementary School	\$ 164,407
Hillside Elementary School	\$ 60,078
Holcomb Bridge Middle School	\$ -
Hopewell Middle School	\$ -
Independence Alternative School	\$ -
Jackson Elementary School	\$ 85,272
Lake Windward Elementary School	\$ -
Manning Oaks Elementary School	\$ -
Medlock Bridge Elementary School	\$ -
Milton High School	\$ -
Mimosa Elementary School	\$ 138,244
Mountain Park Elementary School	\$ -
New Prospect Elementary School	\$ -
North Springs High School	\$ -
Northview High School	\$ -
Northwestern Middle School	\$ -
Northwood Elementary School	\$ -

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Ocee Elementary School	\$	-
Ridgeview Middle School	\$	106,267
River Eves Elementary School	\$	-
River Trail Middle School	\$	-
Riverwood High School	\$	-
Roswell High School	\$	-
Roswell North Elementary School	\$	-
Sandy Springs Middle School	\$	121,448
Shakerag Elementary School	\$	-
Spalding Drive Elementary	\$	127,585
State Bridge Crossing Elementary School	\$	-
Summit Hill Elementary	\$	-
Sweet Apple Elementary School	\$	-
Taylor Road Middle School	\$	-
Webb Bridge Middle School	\$	-
Wilson Creek Elementary School	\$	-
Woodland Elementary School	\$	104,329
Total Title I Allocation for Milton Area	\$	1,094,647

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Title II

Estimating Title II funding that would likely go to a Milton County School System presents a difficulty in that the NCLB Act specifies that school districts will first receive a hold harmless amount of funding that is equal to the funding that the district received based on the funding formulas used for the former Eisenhower Professional Development and Class-Size Reduction programs. Unfortunately for the purpose of this study since a Milton County School System did not exist, it is unclear how the hold harmless clause of this funding formula should apply. Consequently, we consulted with James Butler of the U.S. Department of Education. Mr. Butler indicated that the most appropriate allocation of the hold harmless amount of Title II A funding would be one based on relative enrollment. Carmen Sanchez of the Georgia DOE provided data on the hold harmless amount for Fulton County and the calculation of the expected hold harmless funding for the proposed Milton County School System is provided in the following table.

Table 20: Calculation of Title II A Hold Harmless Amount	
CSR:	1,177,711
Eisenhower:	334,311
Total	1,512,022
Milton LEA Percent of Enrollment	65.04%
Estimated Hold Harmless Funds	\$983,414

However, the Title II funding formula does specify how funds exceeding the hold harmless should be allocated to the LEAs. Specifically, state education agencies are instructed to distribute the excess funds based on the following formula:¹⁰

¹⁰ Source: IMPROVING TEACHER QUALITY STATE GRANTS ESEA TITLE II, PART A, NON-REGULATORY GUIDANCE, Revised October 5, 2006, Academic Improvement and Teacher Quality Programs, Office of Elementary and Secondary Education, U.S. Department of Education

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- 20 percent of the excess funds must be distributed to LEAs based on the relative number of individuals ages 5 through 17 who reside in the area the LEA serves (using data that is determined by the Secretary to be the most current); and
- 80 percent of the excess funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves and who are from families with incomes below the poverty line (also using data determined by the Secretary to be the most current).

In order to estimate this distribution for a Milton County School System, we first identify the amount of Title II funding remaining after the hold harmless amount has been accounted for.

Table 21: Calculation of Remaining Title II Funding	
FY06 Title II	\$2,719,964
Hold Harmless	1,512,022
Remaining Title II	\$1,207,942

Next, we identify the portion of the school age children in the two areas of interest by adding private and public school enrollment in the two areas and calculating the percentage of the total enrollment accounted for by the total public and private enrollment figures in the two areas of Fulton County.

	Enrollment	Percent
Milton Area Public School Enrollment	52,433	
Milton Area Private School Enrollment	6,662	
Total Enrollment	59,095	66.35%
South Fulton Public School Enrollment	28,184	
South Fulton Private School Enrollment	1,789	

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Total Enrollment	29,973	33.65%
Total Existing Fulton Enrollment	89,068	100%

Table 23: Calculation of Population-Based Allocation of Remaining Title II Funding	
Remaining Title II	\$1,207,942
Percent allocated on school age population	20%
Amount to be allocated	\$241,588
Percent of Enrollment in Milton Area	66.35%
Amount to be allocated to Milton Area	\$160,289

To estimate the amount of the remaining Title II funding that should be allocated to the Milton area based on poverty, we summed the number of children who were identified as economically disadvantaged in the two sets of schools (i.e., those in the Milton Area and those in the South Fulton Area), and then calculated the percentage of the total number of economically disadvantaged children that are enrolled in the Milton Area schools. (See Tables 24 and 25)

Table 24: Calculation of Percent of Economically Disadvantaged		
	Number	Percent
Number of Economically Disadvantaged in Milton Area	10951	31.49%
Number of Economically Disadvantaged in South Fulton Area	23829	68.51%
Total Economically Disadvantaged	34780	100%

Table 25: Calculation of Poverty-Based Allocation of Remaining Title II Funding	
Remaining Title II	\$1,207,942
Percent allocated on school age population	80%
Amount to be allocated	\$966,354
Percent of Economically Disadvantaged in Milton Area	31.5%
Amount to be allocated to Milton Area	\$304,263

The table below shows the sum of the estimated amounts for the three Title II funding components that are expected to flow to a Milton County School System.

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Table 26 : Sum of Title II Funding Components	
Estimated Hold Harmless Funds	\$983,414
Estimated Enrollment-Based Allocation	\$160,289
Estimated Poverty-Based Allocation	\$304,263
Total Estimated Allocation	\$1,447,966

Title III A

Title III A funding is provided to school districts based on the relative proportion of students enrolled who have limited English proficiency. The following outlines the expected allocation to a Milton School District based on data provided by the Georgia DOE.

Table 27 : Calculation of the Relative Proportion of Students with Limited English Proficiency in the Milton and South Fulton Areas		
	Number	Percent
Number of Limited English Proficiency Students in Milton Area	4452	79.70%
Number of Limited English Proficiency Students in South Fulton Area	1134	20.30%
Total Limited English Proficiency Students	5586	100%

Table 28 : Calculation of Allocation of Title III A Funding to the Milton Area	
FY 06 Allocation of Title III A funding to Fulton County Schools	\$870,933
Percent Limited English Proficiency Students in Milton Area	80%
Amount to be allocated	\$694,132

Title IV

The allocation of Title IV funding to local education agencies is based roughly on the following formula:

- 60% of the allocation is awarded to LEAs based on the relative amount they received under Title I A for the preceding fiscal year.
- 40% of is awarded to LEAs based on the relative enrollments in private, public elementary and secondary schools within the boundaries of the LEAs.

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Table 29 outlines the calculation of the 60% or Title I component of Title IV funding, and Table 30 presents the calculation of the enrollment component of Title IV funding.

Table 29: Calculation of Title IV Funding (Title I Share)	
Title IV Allocation to Existing Fulton County School System	\$362,204
Percent Allocated based on Title I Share	60%
Amount to be Allocated based on Title I Share	\$217,323
Milton Area Title I Share	20.11%
Amount Allocated to Milton Area	\$43,699

Table 30 : Calculation of the Title IV Enrollment Component Allocation to the Milton Area	
Title IV Allocation to Existing Fulton County School System	\$362,204
Percent Allocated based on Public and Private Enrollment Share	40%
Amount to be allocated based on Enrollment Share	\$144,882
Milton Area Enrollment Share	66.35%
Amount Allocated to Milton Area	\$96,129

Title V

Georgia DOE allocates 50% of the LEA Title V allocation based on Public & Private Enrollment numbers and the remaining 50% based on High Cost determination. GADOE defines high cost as an LEA whose percent of poverty is above 5%. The following table presents the calculations for the two components of Title V funding.

Table 31: Calculation of Title V Allocation to Milton School Area	
Allocation of Enrollment-Based Share	
Title V Allocation to Existing Fulton County School System	\$337,990
Percent Allocated based on Public and Private Enrollment Share	50%
Amount to be allocated based on Enrollment Share	\$168,995
Milton Area Enrollment Share	66.35%
Amount Allocated to Milton Area	\$112,128
Allocation of Poverty-Based Share	
Title V Allocation to Existing Fulton County School System	\$337,990
Percent Allocated based on Public and Private Enrollment	50%

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Share	
Amount to be allocated based on Enrollment Share	\$168,995
Milton Area Poverty-based Share	31.49%
Amount Allocated to Milton Area	\$53,209
Total Allocation to Milton Area	\$162,211

Special Education Funding¹¹

Federal Special Education Dollars flowing to school systems in Georgia have three main components:

1. An historical component which is based on the number of children in the school system in the late 1990s. Through this component, Fulton County schools receive \$3,628,673 each year. If the Fulton County Schools were to be divided into a Fulton County system and Milton County system, the Milton County School System would receive a share of these funds based on its share of the enrolled students. The following table estimates the expected funds that would go to a Milton School District based on the current public school enrollment share in the Milton Area.¹²

Historical Allocation Component	\$3,628,673
Percent Public School Enrollment in Milton Area	65.04%
Expected Funds	\$2,360,076

2. A component based on the proportion of the total school enrolled population. In FY08, the state had approximately 162 million dollars in funds to distribute in this category. The school enrolled population is the combination of public, private, and home school enrollments. In FY08 Fulton County School jurisdiction had a school enrolled

¹¹ Note: Special Education funding data is for a more recent year than for other funding streams. While this will result in a mixed-year summary of funding, for the purposes of a viability impact study this is not of significance. Since the goal of this type of study is to identify the relative fiscal impact or how the two new proposed school district funding streams will compare with each other and with the exiting revenue stream for Fulton County Schools, some mixing of years of data will not impact the findings.

¹² It is uncertain whether federal guidelines would require that the Georgia DOE attempt to identify historical enrollment figures. The estimate provided in the table is based on the example of federal DOE advice regarding Title II A outlined above.

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population of 98,734. This represented 5.582 percent of the state’s school-enrolled population of 1,768,638. As a consequence, the Fulton School System earned \$9,061,998.

Amount to be allocated based on Enrollment Share	\$9,061,998
Milton Area Public/Private School Enrollment Percentage	66.35%
Amount Allocated to Milton Area	\$6,012,636

3. A poverty component. In FYO8 there was approximately 28 million dollars in poverty component funds. Fulton County Schools enrolled 30,470 children who met the poverty-related guidelines. This represented approximately 3.72% of the 819,845 children in the state who met the poverty threshold. As a consequence, Fulton County was able to draw down \$1,064,565 in poverty component funds.

An analysis of the school demographics of the schools in the proposed Milton County School District indicates that 10,951 or 19.22% of the children in these schools met the poverty threshold. This number of students represented approximately 31.49% of the total number of students in the current Fulton County School District who met the poverty guidelines.

Current Poverty Allocation	\$1,064,565
Proportion of Poverty Allocation attributable to Milton Area	31.49%
Estimated Revenue	\$335,185

The following table presents the sum of the estimated Special Education Funding components.

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Public School Enrollment Component	\$2,360,076
Public/Private Enrollment Component	\$6,012,636
Poverty Component	\$335,185
Total Estimated Revenues	\$8,707,897

Vocational Education Funding

Federal Vocational Education funding is provided to local school districts based on the following formula: ¹³

- 30% of the funding is allocated based on the population of person age 5-17.
- 70% of the funding is allocated based on the poverty population in the school district.

The following presents the allocation of the vocational education funding to the Milton School District area using the base allocation currently provided to the Fulton County School District.

Allocation of Enrollment-Based Share	
FY 2006 Vocational Education to Existing Fulton County School System	\$641,047
Percent Allocated based on Public and Private Enrollment Share	30%
Amount to be allocated based on Enrollment Share	\$192,314
Milton Area Enrollment Share	66.35%
Amount Allocated to Milton Area	\$127,600
Allocation of Poverty-Based Share	
FY 2006 Vocational Education to Existing Fulton County School System	\$641,047
Percent Allocated based on Public and Private Enrollment Share	70%
Amount to be allocated based on Enrollment Share	\$448,733
Milton Area Poverty-based Share	31.49%
Amount Allocated to Milton Area	\$141,286
Total Allocation to Milton Area	\$268,886

¹³ Source: Garland Winders, Georgia DOE, 404.657.8336

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School Food and Nutrition Funding

Federal funding for school food and nutrition programs is the result of a set of reimbursements for the meals actually served in the school system. Specifically, the school system is reimbursed set amounts for breakfast, lunch and after-school snacks based on whether a student qualifies for free lunch, reduced pay lunch or is a self-paying customer. The following outlines the current rates for these meal programs for the 2007 school year:

Breakfast:

Self Pay 0.24

Reduced Pay: 1.26

Free 1.56

Lunch:

Self Pay: 0.25

Reduced Pay: 2.02

Free: 2.42

Snack:

Self Pay: 0.06

Reduced Pay: 0.34

Free: 0.68

In addition to the breakfast, lunch and snack programs, school districts receive resources in the form of USDA commodities. While the federal funding guidelines for commodities are fairly complex, the allocation is generally tied to the number of lunch meals served.

To identify the amount of federal funding that would likely flow to the Milton Area for the basic school food breakfast, lunch, and snack programs, we received a set of monthly reimbursement data for each individual school in the Fulton County School System. We

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sorted these data into a total dataset and a dataset for the Milton Area schools. We then calculated the total reimbursements for the system as a whole and for the Milton Area.

Table 37 : FY07 School Food and Nutrition Reimbursement Claims	
Fulton System Total	\$ 14,956,722
Milton Area Total Reimbursement Claims	\$ 4,976,882
Milton Area Claims as a Percent of Total	33.275%

Table 38 : FY07 School Food and Nutrition Lunches Served	
Fulton System Total Number of Lunches Served	7,716,798
Milton Area Total Number of Lunches Served	4,082,688
Milton Area Lunches as a Percent of Total	52.907%

To estimate the likely value of these commodities to a proposed Milton County School System, we allocate the value based on the school lunches served in the schools in the Milton area vis a vis those served in the remainder of the Fulton County School District.

Table 39: Federal Funding for Commodity Program	
FY2006 REVENUES ATTRIBUTABLE TO USDA COMMODITIES	\$1,120,332
Milton Area Lunches as a Percent of Total	52.907%
Estimate of Milton Area Commodity Funding	\$592,728

Other Federal Funds

In addition to the major federal fund programs for school analyzed above there are a number of other federal grant revenues that school systems can earn. However, many of these revenue sources are not necessarily available every year (e.g., they may be based on competitive grant applications). For these sources, we have allocated the revenues on a per enrolled student basis.

Table 40 : Calculation of Expected Milton Area Share of Miscellaneous Federal Grants	
Categorical Grants - Direct From Federal Government	\$663,779
Charter Schools	\$351,690
Homeless Ed.	\$100,403
Learn and Serve	\$1,780
Total	\$1,117,652
Milton Area Enrollment Share (Public Only)	65.04%
Total Allocation to Milton Area	\$726,917

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Total Estimated Operational Revenues

The total estimated revenues for the proposed Milton School System and the new Fulton School System are outlined in Table 41 below. These data indicate that the Milton School System will receive revenues on a per capita basis that are higher than is currently the case in Fulton County.

Local Revenues	\$337,012,026	\$444,295,962
QBE Basic & T&E	\$111,133,345	\$191,820,499
Title I	\$1,094,647	\$5,443,896
Title II	\$1,447,966	\$2,719,964
Title III	\$694,132	\$870,933
Title IV (Title I component)	\$43,699	\$217,323
Title IV (Enrollment component)	\$96,129	\$144,882
Title V (Enrollment component)	\$112,128	\$168,995
Title V Poverty component)	\$53,209	\$168,995
Special Education Funding (Historical Component)	\$2,360,076	\$3,628,673
Special Education Funding (Enrollment Component)	\$6,012,636	\$9,061,998
Special Education Funding (Poverty Component)	\$335,185	\$1,064,565
Vocational Education Funding (Enrollment Component)	\$127,600	\$192,314
Vocational Education Funding(Poverty Component)	\$141,286	\$448,733
School Nutrition Lunch Program Funding	\$4,976,882	14,956,722
School Nutrition Commodity Funding	\$592,728	\$1,120,332
Other Federal funds	\$726,917	\$1,117,652
TOTAL	\$466,960,591	\$677,442,438

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Summary Impact		
	Milton School System	Total Fulton System
FTEs	52,433	80,617
Percent of Total Revenues	68.9%	100.0%
Per FTE Revenue	\$8,906	\$8,403
Change from Current Per FTE Revenue	\$503	\$0
Percent Change	5.98%	0.00%

Estimated Revenues for Academic-Only Program

Because school nutrition funding is generated through voluntary participation of students and does not directly support educational services, it is worth identifying the revenue streams that would flow to the two new school systems excluding these funds. Table 42 below presents the results of calculating the revenue data excluding the school nutrition funding. Because South Fulton students participate in these programs at a much higher rate than North Fulton students, the increase in the per capita revenue flowing to the proposed Milton School System is larger in the case of including only academic-related revenues than in the case where all revenues are included.

Table 42: Estimated Operational Revenues for Academic-Only Program		
(Excludes School Nutrition Programs)		
	Amount Allocated to Milton School System	Total
Total Without School Nutrition Programs	\$461,390,981	\$661,365,384
Per FTE Revenue (excludes Misc. Revenue adjustment)	\$8,799.63	\$8,203.80
Change from Current Per Capita Revenue	\$596	
Percent Change	7.26%	

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Comparison to Other School Districts

In order to make a comparison between the expected per capita resources for the proposed two new school systems and the school systems in nearby Metro-area communities, we took the following steps:

1. Identified the FTE (or per student) funding published by the Georgia Department of Education for both Fulton County School System and the nearby metro-area school systems. Because this funding includes operational funding, transportation funding, and some capital funding, the Fulton County per capita revenue in this data set is a larger amount than what is estimated above as the operational revenues for the proposed Milton County and new Fulton County school systems.
2. Adjusted the base Per FTE total for Fulton County Schools to account for the revenues included in the total that were not part of the above analysis. Specifically, we removed revenues related to capital investment income, QBE categorical grants for transportation, etc., and other revenues that would likely not be impacted by the proposed school system change. These revenues accounted for approximately 3.2 percent of the per FTE total. Hence, for 3.2 percent of the FTE total we did not apply the percent adjustment to the per FTE totals for the Milton County School System.
3. Calculated FTE revenues for the proposed Milton County School System by adjusting the published Fulton County School System FTE spending by the percentage change in total estimated operations revenues for the proposed new school system.

As the data in the following two tables indicates, the estimated Milton County School System per FTE total is substantially greater per FTE than the totals for the average of comparisons community school systems in the Metro area and in the state as a whole. It should be noted that per FTE spending can be significantly impacted by local school boards and the voters of the school district who set the ad valorem millage rates (subject to certain limitations) that fund education at locally desired levels.

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	Milton
1) Current Fulton Per FTE Expenditures	\$9,058
2) Current Fulton Per FTE Expenditures After Subtracting 3.2%	\$8,768
3) Adjustment Increase: #2 times percentage increase in expected new revenue (i.e., 5.98% for Milton)	\$524
4) Value of the 3.2% set aside to be added back in	289.86
Total Adjusted Expenditures	\$9,582

School System	Per FTE Totals
Clayton County	\$7,543
Gwinnett County	\$7,370
DeKalb County	\$9,047
Cobb County	\$7,874
Atlanta Public Schools	\$11,896
<i>Average of Comparisons</i>	\$8,746
Milton	\$9,582
Existing Fulton	\$9,058
Difference between Milton and Average	\$836

When the new Milton school system's per FTE total is compared with the state average per FTE revenues, the results indicate that the new Milton County School System per FTE total is substantially higher than the state average.

¹⁴ Data Source: Georgia DOE, 2006 Revenue. Found at: http://app.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.entry_form

The Fiscal Viability of a Milton County School System

Table 45: Comparison to State Average School System Revenue Per FTE Totals¹⁵	
Estimated Milton County School System per FTE	\$9,582
State Average Per FTE	\$8,075
Difference between Milton and State Average	\$1,507

Comparisons to All Georgia School Systems

Per FTE data on school system revenues were collected and sorted to identify how the two new school systems would rank in terms of revenue capacity. Based on these data, the new Milton County School System would rank 16th highest in terms of overall per student revenue capacity (out of 180 school systems).

Table 46: Rank of Per FTE Revenues (2006)		
Rank	System Name	Per FTE Total
1	Baker County	14538.34
2	Quitman County	14097.19
3	Decatur City	13373.18
4	Atlanta Public Schools	11895.84
5	Clay County	11891.54
6	Taliaferro County	10666.28
7	Webster County	10655.75
8	Talbot County	10474.52
9	Greene County	10325.47
10	Twiggs County	10282.23
11	Stewart County	10195.87
12	Clarke County	10013.62
13	Calhoun County	9877.67
14	Marietta City	9649.61
15	Rabun County	9588.13
16	Dawson County	9578.60
17	Meriwether County	9550.49
18	Irwin County	9453.47
19	Glynn County	9351.56
20	Wheeler County	9311.61
21	Putnam County	9179.17
22	Buford City	9175.16
23	Randolph County	9152.99

¹⁵ Data Source: Georgia DOE, 2006 Revenue. Found at: http://app.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.entry_form

The Fiscal Viability of a Milton County School System

24	Turner County	9125.37
25	Chattahoochee County	9113.85
26	Fulton County	9057.51
27	DeKalb County	9047.33
28	Fannin County	9007.15
29	Dublin City	8927.71
30	Dalton City	8914.94
31	Terrell County	8885.37
32	Burke County	8812.31
33	Johnson County	8810.19
34	Habersham County	8776.41
35	Muscogee County	8749.59
36	Lincoln County	8665.32
37	Dooly County	8620.42
38	Chatham County	8603.09
39	Echols County	8488.77
40	Bremen City	8474.75
41	Liberty County	8471.16
42	Camden County	8417.19
43	Chattooga County	8409.75
44	Brooks County	8405.67
45	Pickens County	8400.54
46	Miller County	8386.23
47	Hancock County	8368.95
48	Elbert County	8364.88
49	Gilmer County	8364.31
50	Warren County	8353.89
51	Pelham City	8345.87
52	Clinch County	8326.32
53	Crisp County	8324.85
54	Cherokee County	8275.01
55	Wilkinson County	8267.09
56	Early County	8264.48
57	Sumter County	8256.10
58	Jackson County	8215.64
59	Monroe County	8212.87
60	Bulloch County	8172.58
61	Appling County	8169.07
62	Gainesville City	8164.70
63	Hart County	8154.46
64	Floyd County	8138.39
65	Cartersville City	8136.41
66	Ware County	8121.53
67	White County	8121.19
68	Thomasville City	8116.45
69	Morgan County	8090.07
70	Washington County	8087.71
71	Madison County	8070.87

The Fiscal Viability of a Milton County School System

72	Candler County	8066.16
73	Charlton County	8045.54
74	Union County	8043.49
75	Rome City	8036.07
76	Dougherty County	8032.99
77	Houston County	8031.30
78	Wilkes County	8012.97
79	Macon County	8002.61
80	Pulaski County	7997.10
81	Stephens County	7979.97
82	Ben Hill County	7965.58
83	Colquitt County	7964.53
84	Taylor County	7963.19
85	Walker County	7944.44
86	Heard County	7933.99
87	Bacon County	7930.98
88	Spalding County	7923.52
89	Jefferson County	7913.94
90	Fayette County	7908.68
91	Walton County	7875.48
92	Cobb County	7874.12
93	Mitchell County	7870.99
94	Barrow County	7866.69
95	Troup County	7861.01
96	Carrollton City	7841.49
97	Montgomery County	7838.88
98	Lanier County	7829.80
99	Toombs County	7822.28
100	Bartow County	7814.70
101	Telfair County	7808.37
102	McIntosh County	7785.65
103	Richmond County	7778.86
104	Marion County	7756.35
105	Gordon County	7742.26
106	Rockdale County	7739.48
107	Jeff Davis County	7738.23
108	Towns County	7737.33
109	Lumpkin County	7727.83
110	Butts County	7714.69
111	Seminole County	7707.39
112	Baldwin County	7684.11
113	Crawford County	7666.48
114	Lamar County	7637.05
115	Jenkins County	7631.58
116	Thomas County	7627.84
117	Glascocock County	7612.03
118	Treutlen County	7593.98
119	Newton County	7584.85

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120	Carroll County	7571.48
121	Wayne County	7560.99
122	Coffee County	7552.77
123	Lowndes County	7548.73
124	McDuffie County	7547.84
125	Clayton County	7543.39
126	Haralson County	7540.19
127	Pierce County	7538.78
128	Forsyth County	7534.39
129	Harris County	7508.99
130	Decatur County	7506.62
131	Coweta County	7487.22
132	Bleckley County	7465.26
133	Jasper County	7461.46
134	Wilcox County	7454.26
135	Oconee County	7449.75
136	Polk County	7444.56
137	Peach County	7440.89
138	Valdosta City	7439.85
139	Henry County	7417.44
140	Social Circle City	7416.61
141	Banks County	7410.83
142	Screven County	7391.60
143	Atkinson County	7391.04
144	Evans County	7390.87
145	Catoosa County	7378.21
146	Bibb County	7376.63
147	Douglas County	7376.03
148	Oglethorpe County	7375.01
149	Gwinnett County	7370.21
150	Commerce City	7346.68
151	Effingham County	7316.13
152	Thomaston-Upson County	7311.95
153	Franklin County	7311.10
154	Whitfield County	7265.08
155	Jones County	7256.21
156	Worth County	7249.50
157	Tattnall County	7242.53
158	Grady County	7240.71
159	Berrien County	7231.59
160	Dade County	7229.51
161	Schley County	7126.56
162	Trion City	7090.72
163	Emanuel County	7081.88
164	Cook County	7065.44
165	Long County	7061.37
166	Tift County	7059.99

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167	Bryan County	7044.42
168	Murray County	7030.74
169	Paulding County	7021.09
170	Hall County	6979.22
171	Vidalia City	6977.82
172	Calhoun City	6918.54
173	Laurens County	6883.10
174	Columbia County	6867.62
175	Brantley County	6844.00
176	Dodge County	6833.94
177	Jefferson City	6784.88
178	Lee County	6622.17
179	Pike County	6464.75
180	Chickamauga City	6065.12

Eligibility for Equalization Grant

Georgia Law (HB 1187) provides for an equalization grant for school systems that depend on local property values but that have per FTE student values that are below the 75th percentile of all the per FTE student property values in the 180 school systems in Georgia. Currently, Fulton County is not eligible for the equalization grant due to the fact that the per FTE student property values in the district are higher than the 75th percentile cutoff point. Our assessment indicates that the new Milton County school system would also not be eligible for the equalization grant.¹⁶

Expenditures and Viability

There are potentially a number of ways in which the expenditures for schools in the new Milton school system area might differ from those for the current Fulton County School System as a whole or from the school system that would exist in South Fulton after the creation of a new Milton County. Such differences in expenditures might be due to factors outlined in the following table.

¹⁶ Appreciation is expressed to John Dunn from GDOE who provided the dataset needed for the analysis, November 20, 2007.

The Fiscal Viability of a Milton County School System

Table 47: Expenditure Relationships	
AREA	Explanation
Higher Teacher Salaries	If we assume that a Milton area school system inherited the current teacher corps and this group of teachers were, on average, more highly paid due to higher levels of training and experience, the net impact on the fiscal viability of the schools in the Milton area would likely be minimal or non-existent because the State's QBE funding formula provides a supplement for school systems that have been able to attract more highly trained and experienced teachers.
Higher Cost due to needed to educate more high-cost special education children	<p>As with the higher teacher salary factor, the higher-cost children factor is not likely to have a substantial impact on relative costs of a Fulton vis a vis Milton school system for two reasons:</p> <p>First, the QBE funding formula provides more funding for systems with higher numbers of special education children (at 5 different levels of special education).</p> <p>Secondly, even if it were the case that QBE funding did not fully cover the cost differential of educating special education children, because the percentages of special education children in the two areas (South Fulton and the Milton Area) are approximately the same, there is unlikely to be a substantial difference between the two areas in terms of expenditures related to this factor.</p>
Higher Costs in the School Food and Nutrition Programs due to fees and reimbursements not paying the full cost	It could potentially be the case that the actual cost of the average school meal is more than the combination of charges and reimbursements for the meals (i.e., that the meal is subsidized through the use of local funds). ¹⁷ Such a subsidy would mean that a school system with higher rates of participation would incur higher expenditures, thereby leaving fewer dollars for instructional purposes. However, it does not appear that this factor would negatively impact a Milton School System because a Milton School System would have lower participation rates, and would therefore incur less of a need to subsidize this service.
Higher Transportation Costs	Because the state subsidy for school transportation does not cover the full cost of pupil transportation, ¹⁸ it is possible that a school system with a student population that is more spread out will incur higher uncompensated transportation costs. In order to identify whether a Milton School System might incur such a cost premium for transportation, we used a geographic information system and a dataset of Fulton County parcels and calculated a rough distribution of acreage in the two areas currently served by the Fulton County School System.

¹⁷ Ruth Gordon, State Director of School Food and Nutrition Programs indicated that most school systems operate their food and nutrition programs on an enterprise fund basis such that the combination of fees and federal reimbursements generally match the operational costs of producing the meals for school children. However, she also suggested that school systems will often provide in-kind and indirect resources (maintenance, new equipment, purchasing and accounting services, etc.) without charge. Similarly, some school districts may subsidize particular programs such as a universal free breakfast using local funds. (Source: personal conversation, August 1, 2007, 404.651.9443.

Bob Millans of the Clarke County School System Transportation Services unit estimates that state reimbursement only covers approximately 50% of the total cost of transportation. Phone: 706.548.6971.

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Computed Acreage S. Fulton	157483.0418	55.2%
Computed Acreage N. Fulton	127672.643	44.8%

Then using enrollment data we calculated a density factor for each area. As the data below indicate, the Milton Area has less than half the acreage per pupil as the South Fulton area suggesting that a Milton School System would have lower per pupil transportation costs and subsidies.

	Density Factor: Acres Per Pupil
South Fulton	4.7
North Fulton/Milton Area	2.2

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Capital Assets and Liabilities

Review of Real Property

The purpose of this section is to offer an estimation of the value of major capital assets (or real property) that a new Milton County School System could anticipate receiving from Fulton County. The estimation is based on the value of land and buildings assigned by the Fulton County Tax Commissioner's Office and of the Fulton County School System's financial auditors for furniture, equipment, and vehicles. The overview raises several additional questions concerning other assets and liabilities held by Fulton County School System (e.g., long-term debt, retirement liabilities, fund balances) that would need to be considered when considering the creation of a new school system.

Methodology and Data

For this report, the distribution of assets is based on their current location within Fulton County. Real property buildings and land are not considered mobile therefore real property in northern Fulton County would be transferred to the proposed Milton County School System. Furthermore, this report assumes that furniture and equipment being used in a particular school or administrative facility would remain with that building. Similarly, buses currently housed in at the Transportation Center North and serving students in North Fulton would be transferred to Milton School System. However, this report does not quantify by region non-real property capital assets (e.g., vehicles, furniture, or equipment). Furthermore, this report does not discuss perceived quality of real property such as age of buildings, size, etc. CVIOG believes a sufficient quality measure is captured by the property tax digest information.

Data for this report comes from the Fulton County Tax Commissioner (2006 tax digest) and the Fulton County Board of Education Annual Financial Report for 2006.

The Fiscal Viability of a Milton County School System

Capital Assets

At the end of FY 2006, the Fulton County School System had \$1.65 billion invested in capital assets.¹⁹ The distribution of these assets for 2006 is as follows (in thousands):

Land:	\$143,996
Construction in Progress	\$25,752
Buildings and Improvements	\$964,353
Furniture, Equipment, Vehicles	\$31,143

If the total assets were distributed proportionally on a per student basis about \$736,000,000 in assets would be transferred to a Milton County School System. Similarly, one would expect that the debt related to those assets would also be transferred to Milton School System as well. If we assume that land, construction, and buildings are distributed based on their location (because they are immovable), then the only assets which might be amenable to distribution on a per student basis are furniture, equipment, and vehicles. So, on a per student basis, Milton County School System would receive approximately \$19,670,000 of these goods.

Administrative Buildings

The Fulton County School System has administrative buildings located in both north and south Fulton County. Additionally, there is one building, the Administrative Center, located within the City of Atlanta. However, this latter building lays across the street (786 Cleveland Avenue, SW) from the City of East Point city boundary; therefore, this report includes this administrative building as being in south Fulton. The appraised value of the building equaled \$2,919,300 according to the 2006 tax digest. The School System has more of its administrative buildings located in the southern part of the county than in the northern part which may be due to the relatively lower land costs in south Fulton (see table below). Each part of the county has a maintenance building, transportation center, professional learning center, and teaching museum so that a transition to two separate school systems would not require either of the school systems to acquire land and

¹⁹ Fulton County Board of Education Annual Financial Report, Fiscal Year 2006.

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facilities to meet these needs. Due to the distribution of administrative buildings, south Fulton may have excess capacity in the event a Milton County School System is created, and the Fulton County School Board may choose to lease or sell these building for additional revenue. In contrast, a new Milton School System would likely need to acquire an administrative building. If we assume building lease space is \$15.00 per square foot²⁰ and a Milton County School System needs 75,000²¹ square feet of space for administrative purposes, the annual rent would approximate \$1,125,000.

Table 48:	
South Fulton Administrative Buildings	
Administrative Center	786 Cleveland Ave., Atlanta
Flat Shoals Center, JROTC	4025 Flat Shoals Rd., Union City
Jo Wells Education Center	554 Parkway Dr., Hapeville
Maintenance South	107 Heath St., Fairburn
Professional Learning Center South	3121 Norman Berry Dr., East Point
Teaching Museum South	689 North Ave., Hapeville
The Meadows Operations Center	5270 Northfield Blvd., College Park
Transportation Center South	97 Heath St., Fairburn
Warehouse	4415 Wickersham Dr., College Park
Table 49:	
North Fulton Administrative Buildings	
Kimball Bridge Center	154 Kimball Bridge Rd., Alpharetta
Maintenance North	154 Kimball Bridge Rd., Alpharetta
Professional Learning North / Milton Center	86 School Dr., Alpharetta
Teaching Museum North	791 Mimosa Ave., Roswell
Transportation Center North	410 South Main St., Alpharetta

Property Values by Region

Table 50 provides data about the relative values of school and administrative property located in north and south Fulton. Property values of the administrative buildings vis-à-vis schools could not be fully determined from property tax data supplied by the Fulton County Tax Commissioner's Office because a few of the administrative properties are located next to a school and CVIOG could not determine from the parcel data what

²⁰ Based on internet-based searches for commercial property in the North Fulton area (e.g., Sandy Springs, Roswell) during March 2007.

²¹ Athens-Clarke County School Board's administrative offices include approximately 25,000 square feet and the School District currently serves 12,108 students (2008), making a space needs to student ratio of 2 square feet per student. Since a Milton School System would already have some administrative offices and due to some opportunities for economies of scale, a relative increase in administrative space should not be needed.

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values were associated the administrative building and what were associated with the school buildings proper. These data do not take into consideration school construction that occurred after the date of the 2006 digest. To the extent Fulton School System continues to expand and build more schools, the relative level of assets between the two areas may vary from what is presented below.

Table 50: Fulton County Board of Education Property Data From Fulton County Tax Commissioner (2006 Digest)		
	North Fulton	South Fulton
Total Number of Parcels	135 ¹	160 ²
Total Acres	1,519.0	1,016.3
Total Number of Students	57,099	33,298
Acres per 1,000 Students	26.6	30.5
Total Appraised Value	\$276,647,500	\$126,569,400
Average Appraised Value per Acre	\$182,121	\$124,535
Average Appraised Value per Student	\$4,845	\$3,801
Percent of Appraised Value to Total Appraised Value of Real Property	68.6%	31.4%
Total Assessed Value (AV) (40% of appraised value)	\$110,659,000	\$50,627,760
Total AV of Land	\$47,440,360	\$7,227,400
Average AV of Land per Acre	\$31,231	\$7,111
Average AV of Land per Student	\$831	\$217
Total AV of Improvements	\$63,218,640	\$43,390,320
Average AV of Improvements per Acre	\$31,830	\$42,693
Average AV of Improvements per Student	\$1,107	\$1,303

1. Includes 4 parcels with no appraised or assessed value assigned to them.
2. Includes 5 parcels with no appraised or assessed value assigned to them.

The data in Table 53 show the significant differences in assessed land values between both areas of the county and how that difference impacts total distribution of property values. Though the total property in north Fulton County area is valued at an amount more than double that of south Fulton, the differences appear to be due to two facts: north Fulton has 71 percent more students than south Fulton and land values in north Fulton are over four-times greater than in south Fulton (per acre basis). When improvements (i.e., buildings) are compared on a per acre and per student basis, south Fulton property values are greater, though on a per student basis the values are relatively close. The difference

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in the value of improvements may be the result of the concentration of administrative buildings in south Fulton.

Fulton County Board of Education Fiscal Policies for Capital

For purposes of financial reporting, the Fulton County School board adheres to generally standard financial policies. In its Notes to Financial Statements for Fiscal Year 2006 Annual Financial Report (pg 26), the System states:

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of activities. Capital assets are defined by the School System as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. However, all additions to land and buildings are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Interest costs incurred during construction of capital assets are not capitalized.

Property, plan and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Furniture, equipment and vehicles	5-15

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Liabilities and Additional Financial Considerations

In addition to distributing capital assets if Milton County is recreated, there are several other financial issues that need to be considered.

- Distribution of the System's fund balances. The General Fund's unreserved, undesignated (i.e., not designated for debt service) balance equaled \$107,634,790 at the close of FY 2006 (June 30, 2006). For the other remaining governmental funds, all the fund balances were either reserved such as the SPLOST funds for encumbrances and capital projects, or designated.
- The System was scheduled to pay \$12.4 million for general obligations bond (G.O.) debt in 2007,²² leaving a total liability for G.O. bonds near \$200 million dollars. If Fulton System's Board chooses to further reduce this debt in the next couple of years so as to potentially eliminate it, the issue of the debt allocation becomes moot. However, if the debt is not eliminated and a Milton County School System is created, it is posited that the remaining G.O. debt would be assumed by the respective systems in a based on their proportion of the System's consolidated property digest. This assumption of debt could be based on the proportion of the consolidated digest at the point of the creation of the new system or it could be based on the application of a common millage rate on the two respective digests until such time as the debt is paid. The creation of Milton County School System could affect the Fulton County Board of Education's bond rating (currently at AA for Standard and Poors) if an agreement over debt payments between the two systems is not reached.
- Payment of liabilities associated with Teachers Retirement System (TRS). The System's pension was funded at only 43.2 percent of the total accrued actuarial liability (June 30, 2005), resulting in an accrued pension liability at the end of FY 2006 to TRS equaling \$41,127,000. Fulton County Board of Education funded its annually required contribution for its pension at 98.6 percent for 2006. The annually required contribution is based on an amortized payment schedule.

²² Fulton County Board of Education Annual Financial Report, Fiscal Year 2006, pg. 11.

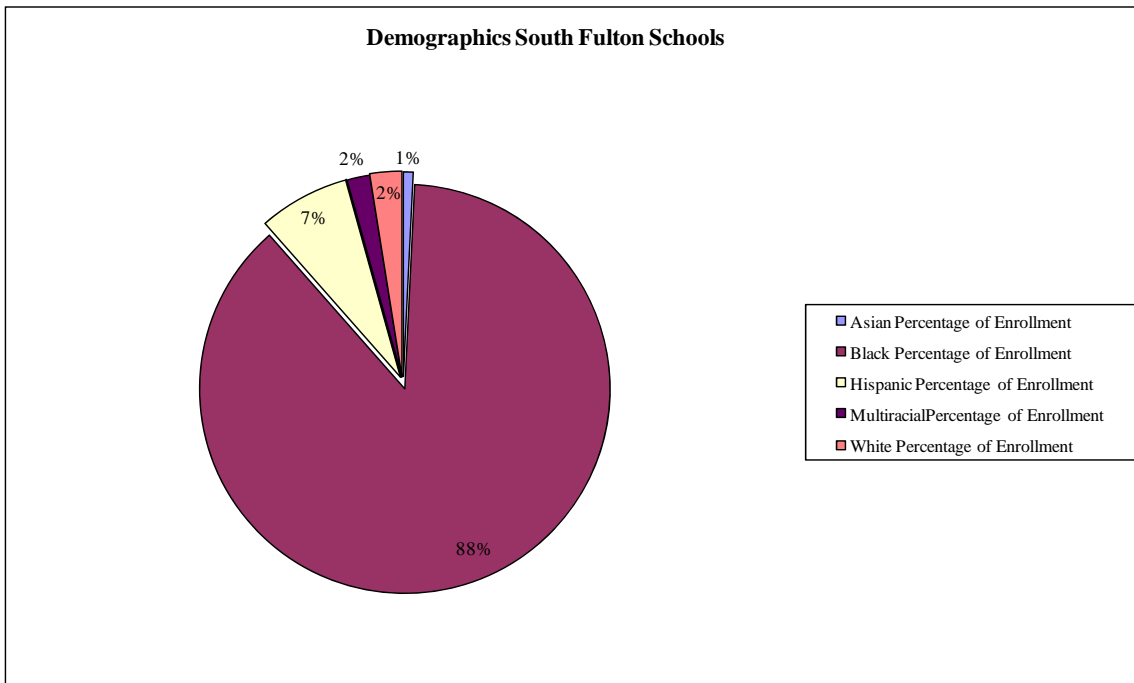
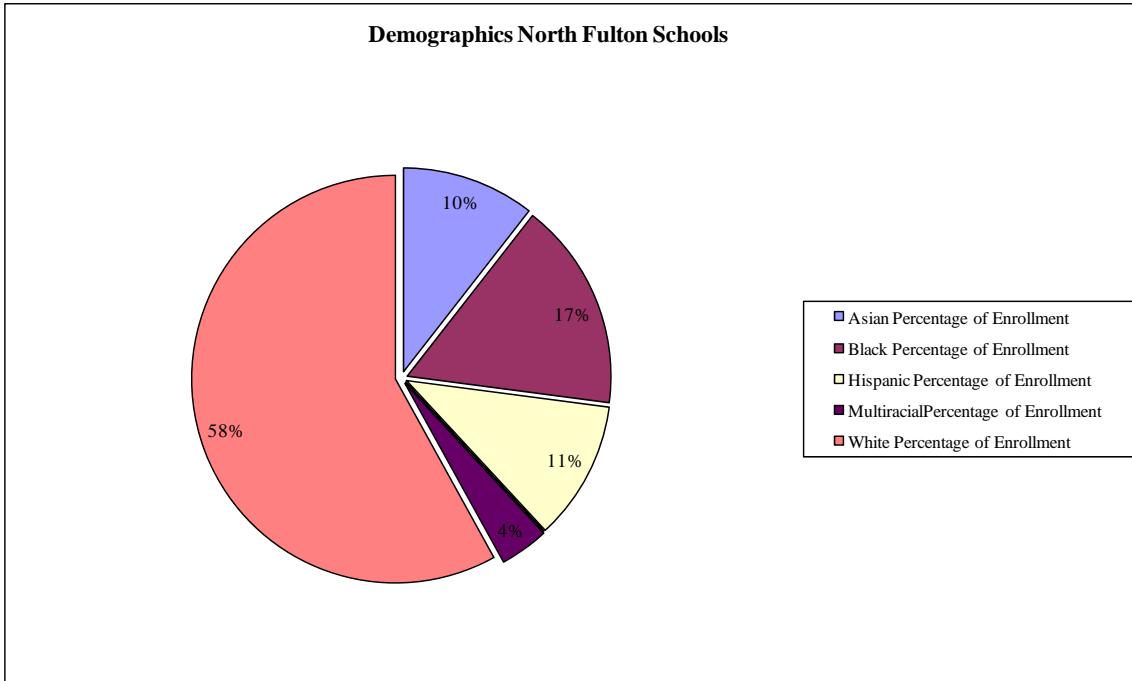
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- Allocation of liabilities associated with a new ruling from the Governmental Accounting Standards Board, *Statement 45*. The new accounting statement establishes uniform financial reporting and accounting standards for non-federal government entities. More specifically, the statement requires public entities to account for non-pension retiree benefits (e.g., health care) using accrual accounting. To conform to Generally Accepted Accounting Principles (GAAP), Fulton County will need to include this liability on their balance sheet for FY 2008.
- Allocation of long-term liabilities associated with uncompensated absences. If a teacher takes sick leave, the School System needs to hire a substitute, resulting in cash outlays. Additional research would need to be taken to learn if staff can “cash out” a portion of their unused vacation days. Total liabilities in FY 2006 for compensated absences equaled \$29,516,000.
- Allocation of Remaining SPLOST Funds (1997 SPLOST and 2002 SPLOST). This is an issue to the extent any of the funds are dedicated to schools located within the proposed Milton County. More specifically, would Fulton County School District be obligated to transfer those revenues to the Milton County?

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Appendices

Demographics



The Fiscal Viability of a Milton County School System

Federal Regulations for No Child Left Behind Funding

Title I A & D Allocations Process

Georgia Department of Education

2007-2008 School Year

General Information

1. Sandy Brown is currently the USDE contact person; phone 202-260-0976. He does the Title I allocations for the entire U.S.
2. Carmen Hernandez, Budget Analyst in Finance & Business Operations (FB), completed the allocations for Titles I A & D, Titles IIA, IIIA, IVA, VA, & VIB.
3. Carmen Hernandez documented procedures followed for allocations in Titles I A & D, IIA, IIIA, IVA, VA, & VIB.
4. Two binders documenting the allocation process are put together each year. One is housed in FBO, the other with the Title I office.

Allocation Process

5. All LEAs regardless of size are treated equally.
6. The Total Formula Count is the aggregate of children listed as poverty, neglected, delinquent, foster, and TANF.
7. Take new Census data file send from USED and save under a new file name. Add totals to the census spreadsheet.
8. Two preliminary allocation reports for GA's LEAs are sent by USDE via e-mail and hard copy. They are downloaded and copied for GDOE/FBO files.
 - a. Review reports to see the information for GA which includes census data and federal allocations for each LEA for Basic, Concentration, Targeted and EFIG funds.
9. Ensure allocation spreadsheet has correct numbers from USED for each LEA.
 - a. Copy and paste census data onto one spreadsheet in allocations file.
 - b. Copy and paste final allocations data from USED onto one spreadsheet in allocations file.

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- c. Copy and paste final allocations data for GA from previous fiscal year onto one spreadsheet in allocations file.
- d. Use LOOKUP statement for each row of linked data to make sure USED and GDOE allocation spreadsheets align.
- e. Change Spalding County to read Griffin-Spalding and change Upson County to read Thomaston-Upson County (this is how these counties are recognized in GA).
- f. Move the 3 DOD (Dept of Defense) schools- Fort Benning, Fort Stewart, and Robins AFB- to the bottom of the spreadsheet. These schools are not included in the allocations since their funding comes directly from DOD.
- g. Charter LEAs are put as the last LEAs at the bottom of the spreadsheet.
- h. White sections in the spreadsheet show information received from USED except for previous year state final allocations. Basic funds- Yellow, Concentration funds- Green, Targeted funds- Pink, and Education Finance Incentive Grant (EFIG) funds- Blue.
- i. *System Summary*- this summary spreadsheet shows how much each LEA will receive for Basic, Concentration, Targeted, EFIG and Neglected & Delinquent. It is based on the calculations from the allocation spreadsheet.
- j. *State Summary*- this spreadsheet shows GDOE the aggregate amount of allocations for the LEAs and the set aside amounts for School Improvement (SI), Administration and Academic Achievement.

10. Definitions for 85% - 95% Hold Harmless (HH)

- a. The less poverty an LEA has the lower its HH percentage will be.
- b. 95%- If the percent formula for an LEA (total pop 5-17/total formula ct) is greater than 30%, it has high concentrations of poverty. It will be held harmless for 95% of its funding.
- c. 90%- If the percent formula for an LEA (total pop 5-17/total formula ct) is greater than or equal to 15% and less than 30%, it will be held harmless for 90% of its funding.

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- d. 85%- If the percent formula for an LEA (total pop 5-17/total formula ct) is below 15% it will be held harmless for 85% of its funding.

11. Hold Harmless Application

- a. This provision, when it applies, protects an LEA from getting a decrease in their current year allocation based on the previous year's allocation when calculating School Improvement. When deducting for SI an LEA cannot go below the previous year's allocation for Basic, Concentration, Targeted, and EFIG.
- b. A HH provision (based on 85%, 90%, 95% condition for an LEA) applies to the Basic, Concentration, Targeted and EFIG final allocations.
- c. Within the spreadsheet there are columns that calculate a HH check, to determine how an LEA's allocation will be affected. There are other columns that make adjustments, so that those LEAs which would fall below their HH amount are made up by those LEAs which have allocations above their HH amount. This allows ratable increases or decreases, so LEAs remain at their HH amounts.
- d. There is a time limit of 4 years with HH with Concentration funds. For example, if an LEA received Concentration funds in 2003, but was ineligible in subsequent years, it would still receive these funds for 2004-2007, but not in 2008.

12. How calculations are done to determine how an LEA qualifies for Basic, Concentration, Targeted, and EFIG funds.

- a. **Basic:** threshold is 10 formula children and more than 2% of an LEA's 5-17 population.
- b. **Concentration:** an LEA must qualify for Basic and have greater than 6,500 formula children or greater than 15% of an LEA's 5-17 population.
- c. **Targeted:** threshold is 10 formula children and 5% of an LEA's 5-17 population.

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- d. **EFIG:** threshold is 10 formula children and 5% of an LEA's 5-17 population.

13. Procedures to follow for each allocation: Basic, Concentration, EFIG, and Targeted sections in the spreadsheet.

- a. Funds going to DOD schools are subtracted and redistributed among the remaining LEAs (referred to as a ratable increase) because DOD schools receive their own funds directly from the Department of Defense. The new figures are listed in the "DOD adjustment" column for each allocation section.
- b. Compare previous year's allocation to the current year's allocation to see if there is/not an increase. This is listed in column names *Increase FY0X-FY0X*.
- c. Calculate set asides for school improvement, administration, academic achievement, and neglected per instructions that follow.

14. Concentration Allocations- need to be aware

- a. Check for those LEAs that are receiving no concentration allocations for the current year.
- b. There is a 4 year HH provision from the first year an LEA receives a concentration allocation. If an LEA has not received a concentration allocation in the last 4 years, there is no HH provision.
- c. For those not receiving concentration allocation, look at previous year's report to see if they received a concentration allocation in the previous year. If they did receive an allocation, replace the 0 with last year's HH allocation amount. Place a comment to the cell, so the following year you will know that this amount came from the HH provision and not confuse it with a current year allocation.

15. School Improvement (SI) Set Aside

- a. SI funds are deducted from the LEAs allocations at 4% of the total allocation for Basic, Concentration, Targeted, and EFIG.

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- b. SI can be deducted if there is an increase in the current year's allocation over the previous year's allocation.
- c. If there is no increase in the current year's allocation over the previous year's allocation, then SI cannot be deducted from an LEA due to the HH provisions in the legislation.
- d. The amount taken from an LEA cannot put their allocation for the current year below what it was for the previous year (HH provision). *Note: If all schools have a decrease in their allocation, SI can be deducted.*
- e. To cover the SI set aside requirement which is 4% of the total allocation, LEAs receiving an increase will have more SI deducted. However, the deduction cannot put the LEA below its HH allocation. Therefore, those LEAs with the largest increases will be giving up the most SI. The SI percent column shows what percent each LEA is actually giving up for SI.
- f. SI must be calculated as the first set aside. SI funds are subtracted from the LEAs allocation before administration because a majority of these funds do flow back to the LEAs. Funds for SI remain with GDOE to spend on the LEAs.

16. Administration Set Aside

- a. Administration funds of 1% are taken out of the LEAs Basic, Concentration, Targeted and EFIG allocations.
- b. Funds for administration remain with GDOE.

17. Academic Achievement Set Aside

- a. Academic Achievement is 5% of an LEA's total allocation. The Academic Achievement set-aside is only done if SEA's current year grant award increases from the previous year grant award. If an SEA's grant award decreases, the Academic Achievement set-aside is not done.
- b. Because allocations are broken out under Basic, Concentration, Targeted and EFIG, the academic achievement allocation must be calculated under each fund category.

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- c. To calculate, compare previous year's allocation to current year's allocation. If there is an increase the increase amount will show in the cell. That increase is then multiplied by 5% to give the total academic achievement set aside amount.
- d. Basic, Concentration, Targeted, and EFIG each make up a percentage of the total academic achievement set aside.
- e. If there is no increase the cell will show zero and that LEA will not contribute. Only LEAs showing an increase will contribute to academic achievement.
- f. Funds for academic achievement stay with GDOE.

18. Calculating Final allocations for Basic, Concentration, Targeted and EFIG funds

- a. When the final allocation calculation is made for each fund source, the final allocation column rounds up each LEA's allocation to the nearest dollar (e.g. \$149.01 would change to \$150).
- b. These funds come from GDOE's administration dollars (this deduction is shown on the state summary sheet).

19. Funds for Title I, Part D, Subpart 1, Delinquent funds

- a. Subpart 1- USDE gives a separate grant for Delinquent children. Dept. of Juvenile Justice (DJJ), Dept. of Corrections, and Dept. of Human Resources receive these funds directly because they are the only State agencies that directly serve delinquent children. Allocations to each agency are based on a calculated per pupil allocation (PPA).

20. Calculations for Neglected allocation

- a. Allocation for neglected comes out of the final Title I A allocation (it is not additional funds) calculated for each LEA under Basic, Concentrations, Targeted and EFIG funds.
- b. LEAs are required to use these funds to provide services to children classified as neglected e.g. homeless children. However, these funds stay

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with the LEA.

21. Charter schools- there are two types of charter schools in Georgia:
 - a. A charter school created by a State School Board is considered a Charter LEA.
 - b. A charter school created by a Local School Board is considered a school that is part of an LEA.
 - c. Carefully review the USED guidance on calculating allocations for special LEAs e.g. charter schools. There are different methods one can use to calculate allocations for sending LEAs and special LEAs.

22. How to calculate the allocation for a Charter LEA when addresses of the students are not known.
 - a. Determine the poverty criteria to be used e.g. free and reduced meals.
 - b. Review the overall state data and compare it to the data reported by the Charter LEA to calculate a poverty number for the Charter LEA.

23. How to calculate the allocation for a Charter LEA when addresses of the students are known.
 - a. Review the data for the sending LEA(s) and compare it to the data reported by the Charter LEA to calculate a poverty number for the Charter LEA.
 - b. The Charter LEA will be taking some funds away from the sending LEA(s) because it is serving students that are not attending schools within the sending LEA.
 - c. If a Charter LEA is not eligible for funds e.g. Consolidated Allocation in Title I A, the allocation to the sending LEA(s) does not change.

24. Allocations to the LEAs must be presented to the State Board of Education (SBOE) for approval.
 - a. Once approved by SBOE the allocations are official.

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- b. Any change above \$1 in an allocation to an LEA must be presented to SBOE for approval.

Title II A allocations are done based on latest guidance issued by USED for Title II A dated August 3, 2005 and NCLB 2001. SEA can set aside 1% of total allocation for administration. 2.5% of the remaining 99% can be set aside for SEA program activities. 2.5% of the remaining 99% can be set aside for subgrants to SAHE (Board of Regents in GA). 95% of the remaining 99% must be reserved to make subgrants to eligible LEAs. A base allocation is made to the LEAs using the FY02 allocations for Class Size Reduction and Eisenhower Math & Science to keep LEAs at Hold Harmless level as authorized by NCLB. 80% of the remaining allocation is given to LEAs based on their Poverty Count data. 20% of the remaining authorization is given to LEAs based on their 5-17 count data. Poverty and 5-17 data are provided by USED. LEAs allocation is determined via the following formula.

Title II D allocations are done based on latest guidance issued by USED for Title II D dated March 11, 2003 and NCLB 2001. SEA can take no more than 5% of total allocation for state level activities (60% of this 5% can be used for administration). 50% of the remaining 95% of the allocation is awarded to LEAs eligible to receive Title I A funds via formula grants. 50% of the remaining 95% of the allocation is awarded to local eligible entities via competitive grants. LEAs' allocation is determined via the following formula. Note: USED cut Title IID grant funds in half, so Georgia now only grants II D funds via competition.

Title III A allocations are done based on FAQ's printed (6/23/04) from ED.gov on the State Formula Grant Program for Office of English Language Acquisition (OELA) and NCLB 2001. SEA can take no more than 5% of total allocation for state level activities

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(60% of the 5% can be used for administration expenses). The remaining 95% of the allocation is awarded to LEAs who are eligible to receive subgrants based on the number of LEP students enrolled in schools served by the LEA. A maximum of 15% of the remaining 95% can be used for allocations to LEAs who have experienced a significant increase in the number of immigrant children and youth as compared to the average of the preceding two fiscal years.

The Title III A program in GA awards 10% for LEAs with significant increases. For Georgia, the significant increase is measured by taking the lowest average percent increase of LEAs still serving 40 or more students which allowed all LEAs serving at least 40 immigrant students to receive these funds (LEAs serving 40 or more students are held to Title III A requirements).

Title IV A, Subpart 1 allocations are done based on latest guidance issued by USED for Title IV A, Subpart 1 draft dated January 2004 and NCLB 2001. The Governor's Office receives 20% of the total SEA allocation from USED. SEA can take up to 5% of the remaining 80% of the allocation for program activities and up to 3% of its total allocation for administrative costs. Total setasides cannot be more than 7% of the remaining 80%. Georgia sets aside 4% for program activities and 3% for administration. LEAs cannot receive less than 93% of the 80% remaining. 60% of the allocation is awarded to LEAs based on the relative amount they received under Title I A for the **preceding** fiscal year. 40% of the remaining 93% of the allocation is awarded to LEAs based on the relative enrollments in private, public elementary and secondary schools within the boundaries of the LEAs.

Title V A allocations are done based on latest guidance issued by USED for Title V A dated August 2002 and NCLB 2001. SEA can take no more than 15% of total allocation for state level activities. Only 15% of this setaside can be used for administrative expenses. If in any fiscal year a SEA receives an allocation that is higher than its FY02 Title V Allocation, it must view this allocation in two parts: Base Allocation and Allocation above this base amount. The entire "extra" amount must be distributed to the LEAs, therefore, SEA will only at most receive for administration 15% of its FY02 Title

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V A Allocation. The remaining 85% of the allocation is distributed to the LEAs.

GADOE allocates 50% of the 85% based on Public & Private Enrollment numbers and the remaining 50% based on High Cost determination. GADOE defines high cost as an LEA whose percent of poverty is above 5%.

Data Notes: