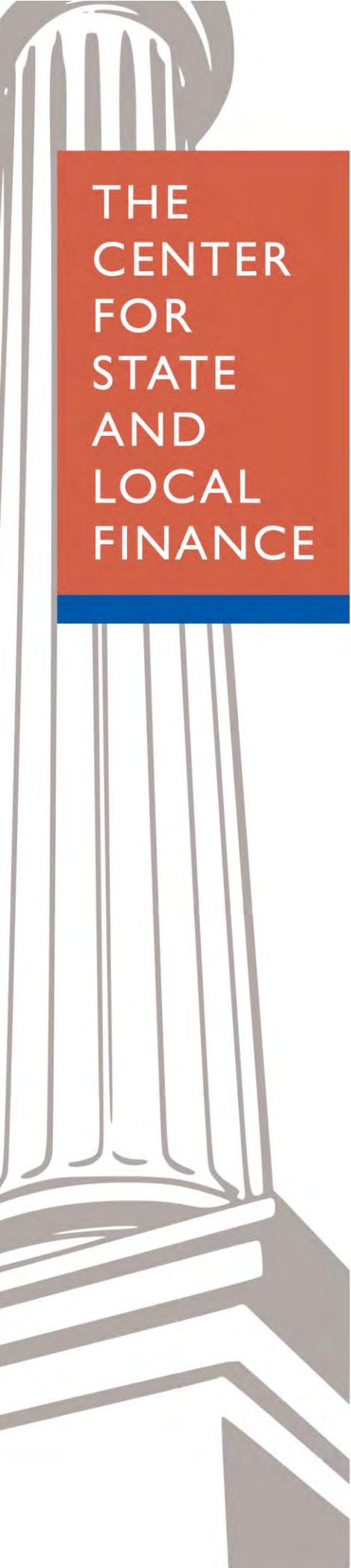


OCTOBER 20, 2015

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THE  
CENTER  
FOR  
STATE  
AND  
LOCAL  
FINANCE

# Financing Georgia's Schools: A 2015 Briefing

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CENTER FOR STATE & LOCAL FINANCE

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## **ACKNOWLEDGMENTS**

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## Introduction

Georgia's state and local governments each commit substantial financial resources toward public K-12 education, which served 1.7 million students in FY 2015. State and local government educational expenditures are greater than any other functional category within their budgets. In addition, the federal government supplements state and local support with several national programs targeting specific student populations, school needs, or teacher training objectives. This report provides a review of how education in Georgia is financed, as a follow-up to the Fiscal Research Center's "Financing Georgia's Schools: A Primer" (2003). While similar to the 2003 report in several aspects, this report focuses on educating readers, particularly those unfamiliar with the topic, on the legal requirements that govern K-12 public education finance, the size and scope of revenues from each source, and the factors that determine the specific funding allocations to local school systems.

The report begins with a review of Georgia's traditional K-12 public school system structure, including the legal framework, local system organization, and a brief overview of the funding sources. Then, state, local, and federal sources used to finance K-12 education are explained. This includes how the various sources of revenue are utilized by school systems and the methods used by various government entities to determine their funding allocations. In reviewing the allocation methodology for school systems, the report has a stronger focus on state revenue sources due to the size and complexity of state financial support as compared to local and federal funding.

The next section discusses the governance and funding sources for charter schools. This is separated because of significant differences in charter schools' legal framework and funding. According to the Georgia Department of Education, 16.9 percent of K-12 public schools are charter schools or charter system schools,<sup>1</sup> representing 15.2 percent of Georgia's K-12 enrollment (2014 Annual Report). Compared to 4.6 percent nationally, this seems high; however, when charter system schools are excluded, the remaining charter schools are only 5.2 percent of all K-12 public schools. Since the funding sources for charter system schools are very similar to that of traditional public schools, this section places more emphasis on funding for local and state charter schools. The final section concludes the report.

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<sup>1</sup> Charter systems schools, the most common form in Georgia, include formerly traditional public school districts that have converted all schools within their system to charter status (discussed more thoroughly in section VI of this briefing).

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# Georgia's K-12 School System Structure

## LEGAL FRAMEWORK

The State of Georgia has a “primary obligation” to provide public education for its citizens, according to the state constitution (Art. VIII, § I, paragraph I) and state law, codified in Title 20 of the Georgia code. Within Title 20, Article 6 of Chapter 2, the Quality Basic Education Act (QBE), provides the legal framework for the financing and operation of public schools in Georgia. The Georgia Department of Education (GDOE), created in Article 1, Chapter 2 of Title 20, provides direction for implementing QBE requirements and supervises local school systems across the state.

## LOCAL SYSTEMS ORGANIZATION AND CHARACTERISTICS

Operationally, the constitution grants the authority to establish and maintain public schools to local boards of education (Art. VIII, § V, paragraph I). Structurally, the constitution outlines a state public school system comprised of countywide local school systems (Art. VIII, § V, paragraph I). However, the constitution allows cities that had independent school systems prior to the adoption of the current constitution in 1983 to retain them. While no new independent school systems may be established, the constitution allows for the consolidation of two or more county school systems, independent school systems, or portions thereof.<sup>2</sup>

In FY 2015, there were 180 school systems with independent taxing authority, administered by local school boards. Of these systems, 159 are county systems, and 21 are city (also called independent) school systems.<sup>3</sup>

Local systems differ greatly in size and composition. The largest system in the state (Gwinnett County) enrolled more than 173,000 students in FY 2015, while the smallest (Taliaferro County) enrolled only 191. There are 14 systems with fewer than 1,000 students, and 116 with fewer than 5,000 students. Only six systems have more than 50,000 students.

Although local school systems provide the vast majority of K-12 public education in Georgia, there are also 20 state charter schools (school year 2015-2016) that receive state funding. These schools are managed independently and are treated as local education agencies<sup>4</sup> (LEAs).

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<sup>2</sup> Consolidation of school systems requires an act of the Georgia General Assembly, as well as the approval by a majority of voters in each of the consolidating school districts (Georgia Constitution Art. VIII, § V, paragraph I; O.C.G.A. § 20-2-370 through § 20-2-373.).

<sup>3</sup> Although considered a county system, the Muscogee County School District is technically an independent system. The district was formed in 1950 as a new independent system after passage of a local constitutional amendment and voter approval to merge the Columbus Consolidated Government and Muscogee County school systems. See Muscogee County School District, Columbus, Georgia, Comprehensive Annual Financial Report, June 2011.

<sup>4</sup> U.S. Department of Education: A local education agency is a public board of education or other public authority legally constituted within a state for either administrative control, direction of, or to perform a service function for, public elementary schools or secondary schools within a city, town, school district or other political subdivision of a state, or for a combination of school districts or counties recognized in a State as an administrative agency for its public elementary schools or secondary schools.

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## School Funding Overview

Georgia's K-12 education is financed through a mix of local, state and federal revenues. State and local governments provide the majority of funds for local school systems, and the federal government supplements these funds for targeted student populations or educational objectives, such as children in low-income families and special education. This section addresses the following questions:

- How much revenue is dedicated to K-12 public education in Georgia, both in the aggregate and on a per FTE (full-time equivalent) basis?<sup>5</sup>
- What share of total K-12 revenue in Georgia is provided by state, local and federal government sources?
- How has the share of revenue provided by each source changed over the past decade?
- How does the total revenue for K-12 education in Georgia compare to revenue in other states?
- Does the revenue for K-12 education in Georgia match or exceed actual expenditures?

After this brief overview, the following sections discuss state, local, and federal revenue sources in more detail. The next section on state and federal revenue sources focuses on the educational purposes of these revenues, as well as the allocation methodology used by these government sources to distribute funds to local school systems. The purpose of local government sources are briefly reviewed, and then the remainder of the section contains a review of property and sales taxes, the two main funding sources for local school systems in Georgia.

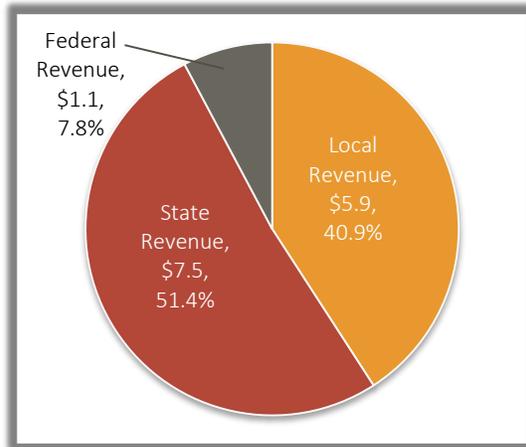
### **TOTAL K-12 REVENUE AND SHARE OF REVENUE FOR EACH GOVERNMENT SOURCE**

In FY 2014, public K-12 school districts in Georgia received \$14.5 billion in revenue, or \$8,530 per FTE. As depicted in figures 1 and 2, 40.9 percent of this revenue came from local sources, 51.4 percent from state sources, and 7.8 percent from the federal government.

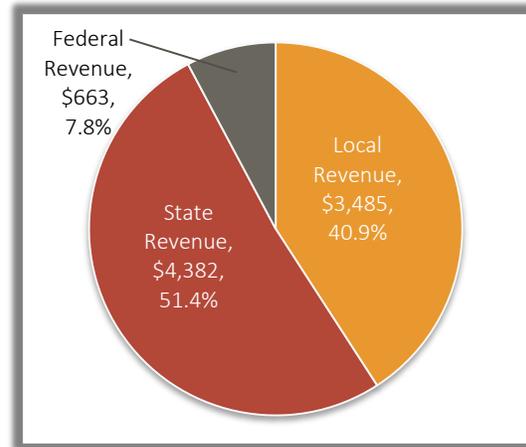
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<sup>5</sup> Full-time equivalent, or FTE, is the measure used by GDOE for student enrollment. FTE counts do not represent actual student counts; instead, they are based upon the number of hours students spend in the various instructional programs within schools. FTE counts are somewhat larger than actual student counts. O.C.G.A. § 20-2-160.

**Figure 1. FY 2014  
Total Revenue Share**  
(\$ in billions)



**Figure 2. FY 2014  
Total Revenue Share Per FTE**



Source: Georgia Department of Education

Note: Percentages do not add to 100 percent due to rounding.

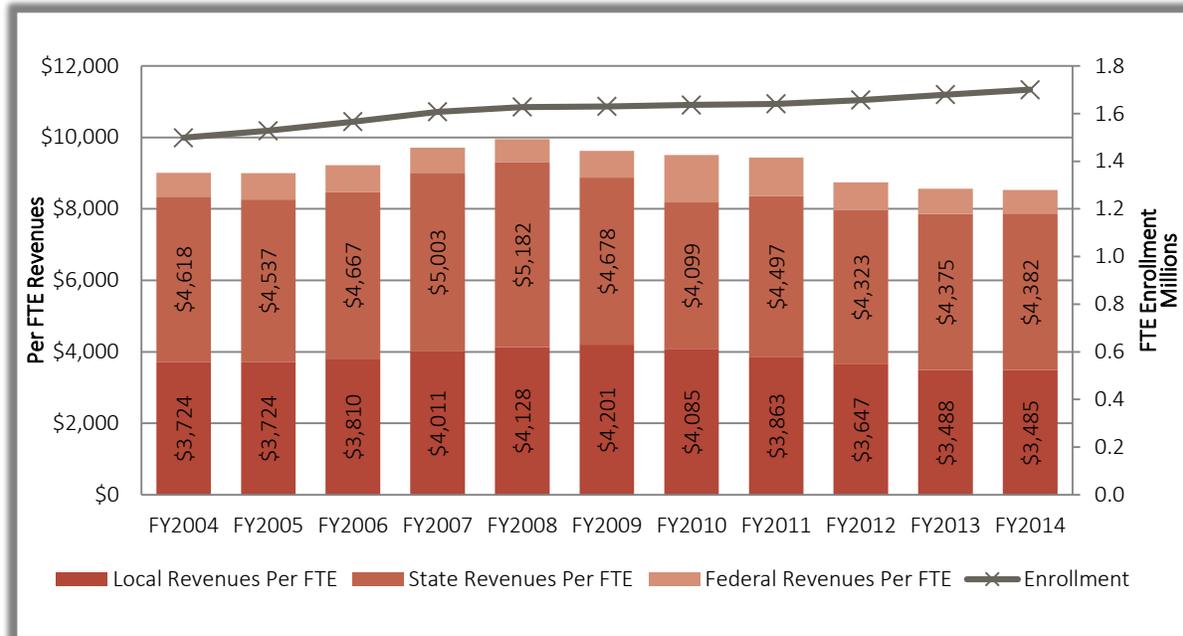
## CHANGES OVER TIME IN REVENUES

### *Total Revenue*<sup>6</sup>

Changes over time in school district revenues are measured by changes in real (adjusted for inflation) revenue per FTE to account for the changes in enrollment. In real terms, total revenue per FTE for K-12 education in Georgia has decreased considerably since 2008, the first year of the Great Recession. Total real revenue per FTE in FY 2008, \$9,952, was nearly 17 percent higher than the total real revenue per FTE in FY 2014, with declines in both state and local revenue per FTE (Figure 3). Real revenue per FTE increased nearly every year from FY 2004 through FY 2008, but it has decreased each year since. In fact, the total real revenue per FTE has been higher than the FY 2014 level in every year since FY 2000.

<sup>6</sup> Total revenue excludes most capital project revenues, including state capital outlay funds for school renovation and local ESPLOST revenue, as well as other revenue sources. The local, state and federal revenue reports posted on the GDOE website include a complete listing of revenues excluded from the reported data.

**Figure 3. Real Revenue Per FTE and Enrollment, 2004-2014 (2014 Dollars)**

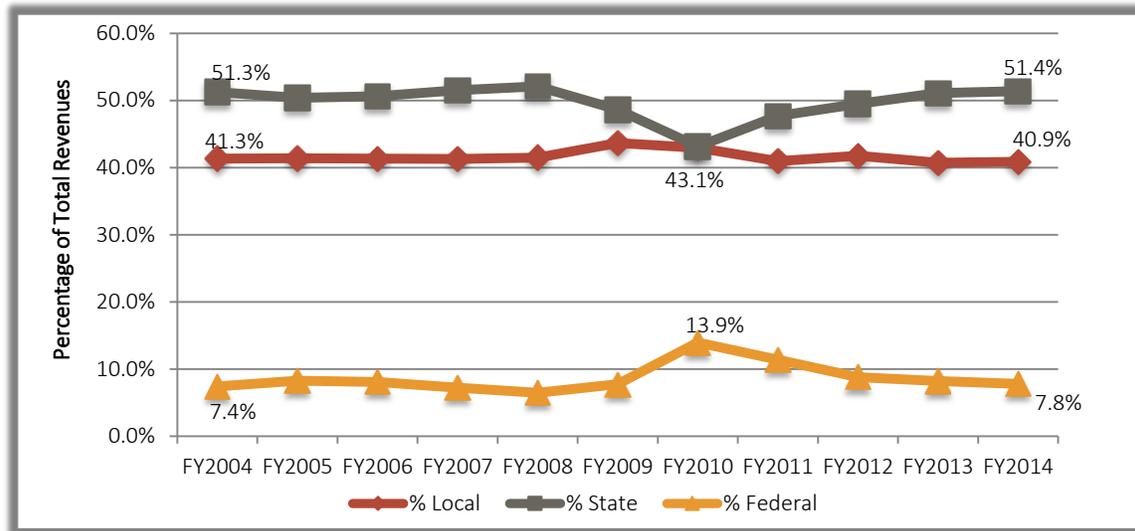


Source: Georgia Department of Education

### **Share of Total Revenue**

The share of total revenue for state, local and federal sources has fluctuated over the past several years. During the Great Recession, the share of revenue from state sources declined, while the share of revenue from local and federal sources increased (Figure 4). After the recession, the share of revenue from state sources increased each year, nearly reaching FY 2007 levels by FY 2013, while the share of total revenue from local and federal sources declined.

**Figure 4. Changes in the Share of School District Revenue Sources, 2004-2014 (2014 Dollars)**



Source: Georgia Department of Education

### **Comparing Georgia K-12 Revenue to Other States**

According to the U.S. Census Bureau's 2013 Annual Survey of School System Finances, Georgia ranked 38th in the nation in total revenue per pupil, with total per-pupil revenue 16 percent lower than the national average (see Table 1).<sup>7</sup> In addition, this data indicates that Georgia's K-12 public school systems obtain a slightly smaller share of revenue from state sources, compared to the national average. Table A-1 in the Appendix contains a full listing of the per-pupil revenue for all states.

**Table 1. Per-Pupil Revenue, Elementary-Secondary Education, 2013**

	TOTAL (\$, %)	STATE (\$, %)	LOCAL (\$, %)	FEDERAL (\$, %)
Georgia	\$10,370, 100%	\$4,503, 43.4%	\$4,794, 46.2%	\$1,073, 10.3%
National Average	\$12,380, 100%	\$5,650, 45.6%	\$5,603, 45.3%	\$1,126, 9.1%

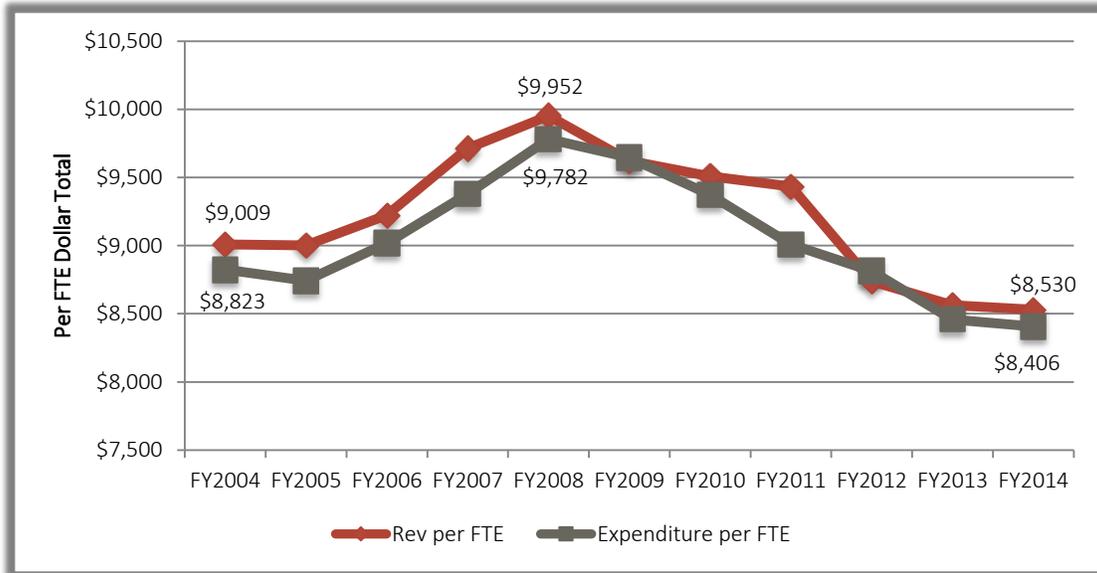
Source: U.S. Census Bureau, 2013 Annual Survey of School System Finances

### **Comparing Georgia K-12 Revenue to K-12 School System Expenditures**

By law, the state of Georgia must balance its budget each year. In addition, Georgia code also limits the ability of local school systems to borrow funds for annual operating expenses (O.C.G.A. § 20-2-9). School districts, however, may run surplus budgets and use the surplus amounts for required educational expenditures. Consequently, local school system expenditures closely follow revenues each year, as depicted in Figure 5 below.

<sup>7</sup> Total per-pupil revenue statistics from the U.S. Census Bureau differ from the GDOE revenue per FTE statistics due to differences in the composition and allocation of revenue among government sources, as well as differences between pupil and FTE counts.

**Figure 5. Georgia K-12 Revenue and Expenditures Per FTE, 2004-2014 (2014 Dollars)**



Source: Georgia Department of Education

The next section includes a discussion of the purpose and allocation of state, local, and federal revenue.

## State Funding

### PURPOSE OF FUNDING

The state of Georgia provides K-12 education funding for schools and school systems for a variety of purposes, as outlined below for each funding source.<sup>8</sup>

- QBE Foundation Earnings
  - Direct instructional costs – Salaries and benefits for teachers, paraprofessionals (Kindergarten only), subject specialists, counselors, and technology specialists
  - Direct instructional operations costs – Consumable materials, textbooks, travel and equipment replacement
  - Indirect instructional costs – Central administration, school administration and facility maintenance and operations
  - Funds for 20 additional days of instruction

<sup>8</sup> QBE requirements for operating expenditures and student transportation are contained largely within Article 6, Part 4, Financing (O.C.G.A. § 20-2-160 to O.C.G.A. § 20-2-172), and Article 6, Part 5, Program Weights and Funding Requirements (O.C.G.A. § 20-2-180 to O.C.G.A. § 20-2-191). Requirements for capital expenditures for school facilities and technology capital are contained in Part 10, Capital Outlay Funds (O.C.G.A. § 20-2-260 to O.C.G.A. § 20-2-263).

- Staff for additional instruction to meet the academic needs of lower performing students
- Media – Media specialists’ salaries and benefits and operations costs
- Categorical Grants
  - Transportation
  - Nursing
- Capital Expenditures
  - School facilities – State funds for the construction and renovation of school facilities
  - Technology capital – State grants for desktop and laptop computers, network and wireless equipment, and other technology to incentivize digital learning
  - School buses – State funds to local systems for the replacement of school buses

### FUNDING ALLOCATION FORMULA

The Quality Basic Education Act specifies the methodology and formula used to determine how state funds are allocated to school systems for the above stated purposes. Table 2 summarizes the key components of the funding formula and the amounts allocated for FY 2016 (operating expenditures only – excludes capital expenditures). Each component is discussed herein. Table A1 of the Appendix contains the full FY 2016 state allotment sheet, with greater detail on each component of the QBE formula.

**Table 2. Georgia QBE Education Funding by Component, FY 2016**

COMPONENT	AMOUNT (\$)
QBE Foundation Earnings	9,607,800,947
Less Local Five Mill Share	-1,664,571,280
Less Austerity Reduction	-466,769,851
QBE Foundation Funds	7,476,459,816
State Categorical Grants	165,526,974
QBE Equalization Grant	506,525,397
<b>Total</b>	<b>8,148,512,187</b>

Source: Georgia Department of Education, FY 2016 QBE Report QBE004, State Allotment Sheet

### **QBE Foundation Earnings**

As indicated in Table 2, foundation earnings represent by far the largest portion of state education funding. Georgia is one of several states that utilizes foundation grants as the basis for determining the allocation of state funds to local school systems. The first step is to determine the minimum level, or foundation, of per-pupil expenditures for all school systems, which is the cost of providing a high school (9-12) course. The per-pupil foundation amount, weighted for cost differences among the various educational programs, is multiplied by the FTE counts of students in each system to determine the minimum total expenditure on K-12 education in each school system.<sup>9</sup>

The 19 QBE programs are divided into two broad program areas:

- 10 general and career education programs – all instructional and vocational programs other than special programs, organized by grade level; and
- Nine special programs:
  - Five programs for students with disabilities (various types and levels of disability),
  - Gifted students,
  - Remedial education,
  - Alternate education, and
  - English speakers of other languages (ESOL).

The weights applied to each program in the QBE earnings formula represent the relative cost of funding the educational needs of one FTE student in a program compared to the high school (9-12) program. The base program has an assigned weight of one. The following example illustrates how these weights are determined.

#### **STEPS TO DETERMINE QBE PROGRAM WEIGHTS**

- 1) Determine FTE cost for base program (9-12)
- 2) Determine FTE cost for other programs
- 3) Calculate weights for other programs

#### **STEP 1: DETERMINE FTE COST FOR BASE PROGRAM (9-12)**

To determine the FTE cost for the base program:

- Divide the applicable state minimum salary and benefit costs for school staff positions for direct, indirect and media costs by the ratio of staff to FTE as directed in O.C.G.A. § 20-2-161; and

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<sup>9</sup> O.C.G.A. § 20-2-161 contains the QBE formula and weights. FTE counts for each annual budget are based upon student enrollment counts taken in the fall and spring of the preceding year, as specified in O.C.G.A. § 20-2-160.

- Add the QBE FTE allowance for direct instructional costs, operations costs, facility maintenance and staff development.

The FTE amounts for 2009 for the 9-12 program are outlined below.<sup>10</sup>

#### Direct instructional costs

Teacher	\$1,877.38
Technical specialist	39.12
Counselors	107.57
Operations cost	98.21
20 days additional instruction	28.95
Indirect instructional costs	
Central administration	
Social worker	17.39
Psychologist salaries	17.39
Operations	15.39
School administration	
Assistant principal	88.72
Secretary	29.26
Operations	6.82
Facility maintenance and operations	298.00
Staff development	16.91
Media	
Personnel salaries	44.36
Materials	<u>13.03</u>
Total cost per FTE using grades 9-12 as base	\$2,698.50

#### STEP 2: DETERMINE FTE COST FOR OTHER PROGRAMS

Using the same process outlined above for the 9-12 program, calculate the FTE cost for other programs. The FTE cost for each program will vary, as the costs and mix of required staff and instructional material, staff to FTE ratios, and other factors will differ by program. For instance, lower grades may require teachers' aides or more instructional materials. Compared to the 9-12 program, the 2009 grades 1-3 program FTE cost was \$3,468.97.

#### STEP 3: CALCULATE WEIGHTS FOR OTHER PROGRAMS

The program weight for other programs is determined by dividing the applicable program FTE cost by the FTE cost for the base program. Using the grades 1-3 program as an example:

$$\$3,468.97 \div \$2,698.50 = 1.2855$$

<sup>10</sup> The Financial Management for Georgia Local Units of Administration Manual, Section 2, Chapter 41, contains additional details, such as the salary and benefits for school staff, used to calculate the FTE amounts in the example. [www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Pages/LUAS-Manual.aspx](http://www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Pages/LUAS-Manual.aspx).

Table 3 below contains the FY 2016 weights assigned to each program.<sup>11</sup>

**Table 3. QBE Program Weights, FY 2016**

PROGRAM	WEIGHT	PROGRAM	WEIGHT
Kindergarten	1.6532	Spec Ed 1	2.3828
Kindergarten EIP(i)	2.0382	Spec Ed 2	2.7933
Primary Grades (1-3)	1.2859	Spec Ed 3	3.5559
Primary Grades (1-3) EIP	1.7955	Spec Ed 4	5.7624
Upper Elementary (4-5)	1.0358	Spec Ed 5	2.4532
Upper Elementary (4-5) EIP	1.7892	Gifted	1.6609
Middle Grades (6-8)	1.0281	Remedial	1.3099
Middle School (6-8)	1.1317	Alternative	1.4727
High School (9-12)	1.0000	ESOL	2.5096
High School (9-12) CTAE(ii)	1.1907		

Source: Georgia Department of Education

(i) For grades Kindergarten through Five, QBE includes an early intervention program (EIP). This program provides services, resources and support to students who are at risk of not achieving or maintaining their academic grade level.

(ii) This program includes career, technical, and agricultural education programs as provided for in the Carl D. Perkins Career and Technical Education Act of 2006.

In addition to the student FTE-based foundation amount, each school system receives additional Training and Experience foundation funding based on each teacher's actual salary.<sup>12</sup> These adjustments are significant, adding 43.5 percent to the base foundation funding for all school systems as a whole in FY 2016, according to Department of Education report QB004, State Allotment Sheet.

<sup>11</sup> For a complete schedule of the weights, unit costs, per FTE allocation, and percentages applied to direct, indirect and operations costs under the QBE formula, see report QBEO01 on the Georgia DOE website at [app3.doe.k12.ga.us/ows-bin/owa/qbe\\_reports.public\\_menu?p\\_fy=2000](http://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000).

<sup>12</sup> O.C.G.A. § 20-2-161: The additional training and experience amount reflects the difference between the minimum starting salaries for the required teaching positions and the actual minimum salaries of teachers on staff at a school as of October of the most recent year. A teacher's actual minimum salary is specified by the state salary schedule based on their training/education and years of experience.

### **Required Local Funding For Education (Local Five Mill Share)**

The QBE Act requires a local school system to fund a portion of the minimum required level of spending for its K-12 education. The amount of required local funding is equivalent to the property tax revenue that would be raised by five mills levied on each system's equalized property tax base (also called tax digest).<sup>13</sup> The state uses an equalized property tax base, which is an adjustment of the actual property tax base calculated from the results of an annual sales ratio study, to account for differences in assessments among counties.<sup>14</sup>

The state QBE funding that local school systems earn is equal to the QBE foundation formula total minimum required level of spending, less the required local funding contribution described above. Although most school systems fund their required local contribution to education spending with the revenue they raise from property taxes, any legally permissible local revenue source may be utilized for this purpose.

### **Austerity Reductions**

In FY 2003, the Georgia General Assembly introduced budget reductions, or austerity budget cuts, to the QBE foundation earnings outlined above. Lawmakers established these reductions in response to the earlier recession and the corresponding reduction in overall state revenue. The state austerity cuts are deducted from the total sum of QBE foundation earnings, despite the levels of funding guaranteed by the QBE formula.

Although initially implemented as a temporary measure, the austerity reductions have continued each year through the current FY 2016 budget. From FY 2004-2016, the cumulative austerity cuts imposed on schools totaled \$7.8 billion.<sup>15</sup> Figure 6 shows the austerity reductions in state education for each of these years.

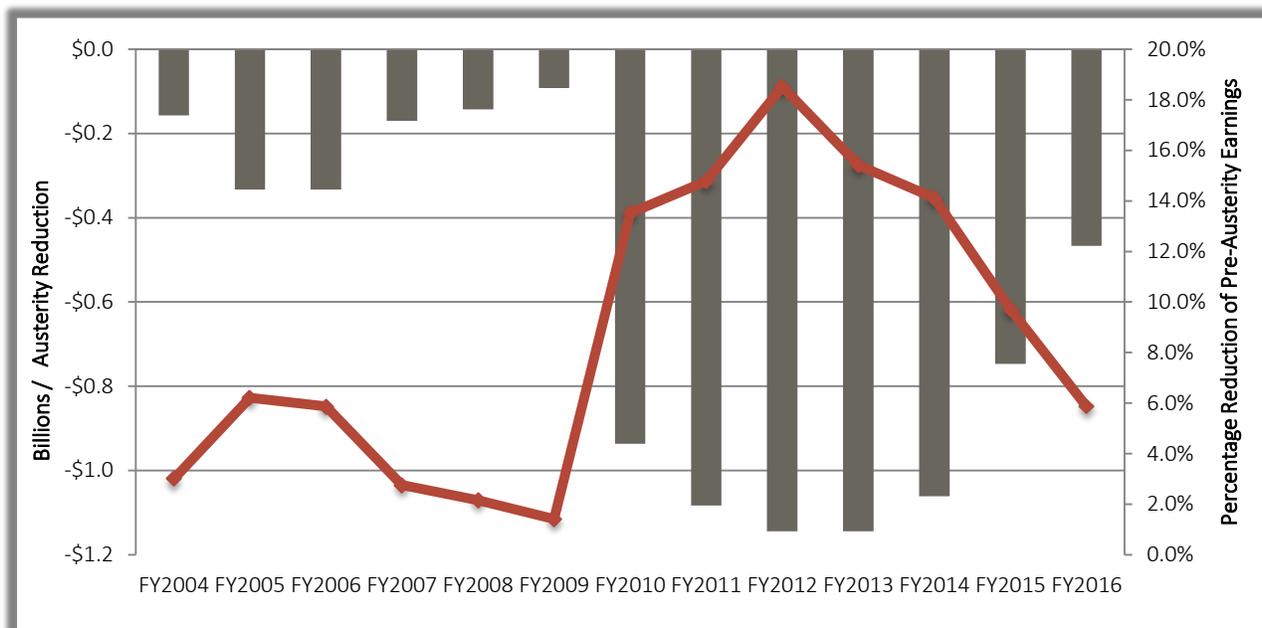
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<sup>13</sup> One mill is equal to one-thousandth of a currency unit, or \$0.001. To calculate property tax, multiply the mill rate by the equalized property tax base. The property tax base is the total value of all taxable property within a specified area. For example: \$300,000 property tax base X \$0.005 (5 mills) = \$1,500 property tax.

<sup>14</sup> A sales ratio study is a comparison of the local assessment of fair market value of selected pieces of property with the actual sales or appraisals of those same pieces of property. This study determines the extent to which one county generally assesses property at higher or lower values compared to another. Annual sales ratio study reports from the Georgia Department of Audits can be accessed at [www.audits.ga.gov/SalesRatio/salesRatioDivision.html](http://www.audits.ga.gov/SalesRatio/salesRatioDivision.html).

<sup>15</sup> Reported in nominal dollars. Total austerity cuts are calculated as the sum of the austerity reductions for FY 2004 through FY 2016 on QBE004, State Allotment Sheet, published each year by the Georgia Department of Education. The pre-austerity earnings used to calculate the percentages in the chart exclude categorical grants and the equalization grant.

**Figure 6. Georgia Education Austerity Reductions, FY 2004-2016 (Nominal Dollars)**



Source: Georgia Department of Education, QBE004 State Allotment Sheets

### **Categorical Grants**

The state QBE program provides categorical grants for transportation costs, nursing, and sparsity. These educational costs can take in factors into account beyond FTE student counts and student characteristics.

The formula to determine how much funding a school district receives for transportation is based on GDOE's annual student transportation surveys.<sup>16</sup> Using the survey results, GDOE creates route maps and determines the minimum number of buses required to transport students.<sup>17</sup> The transportation funding formula also includes costs for driver salaries and benefits, drug testing, school bus liability insurance and operations. A uniform salary schedule determines minimum salaries for bus drivers; however, local units may provide supplements.

School nursing grants are based on FTE counts. The state provides funding for one nurse for every 750 FTE students at the elementary school level and one nurse for every 1,500 FTE students at the middle and high school levels. School nurse funding has a ratio of one registered professional nurse to five licensed practical nurses and is based on a contract length of 180 days. Beginning in FY 2015, the state funds 50 percent of the average salary and benefits for a registered professional nurse or for a licensed practical nurse.

<sup>16</sup> Specific transportation funding rules, based upon QBE requirements, are outlined in Section V, Chapter 41 of the Financial Management for Local Units of Administration Manual, published on the Georgia GDOE website. [www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Pages/LUAS-Manual.aspx](http://www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Pages/LUAS-Manual.aspx).

<sup>17</sup> O.C.G.A. § 20-2-188 specifies that students who live closer than 1.5 miles to school are not eligible to be counted for state aid for school transportation, with the exception of disabled students.

Finally, sparsity grants are allocated to systems with geographically isolated schools. O.C.G.A. § 20-2-292 outlines the specific eligibility requirements and application process for these grants.

### ***QBE Equalization Grant (Guaranteed Tax Base)***

While foundation grant programs can effectively ensure that a minimum level of funding is available for all school systems, significant disparities in local spending on education may still exist due to variations in school systems' revenue raising ability. As the per FTE tax base of a school system increases, so does the per FTE revenue it can raise from one mill of property tax. Guaranteed tax base (GTB) programs aim to reduce the fiscal inequality across school systems that arises; Georgia's GTB grant is called the equalization grant.

For the equalization grant program, the state chooses a level of property tax wealth (i.e., tax base) per pupil and guarantees that a school system will obtain at least the same revenue that would be generated by each mill of property tax when applied to the guaranteed property tax wealth per student. The GTB equals the modified statewide average of per-pupil property tax wealth. To account for the large variation in property wealth among school systems, the statewide average is determined by first removing the top 5 percent (nine) and bottom 5 percent (nine) of school districts, and then by calculating the average property wealth for the remaining (162) districts. The state provides a grant equal to the difference between the revenues that would be raised based on the guaranteed property tax wealth per student and the system's actual property tax yield, if the latter is less than this guaranteed level.

The equalization program provides a guaranteed yield for each mill levied above the local five-mill requirement, with the maximum number of mills eligible for equalization set at 15. However, school systems must levy a minimum local millage rate to qualify for participation in the equalization grant program. For FY 2015, this minimum rate was 12 mills. State law increases the required local actual millage rate for participation in the equalization grant by 0.5 mills every year until it reaches 14 mills on July 1, 2019 (O.C.G.A. § 2-20-165).

### ***Capital Expenditures***

In addition to the state revenue provided to fund annual K-12 school system operating expenditures, QBE also specifies state support for capital expenditures related to K-12 education.

- Capital outlay program – Supports part of the cost of construction, renovation and modification of public elementary and secondary school facilities (more details provided below)<sup>18</sup>
- Technology grants – Enables school systems to purchase computers, networking equipment, and other technology to aid in student learning (O.C.G.A. § 20-2-263)

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<sup>18</sup> The requirements for the state education capital outlay program are contained in O.C.G.A. § 20-2-260, as well as in several Department of Education rules, posted on the GDOE website at [www.gadoe.org/External-Affairs-and-Policy/State-Board-of-Education/Pages/PEABoardRules.aspx](http://www.gadoe.org/External-Affairs-and-Policy/State-Board-of-Education/Pages/PEABoardRules.aspx).

- Other – Miscellaneous capital funding not categorized above

State funding allocations for capital expenditures reduce the burden for local systems; however, local revenues still provide the vast majority of capital funding for their districts. Table 4 below summarizes the FY 2015 state capital expenditures appropriations.

**Table 4. K-12 State Capital Funds, FY 2015**

CAPITAL FUNDS FOR K-12 EDUCATION	AMOUNT (\$)
State Capital Outlay Program	
Regular Program	189,470,000
Advance Program	16,300,000
Low-Wealth Program	<u>29,540,000</u>
Subtotal, State Capital Outlay Program	235,310,000
State Technology Grants	14,000,000
State Funding For School Buses	20,000,000
Other State Capital Funding(i)	2,600,000
<b>Total State Capital Funds</b>	<b>271,910,000</b>

Source: Georgia FY 2015 Budget Track Sheet

(i) Other funding for FY 2015 includes the statewide provision of vocational equipment for county and independent K-12 school systems, as well as infrastructure improvements at Camp John Hope, Fort Valley, Peach County.

### CAPITAL OUTLAY PROGRAM

The capital outlay program is comprised of two main segments: a regular capital outlay program, for which all systems are eligible, and two special programs, one for low wealth systems and an advance funding program.<sup>19</sup> The state determines the overall annual entitlement level for the regular capital outlay program based on the statewide need. However, the annual statewide total for the regular capital outlay program was limited to \$300 million until FY 2014.<sup>20</sup>

In order to receive capital outlay funds under the regular program, each school system must develop an educational facilities plan and update it at least every five years (O.C.G.A. § 20-2-260). Below is a summary of the most significant capital outlay funding requirements.

- Funding is provided only up to the state minimum construction standards and allowable costs per square foot of floor area. All costs exceeding these requirements are born entirely by the local systems.

<sup>19</sup> Currently, the Senate School Construction Study Committee is studying the issue of school construction and financing, including historical data on school construction prior to the implementation of the local option sales tax and adjustment of such data for inflation; the various methods of financing school construction; the differential of school construction costs, including both cost per square foot and cost per full-time equivalent student, in various regions, counties, and municipalities of the state; the practice of compensating architects based on a percentage of construction costs; and other pertinent matters. Its report is due in December 2015.

<sup>20</sup> See O.C.G.A. § 20-2-260. Since FY 2014, the \$300 million limit has been adjusted annually to reflect current construction costs.

- Projects eligible for state capital outlay funding include construction, renovations, modernizations and major programmatic changes that will reallocate space for new uses.
- Projects excluded from state funding include:
  - Costs associated with land acquisition or site preparation, and
  - Funding of swimming pools, athletic facilities used primarily for competitive sports (as opposed to physical education facilities), and administrative offices for the local systems.
- Local systems are required to pay part of the eligible project cost, based upon the system's local wealth factor. Required local participation can vary between 8 and 20 percent.

The advance funding program allows a system to obtain funding earlier than normal under certain conditions, for example, if an existing facility is destroyed by a natural disaster. The capital outlay program for low-wealth systems allows eligible systems to receive funding for 92 percent of the eligible costs of its first priority project. Eligibility for the low-wealth program is determined by a number of requirements, as outlined below (O.C.G.A. § 20-2-262).

- The school system
  - Must be ranked in the bottom 25 percent of local school systems in sales tax revenue per FTE, and the school must be ranked in the bottom 25 percent of local school systems in property value per FTE; or
  - The special purpose local option sales tax revenue must rank in the bottom 25 percent among local systems that receive this revenue, and the district has to submit a request for consideration to GDOE. These systems must be willing to commit the equivalent of five years of such revenues to the project.
- The local school system levies a minimum millage rate of 12 mills for the maintenance and operation of its schools.
- A special purpose local option sales tax is in effect in the local district, or the local district has a millage rate in place for debt service on bonds, or both; and
- The local system uses specifications as defined by the State Board of Education for the project.

## **2015 EDUCATION REFORM COMMISSION**

Governor Nathan Deal established the 2015 Education Reform Commission to perform a comprehensive review of the state's education system, including the QBE funding formula, and make recommendations to improve it. Although the commission had an original deadline of August 1, 2015, for its recommendations, the deadline has now been moved to December 18, 2015. While the commission's work is still ongoing and no final recommendations have been issued, the funding committee has reached a preliminary consensus on a student-based funding

formula to replace the current QBE funding formula.<sup>21</sup> The proposed new funding approach has three components:

- Base funding
- Weighted student characteristics; and
- Categorical grants.

Under the proposed new formula, grades 4-8 are the base group, and weights are applied to K-3 and 9-12 grade groups. Other weighted student characteristics include career, technical, and agricultural education (CTAE) students, students with disabilities, ESOL, and gifted students. The base level of funding per student includes amounts for both direct and indirect instructional costs. The base also includes amounts for other costs as they would have been earned under the current QBE formula, including media, staff development, nursing, and transportation. The base amount does not include training and experience allocations for teachers, state health benefits, or Teacher Retirement System contributions. Again, the commission's work is still ongoing, and the final recommendations may differ from the preliminary formula described in this section.

## Local Funding

### SOURCES AND PURPOSE OF LOCAL FUNDS

All school systems in Georgia supplement the QBE funding by levying a property tax rate in excess of the required five mills. These supplementary funds can be used to provide additional or enhanced programs and services beyond state minimum levels, to pay salaries that exceed the state's salary schedule, and to fund the system's capital (i.e., construction, school bus acquisition, technology) program. Additionally, to fund capital improvements, school systems have the authority, subject to a referendum, to levy a temporary 1 percent sales tax, the ESPLOST. Local school systems also raise a small amount of revenue from fees and contributions.

### PROPERTY TAXES

In Georgia, as in most other states, the property tax is the principal source of revenue for school systems. Furthermore, for most school systems in the state, the property tax is the only tax that school systems can use to fund school operations.<sup>22</sup> As discussed in the state funding section, Georgia's local school systems are required to contribute to the funding of a basic education, as defined by QBE. The required contribution, known as the Local Five Mill Share, is the amount of property tax revenue that would be generated by a property tax rate of five mills on the

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<sup>21</sup> Preliminary consensus proposals are taken from Education Reform Commission, Funding Formula Committee, Student-Based Funding Formula, August 12, 2015. [gov.georgia.gov/sites/gov.georgia.gov/files/related\\_files/site\\_page/Narrative%20August%2012%20FINAL.pdf](http://gov.georgia.gov/sites/gov.georgia.gov/files/related_files/site_page/Narrative%20August%2012%20FINAL.pdf).

<sup>22</sup> There are 10 school systems that are allowed to use a 1 percent sales tax to fund school operations, and other systems can use certain other taxes, such as an alcoholic beverage tax used by the DeKalb County School System. The next section on Sales Taxes provides further details on these 10 systems.

equalized property tax base.<sup>23</sup> In practice, local school systems levy significantly higher rates than the required 5 mills.

As indicated in Table 5 below, the majority of systems levy property tax rates between 15 and 19.9 mills, and six of the school systems with millage rates of less than 10 mills rely on a sales tax to fund operations. Only 11 systems levy rates higher than 20 mills. The Georgia constitution provides that property tax rates levied by county systems shall not exceed 20 mills, unless the school system was authorized on June 30, 1983 to levy a rate higher than 20 mills.<sup>24</sup> This restriction does not apply to independent school systems.

**Table 5. Distribution of Millage Rates, FY 2014**

MILLAGE RATE	NUMBER OF SCHOOL SYSTEMS
Less than 10 mills	8
10 – 14.9 mills	44
15 – 19.9 mills	117
20 or more mills	11

Source: Georgia Department of Education

On average in FY 2014, per FTE property taxes collected in Georgia for school purposes were \$3,040.<sup>25</sup> However, property taxes per FTE vary widely across school systems, ranging from \$24.23 to \$8,360. Table 6 shows the distribution of property taxes per FTE for FY 2014.

**Table 6. Property Tax Per FTE, FY 2014**

	\$1,000 OR LESS	\$1,000 - \$1,999	\$2,000 - \$2,999	\$3,000 - \$3,999	\$4,000 AND ABOVE
Number of Systems	4	39	70	29	27

Sources: Georgia Department of Revenue, Georgia Department of Education

Note: Data for 11 school systems were missing from the database used to construct this table.

The large differences in the level of property tax per FTE across school systems are partly the result of the wide variation in property tax base per FTE across school systems. Figure 7 below illustrates the distribution of the property tax base per FTE, as measured by the net equalized digest, among school systems. The wealthiest system, Towns County, has a property tax base per FTE of over \$1.8 million, more than 20 times larger than the poorest system, Pelham City, which

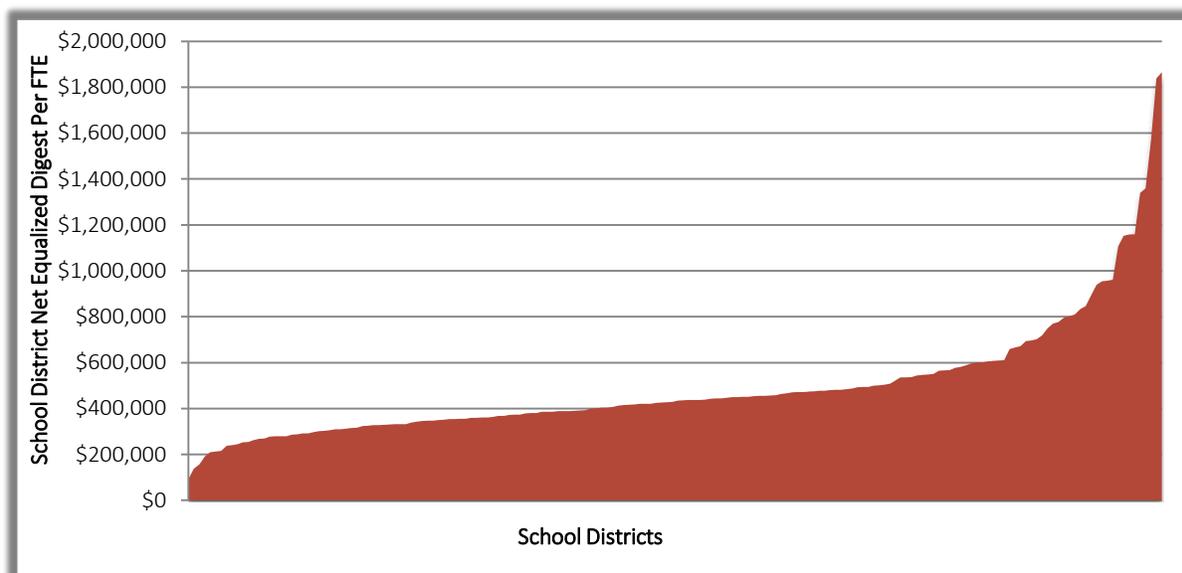
<sup>23</sup> Local school systems may apply revenue toward the required local contribution from any source (not only through property tax revenue), except as noted in O.C.G.A. § 20-2-164.

<sup>24</sup> See Georgia Constitution Article VIII, Section VI, Paragraph I. Some school systems, such as DeKalb, Fulton, Rockdale, and City of Decatur were authorized to levy a property tax in excess of 20 mills prior to June 30, 1983, the last date local Constitutional amendments were allowed. The 20 mills limitation does not apply to these systems.

<sup>25</sup> This average is calculated from property tax and school FTE data provided by the Georgia Department of Revenue and the Georgia Department of Education.

has a property tax base of only about \$92,000 per FTE. Thus, one mill of property tax levied in Towns County raises far more revenue per FTE than one mill levied in Pelham City. Despite the wide variation in property tax bases, 123 school systems with 70 percent of Georgia's students have a level of property wealth per FTE between \$300,000 and \$600,000.

**Figure 7. Net Equalized Tax Digest Per FTE, FY 2014**



Sources: Department of Audits and Accounts, 2013 Sales Ratio Study; Georgia Department of Education, FY 2014 FTE Student Counts

## SALES TAX

### *Sales Tax for Operations*

As authorized by local amendments to the Georgia constitution, there are 10 school systems that are allowed to collect sales taxes for school operations.<sup>26</sup> The group includes eight county school systems (Bulloch, Chattooga, Colquitt, Habersham, Houston, Mitchell, Rabun, and Towns) and two city school systems [Pelham (Mitchell County) and Trion (Chattooga County)]. State law does not allow any other school system to use a sales tax to fund its operations.

### *Sales Tax for Capital Improvements: ESPLOST*

While only a few school systems collect sales taxes to fund operations, the ESPLOST is almost universally employed to fund facility investments (see Table 7 below). The Georgia Department of Revenue reports that school districts collected nearly \$1.6 billion in ESPLOST revenue in FY 2014,

<sup>26</sup> Local amendments were authorized under the 1877, 1945, and 1976 constitutions. The Georgia Constitution of 1983 discontinued the use of local amendments and set the expiration of all existing local amendments, unless specifically continued by local act or home rule ordinance by July 1, 1987. Each of the counties containing these 10 systems passed a local act in accordance with these requirements. See Scheuer (2014) "Local Amendments to the Constitution of Georgia: Conundrums Continued and Curiosities Curtailed."

making it the largest source of revenue for new school construction and renovation projects available to school districts.

The ESPLOST legislation (O.C.G.A. § 48-8-110) and subsequent constitutional amendment (Article VIII, Section VI, paragraph IV) enacted in 1996, allow local school boards to levy a 1 percent sales tax, subject to approval by referendum, for three specific purposes:

- 4) For capital outlays, such as new educational facilities;
- 5) To repay bonded debt from the previous construction of educational facilities; or
- 6) To issue new bonded debt for capital outlays, to be repaid with ESPLOST revenue.

Since its enactment, the Supreme Court of Georgia and the state's Attorney General have further clarified the use of ESPLOST revenue for the above purposes (Brunner and Warner, 2012).

**Table 7. ESPLOST by Year of Implementation**

CALENDAR YEAR	NUMBER OF COUNTIES COLLECTING AN ESPLOST ON DEC. 31	PERCENTAGE OF COUNTIES
1997	64	40.3%
2001	137	86.2%
2005	148	93.1%
2009	158	99.4%
2014	158	99.4%
No ESPLOST(i)	1	0.6%

Source: Georgia Department of Education

(i) Burke County was the only county that had not passed an ESPLOST referendum as of 2014.

In counties that contain both city and county school systems, voters in both jurisdictions must approve the tax. City systems receive a pro rata share of county ESPLOST collections based on the city's share of FTE student counts within the county, unless the city and county systems negotiate an alternative sharing mechanism.

## Federal Funding

The federal government operates a variety of grant programs that provide funding for K-12 education, which supplement state and local funding. The Elementary and Secondary Education Act (ESEA) authorizes several of these programs, which generally target specific student populations or educational objectives. The ESEA grants and other federal grants allocated to Georgia for K-12 education in FY 2013 are summarized in Table 8, followed by a brief description of each grant category.

**Table 8. Federal Funding to Georgia, FY 2013**

FEDERAL REVENUE SOURCES	ALLOCATION (\$ IN 1,000s)
Revenue Distributed through State	\$1,730,719
Title I	\$533,708
Special Education	\$318,715
Child Nutrition	\$606,230
Vocational	\$16,746
Other/Non-Specified	\$255,320
Direct Federal Aid	\$75,159
Federal Revenue Subtotal	\$1,805,878
Race to The Top(i)	\$73,599
<b>Total Federal Revenues</b>	<b>\$1,879,477</b>

Sources: U.S. Census Bureau, 2013 Annual Survey of School System Finances; Georgia Department of Education (Race to the Top)

(i) Race to the Top revenue is listed separately because it is not specifically identified in any category of revenues reported by the U.S. Census Bureau.

### DESCRIPTION OF FEDERAL REVENUE SOURCES

- Title I: Improving the Academic Achievement of the Disadvantaged
  - Part A: The largest federal grant program, it provides funding to schools in which the number of students from low income families is greater than 35 percent, or according to other criteria as authorized
  - Part B: Funds specifically targeted to staff and programs to improve school performance
  - Part C: Education funding support for migratory children
  - Part D: Prevention and intervention programs for children who are neglected, delinquent, or at-risk
- Special Education: Special education and related services to students with disabilities
- Child Nutrition: Includes the National School Lunch, School Breakfast, After-School Care, and several other programs

- Vocational Education: Revenue from the Carl D. Perkins Vocational Career and Technical Education Act
- Other/Non-Specified: Includes revenue from other formula grant programs as well as those that encompass more than one category above; examples include:
  - Workforce Investment Act, Title V
  - Title II (Parts A and B): Preparing, training, and recruiting high quality teachers and principals
  - Title IV (Part A): 21st Century Schools, Safe and Drug Free Schools and Community Act
- Direct Federal Aid: Project grants for programs such as Indian education, Head Start, magnet schools, gifted and talented, and others
- Race to the Top: Authorized by the 2009 ARRA, this competitive program provided grants to encourage and reward states that implement reforms in key areas; Georgia received a one-time \$400 million award under this program, spread across four years.<sup>27</sup>

## Charter School Funding

This section highlights the differences between the revenue sources and funding methodology for traditional public schools and for public charter schools in Georgia. As before, this section begins with a brief review of the governance and structure of charter schools in Georgia. Then, the effects of the governance structure on available funding sources are outlined, and the specific financing differences for each are compared to traditional public schools. Like traditional public schools, most of Georgia’s public charter schools receive funding from state, local, and federal government sources. However, state-sponsored charter schools, just 20 out of Georgia’s 415 total charter schools, are prohibited from receiving local government funding by law.

### GEORGIA’S CHARTER SCHOOLS: GOVERNANCE AND STRUCTURE

Charter schools are publicly funded but are organized and governed by an independent charter school governing board. The state grants these schools exemptions from many of the regulations that apply to traditional public schools in exchange for greater accountability. Georgia’s first charter school legislation, The Charter School Act, was passed in 1993, but only for conversion charter schools.<sup>28</sup> The Charter Schools Act of 1998 added authorization for independent, start-up charter schools. In 2008, the Georgia General Assembly established the Georgia Charter Schools Commission (replaced in 2013 by the State Charter Schools Commission, or SCSC) that could

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<sup>27</sup> Georgia Partnership for Excellence in Education. “Race to the Top, Georgia’s Vision For Educational Excellence.” The original end date for the four-year grant was September 2014. However, Georgia obtained an extension through June 2015.

<sup>28</sup> Conversion charter schools began as traditional public schools but obtained authorization to take on charter status.

approve state-created state charter schools.<sup>29, 30</sup> Also in 2008, a new law allowing local public school systems to choose to become charter systems took effect.

In addition to the charter type, charter schools are further divided into those authorized by the local school board and those authorized by the state. Table 9 below contains the breakdown of each charter school type in Georgia as of September 2015.

- Conversion charter schools: Always authorized by its local board and approved by the majority of its faculty and parents; charter is held by a non-profit entity.
- Start-up charter schools with single district/county attendance zone: Must first seek approval from local board; if denied, may seek approval from SCSC. As above, the charter is held by a non-profit entity.
  - Start-up schools approved by the SCSC become state charter schools.
- State charter schools (start-up charter schools with statewide attendance zone or attendance zone spanning multiple districts/counties): Seeks approval directly from SCSC; must demonstrate its capacity to serve multiple districts or large portions of the state.
- Charter Systems: Authorized by the local board; the local school district executes a contract with the State Board of Education to convert the entire local school system to charter status.

**Table 9. Charter Schools by Authorization and Type, 2015-2016**

AUTHORIZATION	CHARTER TYPE			TOTAL
	CONVERSION	START-UP	CHARTER SYSTEM	
Local	22	73	300	395
State	N/A	20	N/A	20
<b>Total</b>	<b>22</b>	<b>93</b>	<b>300</b>	<b>415</b>

Source: Georgia Department of Education, Charter Schools in Georgia: Overview

The calculation and allotment of K-12 education funding to Georgia's charter schools varies from that of traditional public schools, depending on both the authorization source and the type of charter school. The next sections describe these differences for state, local and federal funding sources.

<sup>29</sup> The Supreme Court of Georgia ruled that the Georgia Charter Schools Commission was unconstitutional in 2011. See Touchton (2011) "A Supreme Decision: The Next Steps for Charter Schools in Georgia." [www.senate.ga.gov/sro/Documents/AtIssue/atissue\\_nov11.pdf](http://www.senate.ga.gov/sro/Documents/AtIssue/atissue_nov11.pdf).

<sup>30</sup> In 2012, a constitutional amendment passed to allow a new state-level, independent commission, the State Charter Schools Commission (SCSC). See Georgia House Bill 797. [scsc.georgia.gov/sites/scsc.georgia.gov/files/related\\_files/site\\_page/Enabling-Legislation-HB-797.pdf](http://scsc.georgia.gov/sites/scsc.georgia.gov/files/related_files/site_page/Enabling-Legislation-HB-797.pdf).

## STATE FUNDING

### *QBE Foundation Funding*

All charter schools are included in the calculation and allotment of the QBE foundation formula funds. These funds are calculated in the same way as for a traditional public school with two specific exceptions for start-up schools and charter systems schools.<sup>31, 32</sup> The local board of education receives the system QBE allotment from the state and distributes funding to local charter schools in the same manner as to all other schools in the system. State charter schools, each treated as a separate local education agency, receive QBE funding from GDOE.

### *Deductions to Funding*

- **Austerity:** All charter schools receive the same austerity reduction that traditional public schools receive.
- **Local Five Mill Share:** Local charter schools have the same five mill local contribution requirement as all public schools have. State charter schools receive no local government funding; however, since FY 2013, the proposed budgets for the charter supplement they receive from the state to offset the lack of local funding have included a deduction for the equivalent of a local five mill share.
- **Local Board Retention of Local Charter Allotment:** For newly approved local charter schools, including charter renewals, the local board may retain up to 3 percent of the charter school's per-pupil share of state and local funding to reimburse the local board for administrative services actually provided to the charter school.
- **State Commission Administrative Services:** The SCSC may deduct up to 3 percent of the budgets for state charter schools to cover their operating expenses. For FY 2015, this fee was reduced to 2 percent for existing state charter schools, and to 1 percent for charters in their first year of operation.

### *Categorical Grants*

All charter schools receive a proportional share of the earned state categorical grants, as determined by the same allocation methodology implemented for traditional public schools.

### *QBE Equalization Grants*

All local charter schools and charter systems are included in the calculation and allotment of the QBE equalization grant. State charter schools, however, do not qualify for the QBE equalization

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<sup>31</sup> The Charter Schools Act of 1998 requires that adjustments for teachers' training and experience used in start-up charter school's QBE formula earnings shall not be less than one-half of the comparable percentages of the local system in which the charter school is located. This requirement also applies to equalization grants for start-up charter schools.

<sup>32</sup> O.C.G.A § 20-2-161 allows charter systems to earn 3.785 percent of the QBE base amount for each FTE student in each school within the system. Funds are contingent upon appropriation by the Georgia General Assembly and currently capped at \$4.5 million annually before austerity.

program given that they, by law, must not receive any local funding. For this reason, commission schools receive state funds equal to the equalization grant for the five school districts with the lowest assessed valuation per student.

### **Capital Funding**

Charter systems schools may participate in the state capital outlay program in the same fashion as traditional public school systems. However, the Charter Schools Act of 1998 requires that the Georgia Board of Education create a separate facilities fund to be allocated on a per-pupil basis for conversion, start-up, and state charter schools. As of FY 2016, no money has ever been appropriated for the facilities fund. In 2008, the Charter School Capital Finance Act established a matching grant program where the State Board of Education will match qualified charter school contributions on a dollar-for-dollar basis. However, the State of Georgia has never disbursed funds under the matching grant program.

Instead, Georgia operates a Charter Schools Facilities Grant that is not related to the facility fund or the matching grant program. This grant is distributed through a competitive process and is open to all charter school types except charter system schools.<sup>33</sup> Facility grants are capped at \$200,000. For FY 2016, Georgia appropriated \$1.4 million to assist charter schools in meeting facility and transportation needs (Georgia DOE, FY 2016 Charter Schools Facilities Grant Application).

In addition to the facilities grant, state charter schools receive an annual amount equal to “the statewide average total capital revenue per full-time equivalent student.”<sup>34</sup> Currently, the state provides approximately \$1,100 per student for this item (National Alliance for Public Charter Schools, 2015).

## **LOCAL FUNDING**

### **Local Revenue**

As outlined before, local school systems raise revenue from a variety of sources to fund public education, such as property taxes and sales taxes. The type of charter authorization, either by the local school board or the state, determines whether local revenue is available to a charter school.

All charter systems schools, authorized by their respective local school boards, receive all available local revenues in the same manner as traditional public schools. Locally-approved conversion and start-up charter schools within local public school districts are eligible for an

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<sup>33</sup> A federal facilities grant program, the State Charter School Facilities Incentive Grants Program is also available. This program provides grants to states to help them establish or enhance, and then administer, per-pupil facilities aid programs for charter schools. States are eligible for these grants if they have a per-pupil facilities aid program that assists charter schools with their school facility costs. The State of Georgia has not been awarded this grant. See [www2.ed.gov/programs/statecharter/index.html](http://www2.ed.gov/programs/statecharter/index.html).

<sup>34</sup> See SCSC website at [scsc.georgia.gov/state-charter-funding](http://scsc.georgia.gov/state-charter-funding). GDOE calculates this amount using a formula that adds the total statewide ESPLOST collections to the total state allocation for capital outlays to local school districts, and divides that by the total number of students across the state.

equal share of local revenues. The Charter Schools Act of 1998 defines the term local revenue as “local taxes budgeted for school purposes in excess of the local five mill share, combined with any applicable equalization grant and budgeted revenues from any of the following: investment earnings, unrestricted donations, and the sale of surplus property.” The Act also states that local revenue does not include “revenue from bonds issued for capital projects, revenue to pay debt service on such bonds and local option sales tax for capital projects.”

The exact amount that is allocated to local charter schools is determined by a formula that utilizes the ratio of QBE earnings of the local charter school and the local school system.<sup>35</sup> The allocation to the local charter school is determined by multiplying the ratio of QBE earnings by the total revenue generated by the local school system.<sup>36</sup> Table 10 below provides an example calculation.

**Table 10. Calculation of Local Charter Funding from QBE Example**

CHARTER (C) QBE EARNINGS	SCHOOL SYSTEM (S) QBE EARNINGS	RATIO (R)	LOCAL REVENUE (L)	LOCAL CHARTER FUNDING
\$100	\$1,000	\$100/\$1,000	\$1,500	\$150
C	S	C/S = R	L	L*R

Source: Georgia Department of Education

State charter schools are generally not eligible to receive an equal share of local revenues. Instead, they receive a state charter supplement as discussed above to partially offset the loss of local revenue.

### **ESPLOST**

Charter systems may share in county ESPLOST funds similar to traditional public schools. Local charter schools may receive a share of local revenue from the ESPLOST only if the school is included on the ESPLOST referendum approved by voters in the local school district. In practice, local systems have not often included their local charter schools in ESPLOST initiatives.<sup>37</sup> However, Bibb County recently placed its charter schools on the ESPLOST renewal referendum scheduled for November 2015.

Although local charter schools may not receive significant ESPLOST funding, Georgia law requires local boards of education make available their unused facilities to local charter schools at no

<sup>35</sup> Georgia Department of Education, Charter School Funding Template. Local charter school QBE earnings include any funds for psychologists and school social workers but exclude central administration, pupil transportation, and any categorical grants not applicable to the charter school. The state earnings of the local charter school are reduced by the school's portion of the austerity adjustment applied to the system, so that the ratio of school to system earnings will be equitable. This does not impact the amount of QBE earnings generated by the school for the calculation.

<sup>36</sup> O.C.G.A § 20-2-2068.1 specifies that a local start-up charter school can receive a larger allocation of funds if agreed upon by all parties to the charter.

<sup>37</sup> Our research found only two occurrences, although there could be others. Source: [www.gacharters.org/uncategorized/state-superintendent-candidates-questionnaires/#sthash.pSgQjaEE.dpuf](http://www.gacharters.org/uncategorized/state-superintendent-candidates-questionnaires/#sthash.pSgQjaEE.dpuf).

rental or lease cost (O.C.G.A. § 20-2-2068.2). The additional terms of use are to be negotiated between the parties. State charter schools are not eligible for this option.

## FEDERAL FUNDING

In addition to the statutory federal revenue sources indicated above, the U.S. Department of Education operates the Charter Schools Program (CSP), which is authorized by Title V, Part B of the ESEA. The stated purposes of the program include:

- Increasing the number of high-quality charter schools available to students;
- Providing financial assistance for the planning, program design and initial implementation of charter schools;
- Evaluating the effects of charter schools on students, student academic achievement, school staff and parents; and
- Encouraging states to provide facilities financing to charter schools more on par with the support typically provided to traditional public schools.

States compete for CSP grant funding, and awards are issued for periods not to exceed three years. States that receive awards have flexibility in distributing the funds to local systems, in accordance with the funding use requirements of the CSP. As outlined in the Georgia Charter School Federal Planning and Implementation Grant Application for 2013, Georgia was awarded approximately \$24 million in grant funds for 2010-2013, which it finished distributing on July 31, 2015.

GDOE established a competitive grant program to distribute its federal grant awards. For the 2010-2013 grant funds, local charter schools and state charter schools were selected for either planning or implementation grants based upon how well their proposed use of funds supported Georgia's program goals, as outlined below.

- Increase the number of high quality charter schools in Georgia, especially among underserved students in urban or rural settings
- Improve student outcomes
- Improve secondary student performance and graduation rates throughout the state
- Monitor charter schools' fiscal health and provide support to ensure their long-term fiscal health
- Promote awareness of best practices to teachers, parents, communities and other public schools

### Planning Grants

Planning grants of up to \$75,000 could be used for planning activities associated with opening a charter school within one year of receiving the grant. Allowable planning activities included:

- Governing board training;
- Creating an accountability and evaluation system; and
- Curriculum planning.

### Implementation Grants

Implementation grants provided support for program design, as well as for the initial implementation of new start-up or conversion charter schools. Eligible reimbursable expenses included all costs associated with opening or converting a charter school within the first 24 months of operation. Grant amounts varied, depending on the type of charter school and other factors, as summarized in Table 11.

**Table 11. Georgia CSP Implementation Grant Amounts, 2010-2013**

	YEAR 1	YEAR 2	ADDITIONAL FUNDING(i)	MINIMUM FUNDING	MAXIMUM FUNDING
<b>Conversion Charter Schools</b>					
Enrollment of 500 or more	\$150,000	\$150,000	\$150,000	\$300,000	\$450,000
Enrollment of fewer than 500	\$125,000	\$75,000	\$150,000	\$200,000	\$350,000
<b>Start-up Charter Schools</b>					
Enrollment of 250 or more (end yr. 1)	\$250,000	\$250,000	\$150,000	\$500,000	\$650,000
Enrollment less than 250 (end yr. 1)	\$250,000	\$150,000	\$150,000	\$400,000	\$550,000

Source: Georgia Department of Education, Georgia Charter School Program, Federal Planning and Implementation Grant Application Packet, September 2013

(i) Charter schools could apply for additional grant funding if: (1) school or district had a Needs Improvement 2 status or higher, (2) secondary students make up 50 percent or more of the total number of students, or (3) district did not currently have any FTE charter schools. As of August 2015, there are no longer grants to be distributed.

## Summary

The provision of K-12 public education in Georgia requires substantial financial resources, which include a varying mix of revenues from state, local and federal sources. State and local governments provide the vast majority of educational revenues. While state and local educational revenues are generally utilized for direct instructional costs, indirect costs and central administration, federal revenues are targeted toward specific student needs or educational objectives. The largest federal programs supplement state and local funding for students in low-income families and those with special needs; however, federal revenues support many additional student needs and educational initiatives.

The underlying source for funding also varies among state and local revenue sources. While the state relies mainly upon the individual income tax and sales taxes for its revenue, local governments in Georgia rely primarily upon property tax revenue for its revenues. Capital funding at the local level, however, is often largely financed by dedicated sales tax revenue.

The financial support provided to charter schools, which represent nearly 17 percent of Georgia's public schools, shares many similarities with the support provided for traditional public schools. The similarities are strongest for charter systems schools, which represent the largest share, over 70 percent, of charter schools in Georgia. There are, however, notable differences in the available revenue sources for local charter schools and state charter schools. Most significantly, state charter schools do not receive local government financial support; instead, they receive an additional supplement from the state to offset the lack of local funding. The federal government also provides additional support to local and state charter schools in the form of competitive grants to assist these schools during planning and the first two years of operation.

Finally, the financing of Georgia's K-12 public schools is a collaborative effort among different levels of government, sometimes implemented through complex formulas and eligibility requirements. This report provides an overview of these processes, but it is by no means comprehensive. The various references provide further information on how K-12 public education is financed in Georgia.

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## Appendix

**Table A1. Per-Pupil Elementary-Secondary Revenue by State**

RANK	ELEMENTARY-SECONDARY REVENUE			
	TOTAL	FROM FEDERAL SOURCES	FROM STATE SOURCES	FROM LOCAL SOURCES
	US..... 12,380	US..... 1,126	US..... 5,650	US..... 5,603
1	DC..... 29,427	DC..... 2,940	VT..... 16,009	DC..... 26,487
2	NY..... 22,587	AK..... 2,448	AK..... 13,025	NY..... 12,332
3	NJ..... 20,191	LA..... 1,832	HI..... 10,624	NJ..... 11,541
4	CT..... 19,519	HI..... 1,682	WY..... 9,626	CT..... 11,205
5	AK..... 19,415	NM..... 1,587	DE..... 9,471	MA..... 9,463
6	WY..... 18,498	SD..... 1,495	NY..... 8,986	PA..... 9,368
7	VT..... 18,103	MT..... 1,475	MN..... 8,464	NH..... 9,013
8	MA..... 17,315	ND..... 1,444	AR..... 8,053	RI..... 8,990
9	PA..... 16,644	MS..... 1,436	NJ..... 7,812	IL..... 8,063
10	RI..... 16,580	RI..... 1,418	IN..... 7,483	MD..... 8,017
11	MD..... 16,072	WV..... 1,357	CT..... 7,475	WY..... 7,632
12	DE..... 15,837	VT..... 1,283	NM..... 7,341	ME..... 7,371
13	NH..... 15,320	DE..... 1,273	WV..... 7,182	NE..... 7,292
14	IL..... 14,200	NY..... 1,268	MI..... 7,155	OH..... 6,829
15	ME..... 14,101	KY..... 1,267	MD..... 7,092	VA..... 6,325
16	ND..... 13,478	CA..... 1,262	MA..... 6,966	WI..... 5,945
17	OH..... 13,467	PA..... 1,262	WA..... 6,814	MO..... 5,462
18	MN..... 13,340	AZ..... 1,251	ND..... 6,784	SD..... 5,461
19	HI..... 12,621	WY..... 1,240	KS..... 6,537	ND..... 5,250
20	MI..... 12,584	NE..... 1,208	IA..... 6,243	LA..... 5,192
21	NE..... 12,514	AR..... 1,198	RI..... 6,172	CO..... 5,161
22	WI..... 12,506	MI..... 1,185	PA..... 6,014	TX..... 5,099
23	WV..... 12,309	TN..... 1,175	NV..... 5,921	DE..... 5,092
24	IA..... 12,072	TX..... 1,163	KY..... 5,782	SC..... 4,996
25	LA..... 12,045	FL..... 1,129	ME..... 5,667	IA..... 4,910

26	IN..... 11,955	SC..... 1,127	CA..... 5,660	GA..... 4,794
27	VA..... 11,846	IL..... 1,117	WI..... 5,603	MT..... 4,571
28	KS..... 11,596	AL..... 1,090	OH..... 5,571	FL..... 4,549
29	MT..... 11,566	NC..... 1,076	MT..... 5,521	OR..... 4,447
30	WA..... 11,562	GA..... 1,073	NH..... 5,435	MI..... 4,244
31	SC..... 11,412	OH..... 1,067	OR..... 5,393	AZ..... 4,232
32	MO..... 11,179	OK..... 1,066	NC..... 5,375	KS..... 4,198
33	NM..... 10,753	ME..... 1,064	SC..... 5,288	MN..... 4,068
34	CA..... 10,702	MO.....	AL..... 5,236	AK..... 3,941
35	OR..... 10,677	. 997	LA..... 5,022	CA..... 3,780
36	AR..... 10,573	WA..... 992	IL..... 5,021	WV..... 3,770
37	KY..... 10,533	IN..... 977	MO.....	WA..... 3,756
38	GA..... 10,370	MD..... 964	. 4,721	TN..... 3,650
39	CO..... 10,319	WI..... 958	ID..... 4,698	IN..... 3,495
40	TX..... 10,191	IA..... 919	VA..... 4,644	KY..... 3,484
41	SD..... 10,087	NV..... 908	GA..... 4,503	OK..... 3,381
42	AL..... 9,607	MA..... 886	MS..... 4,491	AL..... 3,281
43	NV..... 9,566	ID..... 877	CO..... 4,340	MS..... 3,068
44	FL..... 9,207	VA..... 877	OK..... 4,304	UT..... 2,945
45	MS..... 8,995	NH..... 873	TN..... 4,129	NV..... 2,737
46	TN..... 8,953	KS..... 861	NE..... 4,014	NC..... 2,219
47	OK..... 8,751	CT..... 839	UT..... 3,976	ID..... 1,833
48	NC..... 8,670	NJ..... 837	TX..... 3,928	NM..... 1,826
49	AZ.....	OR..... 836	FL..... 3,528	AR..... 1,322
50	. 8,599	CO..... 818	SD..... 3,131	VT..... 812
51	UT..... 7,650	MN..... 808	AZ..... 3,116	HI..... 314
	ID..... 7,408	UT..... 729	DC..... (X)	

Source: U.S. Census Bureau, 2013 Annual Survey of School System Finances

Table A2. QBE Earning Sheet for Georgia (All School Systems, FY 2016)

OFFICIAL Georgia State Department Of Education Earnings Sheet for FY 2016											7/14/2016									
School System: State		FY18 INITIAL Amendment #1										THE BASIC UNIT COST IS DEFINED TO BE THE AMOUNT OF \$2,463.43								
Earnings (\$)											Earned Positions Grades K-12									
DIRECT INSTRUCTIONAL COST	FTE	SALARY	OPERATING	QBE EARNINGS	LESS LOCAL 6 MILLS	STATE FUNDS	Teacher	Subj. Spec	Couns.	Teach. Spec										
Kindergarten Pgm	113,170	601,200,228	8,844,233	610,044,461	108,162,545	501,881,916	7,544.67		251.48	102.88										
Kindergarten Early Intr Pgm	15,993	110,847,643	1,249,108	112,096,751	19,078,104	93,018,647	1,453.00		35.52	14.53										
Primary Grade(1-3) Pgm	333,313	1,423,799,734	28,583,336	1,452,483,070	255,582,927	1,196,900,143	19,541.90	967.90	742.01	303.54										
Primary Grd Early Intrv(1-3) Pgm	40,367	259,129,659	3,467,603	262,597,262	45,286,295	216,310,967	3,669.73	117.01	89.70	36.70										
Upper Elementary Grd(4-5) Pgm	200,579	652,922,668	14,124,852	667,047,520	116,804,416	550,243,104	8,720.80	581.41	445.72	182.33										
UppElem Grd Early Intrv(4-5)	20,992	134,701,654	1,478,281	136,179,935	24,281,636	111,898,299	1,908.36	60.85	46.65	19.08										
Middle Grade(6-8) Pgm	0	0	0	0	0	0	0.00	0.00	0.00	0.00										
Middle School(6-8) Pgm	316,704	1,166,683,618	22,302,477	1,188,986,095	204,729,614	984,256,481	15,835.18	918.02	703.77	287.90										
High School Gen Educ(9-12)	345,944	1,056,115,704	39,299,613	1,095,415,317	188,930,609	906,484,708	15,041.00		768.75	314.48										
CTAE(9-12) PGM	70,186	246,724,459	23,034,986	269,759,445	45,103,781	224,655,664	3,509.30		155.97	63.80										
Students with Disab Cat I	20,503	167,411,133	5,104,421	172,515,554	31,672,158	140,843,396	2,562.87			18.64										
Students with Disab Cat II	9,485	96,992,717	1,245,866	98,238,583	16,251,650	81,986,933	1,459.23			8.62										
Students with Disab Cat III	55,524	732,392,071	11,337,987	743,730,058	126,662,161	617,067,897	11,104.80			50.47										
Students with Disab Cat IV	10,707	236,691,479	4,522,863	241,214,342	40,219,595	200,994,744	3,569.00			9.73										
Students with Disab Cat V	14,216	118,306,926	6,005,076	124,312,002	20,257,616	104,054,386	1,777.00			12.92										
Gifted Student Category VI	99,168	547,426,369	10,005,954	557,432,323	98,079,886	459,352,437	8,264.01			90.15										
Remedial Education Pgm	20,783	92,347,896	1,193,780	93,541,676	17,217,992	76,323,684	1,385.53			18.89										
Alternate Education Pgm	19,754	89,908,961	1,391,082	91,300,043	15,027,662	76,272,381	1,316.93		43.90	17.96										
Eng Spkrs of Other Lang (ESOL)	18,916	176,913,370	1,086,512	177,999,882	30,774,423	147,225,459	2,702.28			17.20										
Spec Ed. Itinerant				936,982	151,007	785,975														
Spec Ed. Supplemental Speech				5,488,134	874,806	4,613,328														
<b>TOTAL DIRECT INSTRUC.</b>	<b>1,726,894</b>	<b>7,910,516,289</b>	<b>184,378,030</b>	<b>8,101,319,435</b>	<b>1,406,148,946</b>	<b>6,695,170,489</b>	<b>111,465.</b>	<b>2,645.19</b>	<b>3,283.47</b>	<b>1,569.82</b>										
<b>INDIRECT COST</b>																				
Central Admin		226,301,285	179,403	226,480,688	38,670,216	187,810,472					180.00	558.00			180.00	180.00	697.84	697.84	1,048.	
School Admin		415,096,231	12,071,153	427,167,384	74,655,280	352,512,104							2,270.00	2,768.08	3,407.83					
Facility M & O			514,614,831	514,614,831	88,854,730	425,760,101														
Sub Total (INDIRECT COST)		641,397,516	526,865,387	1,168,262,903	202,180,226	966,082,677					180.00	558.00	2,270.00	2,768.08	3,587.83	180.00	697.84	697.84	1,048.	
<b>MEDIA CENTER PGM</b>		195,064,938	24,153,731	219,218,669	38,181,506	181,037,163													2,978.69	
<b>20 DAYS ADDITIONAL INSTRUCTION</b>		65,176,232		65,176,232	11,343,797	53,832,435														
<b>STAFF &amp; PROFESSIONAL DEV</b>				38,248,915	6,596,504	31,652,411														
<b>PRINCIPAL STAFF &amp; PROF. DEV</b>				683,270	120,301	562,969														
MIDTERM HOLD HARMLESS																				
Amended Formula Adjustment						(466,769,851)														
Charter System Adjustment				14,891,523		14,891,523														
<b>QBE FORMULA EARNINGS</b>		8,812,154,975	735,397,148	9,507,800,947	1,664,571,280	7,476,459,816	111,465.	2,645.19	3,283.47	1,569.82	180.00	558.00	2,270.00	2,768.08	3,587.83	180.00	697.84	697.84	1,048.	
<b>CATEGORICAL GRANTS</b>																				
Pupil Transportation Pgm (Includes 8827 Drivers and bus replacement funds of 0)				126,344,739		126,344,739														
Sparsity - Regular				5,411,222		5,411,222														
Nursing Services				33,771,013		33,771,013														
<b>TOTAL EARNINGS FOR QUALITY BASIC EDUCATION</b>				9,773,327,921		7,641,986,790														
Education Equalization Funding Grant				506,525,397		506,525,397														
<b>TOTAL STATE FUNDING ON THIS ALLOTMENT SHEET</b>				10,279,853.		8,148,512,187														
Charter Commission Admin - State						-3,229,392														
One Time QBE Adjustment						0														
DCH Direct Payment						0														
State Commission Charter Supplement				78,798,862		78,798,862														
<b>TOTAL FUNDING ON THIS ALLOTMENT SHEET</b>				10,358,652.		8,224,081,657														
							<b>NOTES:</b> 1. Expenditure controls as set forth in O.C.G.A. Section 20-2-167 are reinstated effective July 1, 2015, subject to each district's approved flexibility contract. 2. Health Insurance for Certificated Personnel is funded on a per member per month amount(PMPM) of \$945.00, for an annual funding amount of \$11,340 in QBE under appropriation in FY 2016 (HB 76). 3. Teacher Retirement is funded at 14.27% in QBE in FY 2016 (HB 76).													
							<b>Total T&amp;E</b> <b>3,544,686,347</b> includes T&E <b>2,445,069,227</b> and HI <b>1,099,617,120</b>													

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## About the Authors

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## About the Center for State and Local Finance

The Center for State and Local Finance's (CSLF) mission is to develop the people and ideas for next generation public finance by bringing together the Andrew Young School's nationally-ranked faculty and the broader public finance community. CSLF conducts innovative, nonpartisan research on tax policy and reform, budget and financial management, education finance, and economic development and urban policy. Additionally, it provides premier executive education in public finance for state and local finance officials and works with local and state partners on technical assistance projects on fiscal and economic policy.

CSLF Reports, Policy Briefs, and other publications maintain a position of neutrality on public policy issues in order to safeguard the academic freedom of the authors. Thus, interpretations or conclusions in CSLF publications should be understood to be solely those of the author(s).

For more information on the Fiscal Research Center for State and Local Finance, visit our website at: [cslf.gsu.edu](http://cslf.gsu.edu).