Fiscal Research Program

FINANCING GEORGIA'S SCHOOLS: A PRIMER

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I. Introduction

Georgia's nearly 1.5 million students make it the ninth largest state K-12 school system in the United States. Furthermore, Georgia has one of the fastest growing school enrollments in the nation, registering an increase of 12.2 percent between 1996 and 2002. Educating these students requires substantial financial resources. The purpose of this Primer is to explain how education in Georgia is financed and to point out some of the major school financing issues confronting the state.

At the local level, schools are governed by 180 school systems (see Map 1; Appendix A contains a list of the systems). Of these systems, 159 are county systems, though the school systems have independent taxing authority and locally-elected school boards.[1] Twenty-one systems are city, or independent school systems, of which 16 are wholly within a single county. Independent systems also have independent taxing authority and locally-elected school boards. Of the five city systems that lie in more than one county, only the City of Atlanta public school system has more than a small number of students in a second county.

In 1945, a new state constitution established a system of countywide school systems and eliminated some 1,257 sub-county tax systems.[2] Cities that had independent school systems were allowed to retain them. However, the new constitution prohibited the establishment of new independent systems, although subsequent amendments to the constitution allowed for the creation of some new city systems.[3] By 1967, the number of systems had been reduced from 1,257 to 194, including 35 independent systems. Since 1967, 14 independent systems have consolidated with a county school system.

Local systems differ greatly in size and composition. The largest system in the state (Gwinnett County) enrolled almost 123,000 students in 2002-2003 while the

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[1] The school system in Muscogee County is technically an independent system; this is a result of the consolidation with the Columbus City System. The Bibb County School System depends on the county government to impose the tax, and is thus an exception.

[2] Boex and Martinez (1998). Many of these sub-county systems had ceased functioning during the 1930s.

[3] Boex and Martinez (1998).

MAP 1. SCHOOL SYSTEMS IN GEORGIA
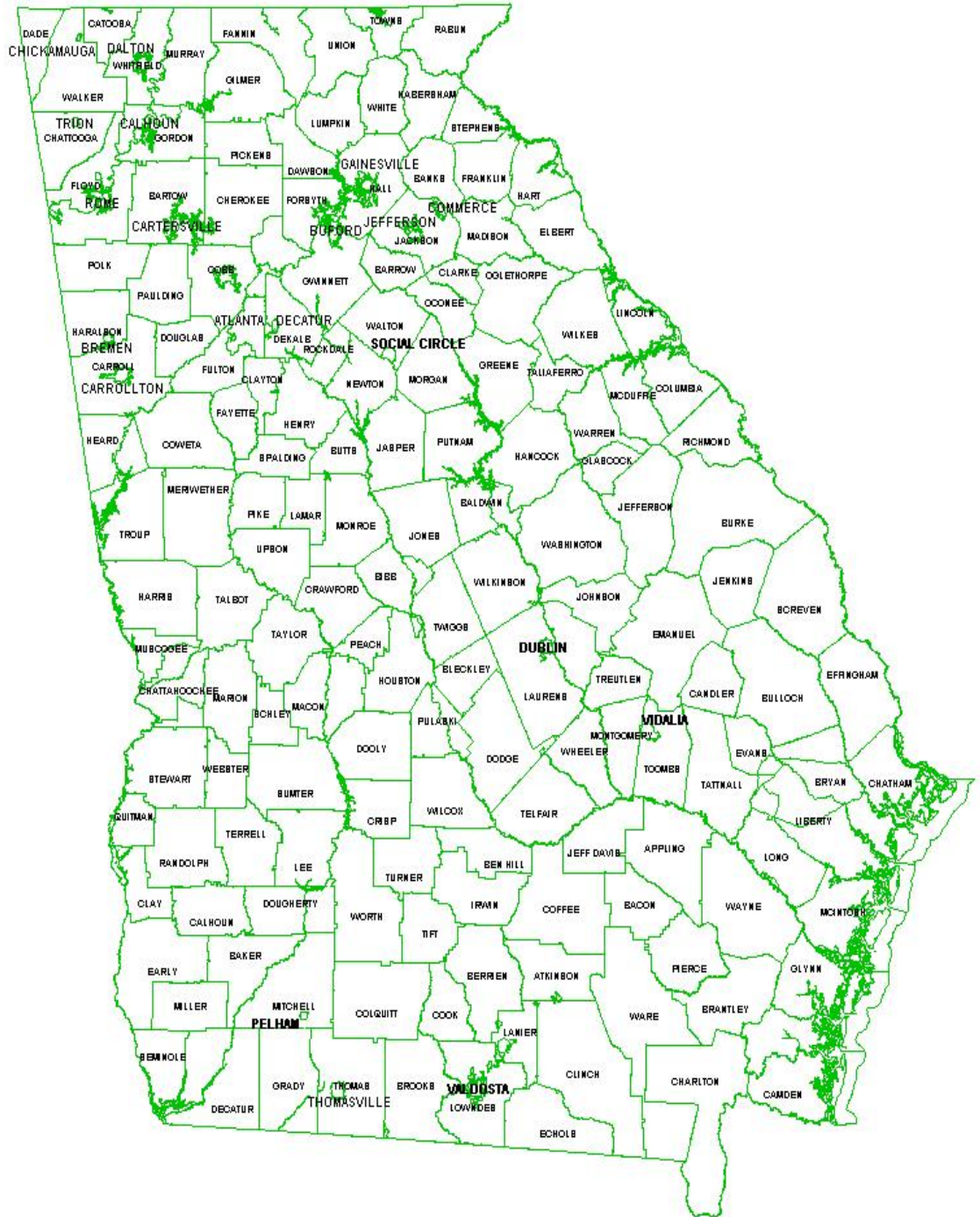
smallest (Taliaferro) enrolled only 280. There are 12 systems with less than 1,000 students and 118 with less than 5,000 students. There are only 5 systems with more than 50,000 students.

The student population is racially diverse; white students comprise 55 percent of total enrollment, African-American students 38 percent, and Hispanic students 5.5 percent. But there is wide variation across systems in their racial composition, generally reflecting the racial makeup of the population in the systems. The percentage of students in a system that are white ranges from nearly zero to 100 percent, while the percent Hispanic ranges from nearly zero to over 36 percent.[4]

The Georgia constitution states, "The provision of an adequate public education for the citizens shall be a primary responsibility of the State of Georgia." (Art. 8, § 1, ¶ 1.) Thus, the state government is responsible for providing an adequate public education. In order to implement this responsibility the state government adopted legislation that established the legal framework under which public schools in Georgia operate. In 1985, the General Assembly passed the Quality Basic Education Act, which, along with the subsequent amendments, forms the current legal framework that guides the operation of public schools in Georgia.

The Constitution grants the authority to establish and maintain public schools to local boards of education (Art. 8, § 5, ¶ 1.) While local school systems provide the classroom education, they do so under the direction and supervision of the state through the Georgia Department of Education. The Department of Education is headed by an elected State School Superintendent, who implements policies approved by a thirteen-member state Board of Education. Board members are appointed by the Governor with the advice and consent of the Senate, one from each U.S. Congressional district, and serve 7-year terms.

K-12 education is financed through a mix of local, state and federal revenues. The federal and state governments provide funds to local school systems, which raise local revenue to supplement these federal and state funds. For the nation as a whole,

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[4] *Georgia County Guide* (2002).

states provide about 50 percent of revenue collected for public elementary and secondary education, while the federal government contributes about 7 percent. That means that local systems contribute about 43 percent of the revenue.[5] There is substantial variation across the country in these relative shares. For example, in Nevada, 65.8 percent of revenue comes from local sources, while in Hawaii only 2.2 percent of school funding comes from local sources. For Alaska, 15.4 percent comes from federal sources. In general, the federal share is larger for states that are poorer or that have a large share of Native Americans.

In the 2001-2002 school year, total spending on K-12 education in Georgia was $10.37 billion, of which 38 percent came from local sources, 56 percent from state sources, and 6 percent from the federal government. The state share has remained relatively constant over the past seven years (Table 1), though it has decreased slightly since 1998. While the state raises revenue primarily from income and sales taxes, local school systems rely heavily on property taxes to fund education. In recent years, however, local sales taxes have become an important source of revenue, but the proceeds of the sales tax can be used only for school construction and not for school operations, although there are a few exceptions.

Relative to other states, Georgia's average current per-pupil spending of $6,437 ranks 28th in the nation.[6] Figure 1 shows how expenditure per student, adjusted for inflation, has grown over the past several years. Figure 2 shows how expenditures per student in Georgia compares to the expenditures per student for the U. S. as a whole. As can be seen, over the past two decades expenditures per student in Georgia have risen from about 72 percent of the national average to about 94 percent.

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[5] National Center for Education Statistics (2003).

[6] National Center for Education Statistics (2003). Current expenditures exclude spending on capital outlays. The Georgia Department of Education (GDOE) reports current expenditures per FTE in FY 2002 to be $9,797. The difference between the NCES and GDOE expenditures is due to differences in how expenditures are reported and how students are counted.

TABLE 1. SOURCE OF REVENUE FOR GEORGIA SCHOOLS

Year	Total Student Enrollment	Local Revenues	% Local	State Revenues	% State	Federal Revenues	% Federal	Total Revenues
1996	1,301,195	$2,509,538,840	38.9	$3,670,616,395	56.9	$276,289,548	4.3	$6,456,444,783
1997	1,333,846	2,728,231,355	39.0	3,979,233,918	56.9	281,590,579	4.0	6,989,055,852
1998	1,365,549	2,775,401,320	37.4	4,313,762,545	58.1	334,323,995	4.5	7,423,487,860
1999	1,390,341	3,135,012,871	38.2	4,670,765,289	56.9	399,548,195	4.9	8,205,326,355
2000	1,412,840	3,449,706,225	39.2	4,922,286,996	55.9	436,846,841	5.0	8,808,840,062
2001	1,435,174	3,697,905,915	38.5	5,439,669,382	56.6	474,907,514	4.9	9,612,482,811
2002	1,459,827	3,982,493,537	38.4	5,803,719,925	56.0	584,054,336	5.6	10,370,267,798

Source: Georgia Department of Education.
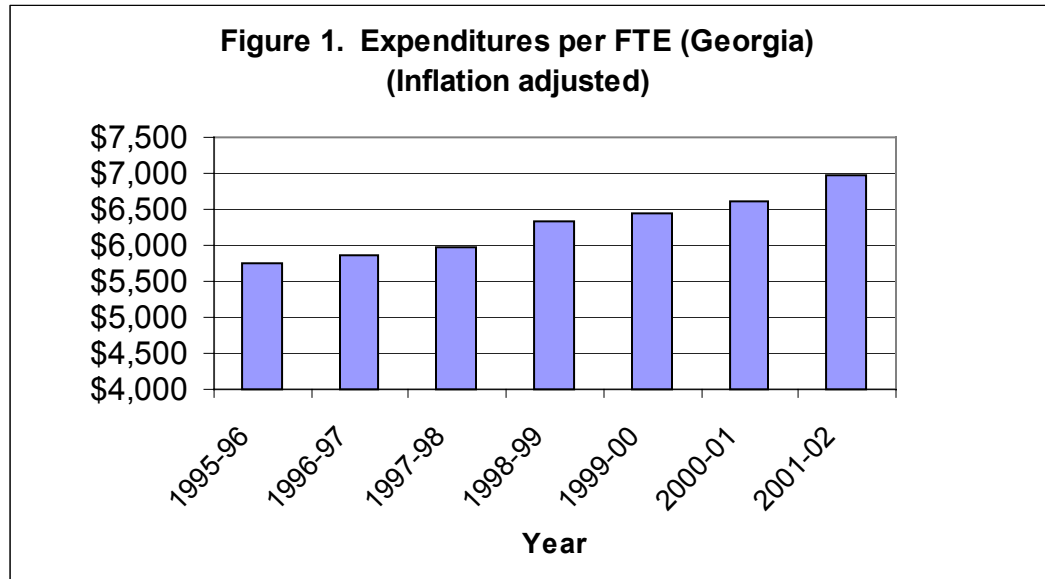
**Figure 1. Expenditures per FTE (Georgia)
(Inflation adjusted)**

Source: Georgia Department of Education.

Figure 2. Expenditures per Student
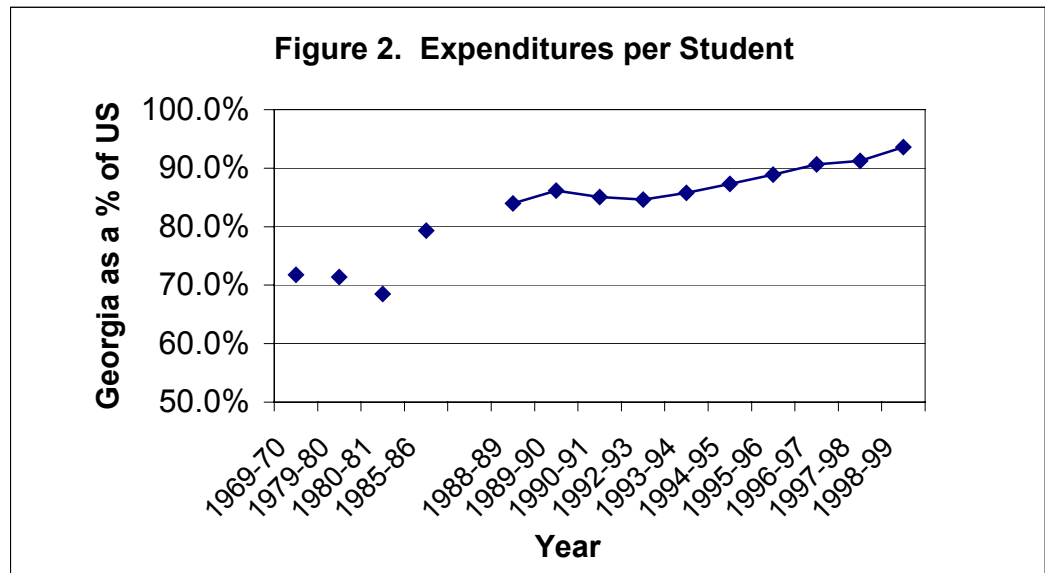
Source: National Center for Education Statistics.

We turn now to a discussion of the nature and role of each of these three sources of revenue in financing Georgia's K-12 education system. We begin with federal funding and then discuss state funding. Finally, local funding is addressed.

II.   Federal Funding

The Federal government operates a variety of grant programs which provide funding for K-12 education (Table 2) that supplements state and local funding. Several of these programs are authorized by the Elementary and Secondary Education Act (ESEA), which combined a number of existing separate education grant program. The most important ESEA grant program, known at Title I, Part A, provides funding to meet the needs of children from low-income families and to address the impact of concentrated poverty. The size of the grant depends on the number of students from low-income families in the county and the average expenditures per pupil in the state. Funds are also provided through two other parts to Title I. Funds allocated under Part C are aimed chiefly at reducing the dropout rate, while Part D allocates funds for the development of special programs for migrating, disabled, and neglected children.

TABLE 2. FEDERAL FUNDING TO GEORGIA: FY 2003

Federal Program	Federal Allocations
Title I, Part A	$602,602,125
Title I, Part C	8,515,125
Title I, Part D	2,285,979
Title II, Part A	70,661,190
Title II, Part D	8,827,078
Title III, Part A	6,786,358
Title IV, Part A	10,567,629
Title V, Part A	9,618,366
Special Education Grants	187,622,572
Vocational Education Grants	14,421,250
Title IV, Part B	6,941,585
Total Federal Formula Funds	$626,439,626

Source: Georgia Department of Education.

The focus of Part A of Title II of ESEA is on strengthening the skills of teachers and improving instruction of mathematics and science. Part D supports technology improvements.   Title III supports magnet schools, Title IV supports funding for several programs such as gifted programs, and Title V funds drug prevention programs.

Funding under the Individuals with Disabilities Education Act is aimed at providing special education and related services to students with disabilities. Finally, grants are provided under the Vocational Education Act of 1963 to support vocational education.

III. State Funding

State funds flow to school systems through a number of formula grants, with funding tied to the number, grade level and special needs of students enrolled in each system. School systems in turn distribute funds to individual schools.

A. Types of Funding Formula

Virtually every state maintains a system of state grants to local school systems to fund educational expenditures. Generally speaking, these grants attempt to ensure that school systems are able to provide adequate resources for students and to provide some level of equity in resource levels between school systems, while still allowing local control over tax and spending levels. While it may be impossible to simultaneously achieve all of these goals (for example, complete local control would lead to significant differences in per-student spending between systems), funding formulas attempt to balance these competing goals.

There are two main types of grants used to fund K-12 education. We first describe them in general terms and then explore the specifics of the Georgia grant formulas.

1. Foundation Grants

Foundation grants are one of the most common ways that states provide funding for education. In a foundation grant, the state determines the minimum level of per-pupil expenditures (the foundation) for all school systems. The per-pupil foundation amount, with adjustments to account for differences in the costs of the various educational programs, is multiplied by the number of students in each system to determine the minimum total expenditure on K-12 education in each school system. In most foundation grant programs, each school system is required to levy a minimum property tax rate and contribute the revenue raised by this tax to the total cost of the foundation. The state then provides a grant equal to the difference between the total minimum spending level specified by the foundation and the revenue that the local school system is required to raise. School systems that have small property tax bases per student, i.e., low-wealth school systems, will raise less property tax revenue from the required minimum property tax rate than systems with

large property tax bases per student, i.e., high-wealth school systems. Thus, low-wealth systems will receive larger per-pupil grants than high-wealth systems. Wealth is measured by the size of the property tax base per student, not by income level, although in some states additional funding it provided to school systems with low income levels.

To illustrate, suppose the state sets the foundation amounts at $4000 per student for high school students and $4200 for elementary school students. Consider a school system that has 200 high school students and 300 elementary school students, and that it is required to raise $500,000 in property taxes. This school system would get a grant of $1,560,000 [i.e., $800,000 ($4000 times 200) for the high school students plus $1,260,000 ($4200 times 300) for the elementary school students, less the $500,000 the system is required to raise]. This amounts to $3120 per student.

2. Guaranteed Tax Base

A second common type of state grant is the *guaranteed tax base* or *guaranteed yield* plan. In these grants, the state chooses a level of property tax wealth (i.e., tax base) per pupil (often the level of wealth in a particular system in the state) 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 property tax rate is expressed in mills, where each mill is $1 per $1000 of taxable value. Thus, if the millage rate is 5 and the taxable value is $100,000, the property tax would be $500.) The state provides a grant equal to the difference between the revenues that would be raised based on the guaranteed property wealth per student and the system's actual property tax yield. Systems are generally free to choose their own tax rates under such a plan, although there may be a limit on the number of mills that are eligible.

The lower the property tax wealth per student, the greater the grant from the state, for any given property tax rate. Suppose, for example, that the guaranteed tax base is set at $150,000 per pupil. Thus, for each mill of property tax that is levied by the system, the system is guaranteed $150 in revenue. If the system can raise $100 per pupil for each mill, the state will give the system a grant of $50 per pupil for each

mill of property tax that is levied. The total grant thus equals $50 per pupil times the millage rate set by the school system, up to any maximum eligible millage rate.

Foundation grant programs can be effective for ensuring minimum spending levels in all school systems. Guaranteed tax base plans reduce the inequality across school systems in their revenue raising ability.   Neither program will necessarily provide equal spending across school systems. Unless the state controls the level of local contributions, some school systems will provide additional funding above the foundation. Guaranteed tax base plans allow local control of taxing decisions, which may result in unequal levels of spending and excessively low spending in some systems since systems are free to choose a tax rate and spending level.

B. Education Grant Programs in Georgia: QBE

Georgia's state funding formula combines these two types of grants, although the foundation grant is the much larger of the two. The guaranteed tax base program, which in Georgia is called the equalization program, allocates only about 5 percent of the total of the two funding programs. In addition, Georgia provides categorical grants for specific purposes, such as for transportation.

In the early 1980s, Georgia faced a challenge to the constitutionality of its state education funding formula in the *McDaniel v. Thomas* case. Although the state Supreme Court recognized that the system provided little equalization of funding across school systems, it ruled that the state constitution's requirement for "provision of an adequate education" did not require equal spending across systems and therefore upheld the system's constitutionality.[7] Despite the state's victory in the *McDaniel* case, then-Governor Joe Frank Harris appointed an Education Review Commission (ERC) to review the formula's funding structure and its reliance on local property tax wealth. The Committee's recommendations, released in November 1984, were immediately drafted into the Quality Basic Education (QBE) Act. The Georgia General Assembly unanimously passed the QBE Act in 1985. It was phased in during the 1985-86 and 1986-87 school years, with full implementation in 1987-88.

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[7] The plaintiffs in the case did not request equal per-student spending across school systems.

The QBE Act provides a foundation program with a guaranteed tax base component operating on top of the foundation (see Box 1). There are three main decisions in setting the foundation grant program: measuring the number of students,

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Box 1
School Funding Formulas

The foundation component operates in a standard form:

$(1) \qquad Grant = Pupil \times [Foundation – (Tax \times Value)]$

where *Grant* is the state grant to the system, *Pupil* is the weighted FTE count (see discussion of weights below) in the system, *Foundation* is the foundation level per pupil, *Tax* is the required local tax rate and *Value* is the equalized assessed property valuation per pupil in the system. Under QBE, *Tax* is set at 5 mills and *Foundation* is set each year by the state legislature through consideration of the per-pupil cost associated with each instructional program defined in the legislation.*

The guaranteed tax base or equalization grant is specified as:

$(2) \qquad Grant = Pupil \times [tax \times (GTB - Value)]$

where *Grant*, *Pupil* and *Value* are defined as before, *tax* is the eligible millage rate in the system, and *GTB* is assessed valuation per-pupil in the reference system (i.e., the guaranteed tax base). Under the original QBE legislation, *GTB* was set at the property tax base of the system at the 90th percentile of per-pupil property wealth. Until 2001, a ceiling on *tax* was set at 3.25 mills (which was 3.0 mills the first year of QBE) above the five mills required under the foundation plan. Thus, the GTB equalized the revenue raised from mills 5-8.25 for all systems below the 90th percentile in per-pupil property wealth. Under the recent revision, *GTB* was set at the property tax base of the system at the 75th percentile of per-pupil property wealth, and the ceiling on *tax* was increased to 15 mills above the five mills required under the foundation plan.

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*While the formula suggests that systems with the ability to raise more than the foundation level from a five-mill tax could be forced to send that money to the state (recapture), the required local contribution was set low enough that no systems raised more from its required 5 mills than the foundation amount.

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determining the foundation level, and setting the required minimum local contribution. To measure the number of students, QBE uses weighted full-time equivalent (FTE) student counts. Weighted FTE counts do not represent the number of students in seats, but are based on the time that students spend in each of the various instructional programs. For funding purposes, the class day is divided into

six periods, or "segments," and school systems "earn" funding based on the placement of students during each period in the various instructional programs. Each of the original 12 instructional programs specified in the original QBE legislation carried a weight ranging from 1.0 to 5.26.[8] Over time the number of instructional programs has been increased to 19 (see Appendix B).

The program weights are based on the specified cost of serving students in each program. The specified per-pupil cost is comprised of several elements. The per-pupil cost of the teacher for each instructional program is determined by dividing a beginning teacher's salary (including benefits), taken from the state teacher salary schedule, by the specified pupil-teacher funding ratio for each program.[9] (Box 2 discusses teacher salaries.) For example, for grades 4-5, the specified student funding ratio is set at 23 to 1, so the teacher cost per student is the starting teacher salary divided by 23.   To this cost is added allowances for school and system administration, maintenance, staff development, and several other types of expenditures. Most of these other allowance are set in dollar amounts per student while others are based on other factors. For example, the cost of a school social worker is determined by dividing the minimum state salary for a school social worker by a specified ratio of students per school social worker. On the other hand, the allocation for principals is based on one principal for each school in the school system.

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[8] These funding categories include grade level programs, such as grades 4-5 or 9-12, as well as special education and gifted education programs. A fourteenth category was added in FY 1997, and five more in the reforms enacted in 2000 and 2001.

[9] The pupil-teacher ratio on which funding is based is not the same as the maximum allowable pupil-teacher ratio.

Box 2

Teacher Salary Schedule

Georgia teachers are paid based upon a schedule of minimum salaries established by the State Board of Education. Teacher salaries are created on a ten-month basis and are paid by local school systems to the various classifications of professional personnel certified by the Professional Standards Commission.

The salary schedule provides a minimum salary base for each classification of professional personnel required to be certificated. A teacher with a bachelor's degree and zero years of experience is at the minimum salary base. The schedule provides for incremental increases above the minimum salary base for each classification based upon individual experience, education, and length of satisfactory service. The state minimum salary schedule is uniform; there is no differentiation on the basis of subjects or grades taught.

Local school systems cannot pay any full-time certified professional employee a salary less than prescribed by the schedule of minimum salaries. Additionally, school systems cannot pay any part-time certificated professional employee less than the pro-rata portion of their full-time salary. Local school systems can supplement the salaries of their personnel using local funds. In doing this, local school systems may consider the following:

- the nature of duties to be performed,
- the responsibility of the position held,
- the subject matter or grades to be taught, and
- the experience and performance of the particular employee whose salary is being supplemented.

Georgia's base teacher salary has increased from $20,052 in 1994-95 to $29,259 in 2003-2004, or by 45.9 percent in total, or 4.3 percent per year. There was no increase in base salary for 2003-2004.

Training and Experience

When calculating teacher salaries, every teacher is initially assumed to be a minimum base teacher. To ensure that local school systems receive the money necessary to pay for the teaching experience of their teachers, QBE provides for training and experience (T&E) funds so teachers can be paid based upon their position on the teacher salary schedule. For example a teacher with 19 or more years of experience, but no additional training, is paid a minimum salary of $42,735.

T&E is calculated for each instructional program provided under QBE. Each local school system receives an amount of additional funds needed beyond the amounts reflected in the base amount and the program weights, in order to pay the state-minimum salaries of certified personnel. The calculation of this additional amount is based on all certified professional personnel who were employed by the local school system in the month of June during the most recent year. The T&E amount needed for personnel funded through categorical grants is included in the calculation of the appropriate categorical grant, and is called the "program adjustment amount for training and experience."

This Box is based on a document prepared by John Brown. We thank him for permission to use it.

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Since the cost of the high school general education program has the lowest estimated cost, it is assigned a weight of 1.0. The weights for the other programs equal the per pupil cost for that instructional program divided by the per pupil cost of the high school general education program. Thus, other programs have higher weights since the high school program has the lowest cost per pupil. Because the cost of each program changes from year to year by different amounts, the weights change over time.

As an example, assume a high school student spends four periods a day in a general education classroom (funding weight 1.0) and two periods a day in a special education program (funding weight 2.3). For the day, that student would have a weight of 1.43, derived as follows: $((4 \times 1.0)+(2 \times 2.3))/6$. If the weight for each student is multiplied by the base student allocation, which is the per pupil cost for students in the high school general education program, the result is the foundation level for each student. Therefore, if the base student allocation was set at $3,000 per pupil, the student in this example would "earn" $4,290 for the school system, i.e., $3,000 \times 1.43$.[10]

The foundation amount per pupil does not automatically change each year, but is adjusted by the state legislature. Each legislative session, the legislature may adopt changes to the teacher salary schedule and to the allowable cost of other factors such as books and materials. In determining the allowable costs, the state legislature considers the effects on the state budget. Thus, the foundation level is not necessarily what it would actually cost to provide an adequate education.

In addition to the foundation amount, each system receives additional "Training and Experience" funding based on each teacher's actual salary on the state teacher salary schedule. Thus, systems with more experienced and more educated teachers receive higher levels of funding. These adjustments are significant, adding approximately 42 percent to the base funding for all school systems as a whole.

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[10] The actual calculation is not done this way, but yields the same result. In practice, the total number of segments for each program is calculated and divided by 6. These totals are multiplied by the respective program weight and then summed.

The QBE Act also raised the required local contribution to the equivalent of five mills levied on each system's "equalized" property tax base (and changed the name of this contribution to Local Fair Share). [11] Most property that is subject to the property tax in Georgia is, by law, required to be assessed at 40 percent of fair market value.[12] However, in practice, there are variations across counties in the actual ratio of assessed value to fair market value. Thus, calculating the required five mill shares using the actual property tax bases could lead to inequalities across school systems. School systems in which property was assessed at much less than fair market value would contribute less than school systems that assessed its property at 40 percent of fair market value. Thus, the state uses a Sales Ratio Study (Box 3) to calculate equalized property tax bases so that the Local Fair Share for all school systems are based on property tax bases that equal 40 percent of fair market value. Systems can raise their required contribution from property taxes or any other legally permissible local revenue source.

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[11] The increase in Local Fair Share was phased in and was fully implemented in FY 1988. The aggregate required local contribution cannot exceed 20 percent of total QBE funding. If 5 mills raised more than 20 percent, the required contribution of all school system would be proportionately reduced.

[12] There are exceptions that are the result of local legislation. For example, the city of Decatur assesses property at 50 percent, Dalton, Bremen, and Gainesville assess property at 100 percent, while Dublin assesses property at 47 percent. For these school systems, the required local contribution implied by the required local 5 mills is based on an assessment ratio of 40 percent.

Box 3
Sales Ratio Study

QBE defines the local five mill share as the amount of money that can be raised by levying five mills on the school system's "equalized adjusted school property tax digest" assessed at 40 percent. The local fair share is not what the school system actually collects from a five mill property tax. Rather, the local fair share is what the school system should collect if the property in the school district is properly assessed at 40 percent.

State law requires most local governments to assess property at 40 percent of fair market value each year. While the assessment ratio is fixed in law, fair market value must be left to the judgment of individual tax assessors. As a check on the accuracy of local officials' efforts the State Auditor conducts a Sales Ratio Study for each county.

A Sales Ratio Study is a comparison of the local assessments of fair market value of selected pieces of property with actual sales or appraisals of those same pieces of property. A Sales Ratio Study is a kind of audit of the local property tax digest.

To conduct the Sales Ratio Study, the Department of Audits, using property transfer slips, collects information on the sales of property within each county for one year. The Department augments these sales with appraisals of other property, and then compares the sales and appraisals with the assessed values for the following year of the same properties. After deleting sales that are not considered fair market exchanges, the sum total of the assessed values is divided by the sum total of the sales and appraisals to form the sales-assessment ratio. The results of the Sales Ratio Study are used to calculate the equalized adjusted school property tax digest.

The QBE legislation also added a Guaranteed Tax Base (GTB) program, known as the "equalization program," that operates on top of the foundation program. The guaranteed tax base was set equal to the property tax base per pupil for the system at the 90th percentile. Thus, the GTB equalized the revenue for each system below the 90th percentile of per-pupil property wealth. However, the program only provided this guaranteed yield for 3.0 mills (raised to 3.25 mills in 1989) levied above the five mills required for the foundation program. Participation in the equalization program is voluntary in the sense that school systems are not required to levy more than 5 mills. However, virtually all systems in the state levied above 8.25 mills of property tax and, therefore, took full advantage of the program.[13] The

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[13] Systems above the 90th percentile in per-pupil property wealth were not eligible to participate.

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relatively high level of the Guaranteed Tax Base combined with the relatively low number of eligible mills, served to distribute some equalization funding on a per-student basis to virtually all school systems, but high levels of funding to virtually none. In addition, any property tax levied above 8.25 mills generated no equalization funds from the state.

C. Recent Reforms

In 1999, as part of a major school reform effort, Governor Roy Barnes created the Governor's Education Reform Study Commission (ERSC) to recommend comprehensive changes to the state's education system, including the QBE formulas. The legislation growing out of the commission's deliberations (HB 1187, named the A+ Education Reform Act of 2000 and passed in 2000, and HB 656 which was passed in 2001) kept the basic QBE funding framework intact.   The foundation program remained the same except for the addition of several new instructional programs and consolidation of others, resulting in 19 instructional program areas. (See Appendix B for a description of the programs.)   Several programs that were previously funded through categorical grants, such as ESOL (English for Speakers of Others Languages) were folded into the foundation grant program. The required local contribution remained at 5 mills, though the name was changed from "Local Fair Share" to "Local Five Mill Share."

The largest formula changes in the legislation focused on the equalization program. The legislation changed the reference system from the 90th percentile of per-pupil property wealth to the 75th.   This change completely eliminated the equalization grants for systems between the 75th and 90th percentile of per pupil property tax wealth, and by itself, reduced the equalization grant for systems below the 75th percentile. But at the same time, the number of mills eligible for equalization funding was increased from 3.25 to 15. This change, in combination with the change to the 75th percentile of per-pupil property wealth, increased the equalization grants for low wealth systems that levied relatively higher property tax rates. As a result of the changes, systems below the 75th percentile receive state equalization aid for all mills they levy between 5 and 20 mills.

The legislation also included a six-year phase-in for the equalization program to adjust funding for systems that would lose money as a result of the change. The equalization phase-in provision was included to prevent any system from losing a large sum of money in any given year until the transition from the 90th to the 75th percentile could be completed. Most of the systems losing equalization funds were those between the 75th and 90th percentiles of property wealth, and this group included several large metro Atlanta systems that have experienced tremendous growth in student populations.[14] Budgetary constraints prevented the state from implementing a true hold harmless arrangement, so the new equalization program was phased in. During the phase-in period, equalization grants are determined by comparing the funding generated using both the 90th percentile and the 75th percentile as the reference and distributing only a portion of any gains (or losses). In the first year of the new program (FY 2001), systems that would gain additional funding under the new system received 25 percent of the estimated increase, while systems losing funding were subject to only 25 percent of the loss. In FY 2002 and FY 2003, the percentage rose to 40 percent and 55 percent, respectively. In FY 2004, the percentage increased to 70 percent of the gain/loss, with full implementation expected in FY 2006.

D. Categorical Grants

The state provides separate funding for particular purposes such as student transportation. Transportation grants are based on the number of students who are eligible for transportation. In addition, special funds are allocated to systems with geographically isolated schools and for superintendents, principals, vocational supervisors, and nursing services.

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[14] See Rubenstein and Freeman (2003a) for further discussion of enrollment growth patterns in Georgia.

E. Capital Outlay Program

Georgia also has a capital outlay program that supports part of the cost of construction and renovation and modification of public elementary and secondary schools. [15]   The capital outlay program is comprised of two main segments, a regular capital outlay program, for which all systems are eligible, and three special programs, one for exception growth systems, one for low wealth system, and an advanced funding program.

The enabling legislation for the regular capital outlay program states that it is the policy of the State of Georgia to:

> "…assure that every public school student shall be housed in a facility which is structurally sound and well maintained and which has adequate space and equipment to meet each student's instructional needs as those needs are defined and required in this article."[16]

HB 656 set the annual entitlement for the regular capital outlay program at $200 million and the annual entitlement for the exceptional growth systems capital outlay fund at $100 million. The actual appropriation for FY 2004 is $120 for the regular program and $60 million for the exceptional growth program.

In order to receive capital outlay funds, each school system must develop an educational facilities plan and update it at least every five years. The plan must include a list of construction projects eligible for state capital outlay funds, facilities that are scheduled for abandonment, future (five-year) facility needs, proposed renovation projects, and proposed consolidation of small, inefficient facilities. The plan must rank-order the proposed construction projects in terms of their funding priority.

A key issue is determining which projects are eligible for state funding. This includes determining which projects or portions of projects qualify and the magnitude of costs that the state will match. The State Department of Education (DOE) has detailed regulations that are used to determine which projects qualify for funding.

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[15] The capital outlay program was passed in 1977 and amended in 1980, and became operational in 1982.

[16] Article 20-2-260, Part 10, Subsection (a), *Ga Code Annotated*.

Construction projects which meet the minimum standards are eligible for state funding. Projects with specifications exceeding the state standards are eligible for funding, but only up to the cost of building a "standard" facility, that is, one that meets the state's minimum guidelines. The costs of exceeding the standard size facility and the allowable costs per square foot of floor area are born entirely by the local systems. The state does not cover any of the cost of land acquisition or site preparation.

Some types of school facilities are specifically excluded from state funding. The state may not participate in the 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. The local participation is affected by the system's "local wealth factor." The local wealth factor is the average of the property tax wealth factor and the sales tax wealth factor for school systems that have a sales tax for construction purposes (see discussion below). A local system's property tax wealth factor is its property tax base per student divided by the statewide property tax base per student.[17] As similar calculation is made of the sales tax wealth factor. If the local wealth factor is one or more, the school system must contribute 20 percent of the eligible cost of the project, but no school system is required to contribute more than 20 percent. If the local wealth factor is less than one, then the required local participation is determined by multiplying 20 percent by the local wealth factor. But the local participation cannot be less than 8 percent. This procedure was intended to require a lower participation rate for those systems with a small property tax base per student.[18]

The annual authorization is allocated to school systems on the basis of each school system's facility needs relative to the total facility needs of all school systems. These entitlements accrue to school systems annually and can carry over to future

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[17] The property tax base is the net equalized adjusted school property tax digest, and students are weighted full-time equivalent students.

[18] A system may get a 2 percent reduction from the participation rate if it uses a prototypical design and allows the Georgia State Financing and Investment Commission to manage the project.

fiscal years. Thus, any annual entitlement to a specific school system that is not requested in an application for funding for a specific project is added to the school's previously unused entitlements.

These entitlements are then drawn down by the school system in order to fund the non-local proportion of the eligible project cost. Each school system makes an application and the state legislature then decides, through an appropriation of state funds, whether to fund the projects. A school system cannot draw down its entitlements to less than zero except under special situations, in which case the school system can receive an advance in state capital outlay funds.

The capital outlay program for exceptional growth systems provides a separate set of funding for school system for which growth in enrollment is high. In 2002, there were 50 school systems eligible for the exceptional growth program. The capital outlay for low wealth program allows eligible systems to obtain 92 percent of the state eligible cost of its first priority project. To be eligible, the system must have implemented an Education Special Purpose Local Option Sales Tax, have a property tax rate that is at least 60 percent of the maximum allowable rate (which is 20 mills for most school systems), and sales tax revenue per student, property tax base per student, and per capita income that are all less than 75 percent of the state average. Both of these programs will cease to exist as of June 30, 2009.   The Advanced Funding Program allows a system to obtain funding earlier than normal under certain conditions, for example, an existing facility is destroyed by a natural disaster.

F. Summary

The state funding of education consists of a foundation amount less the Local Five Mill Share, plus an equalization grant to eligible systems, plus certain categorical grants, including those for construction. Box 4 contains an example of an earnings sheet showing how much the Appling School System receives from the various components of QBE funding program.[19] Table 3 summarizes the amount of

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[19] QBE earning sheets for all school systems can be found on the Georgia Department of Education website at http://db1.doe.k12.ga.us:8001/ows-bin/owa/ qbe_reports.public_menu?p_fy=2000

BOX 4. EARNING SHEET FOR APPLING COUNTY SCHOOL SYSTEM

Georgia State Department Of Education
Initial Earnings Sheet for FY 2003

03/19/2003

SYSTEM: 601 - Appling County

THE BASIC UNIT COST IS DEFINED TO BE THE AMOUNT OF $2,334.03

CHANGE FTES SITE TO SYSTEM

DIRECT INSTRUCTIONAL COST	FTE	SALARY	OPERATING	QBE EARNINGS	Less Local 5 Mills	STATE FUNDS	Teacher	* Subj. Spec	Couns.	Tech. Spec
								Grades K-12		
Kindergarten Pgm	189	847,152	11,844	858,996	167,470	691,526	12.58		0.41	0.17
Kindergarten Early Intrv Pgm	61	355,426	3,835	359,261	70,042	289,219	5.56		0.13	0.06
Primary Grade(1-3) Pgm	544	1,931,698	38,389	1,970,087	384,089	1,585,998	32.03	1.58	1.18	0.49
Primary Grd Early Intrv(1-3) Pgm	109	579,650	7,704	587,354	114,511	472,843	9.93	0.32	0.24	0.10
Upper Elementary Grd(4-5) Pgm	451	1,221,129	24,819	1,245,948	242,910	1,003,038	19.61	1.31	0.98	0.41
UppElem Grd Early Intrv(4-5) Pgm	35	185,685	1,926	187,611	36,577	151,034	3.18	0.10	0.08	0.03
Middle Grade(6-8) Pgm	0	0	0	0	0	0	0.00	0.00	0.00	0.00
Middle School(6-8) Pgm	641	1,944,706	35,271	1,979,977	386,017	1,593,960	32.05	1.86	1.03	0.58
High School Gen Educ(9-12) Pgm	621	1,593,609	60,966	1,654,575	322,576	1,331,999	26.99		1.55	0.56
VocationalLab(9-12) Pgm	216	632,417	67,648	700,065	136,485	563,580	10.81		0.54	0.20
Students with Disab Cat I	4	28,601	969	29,570	5,765	23,805	0.52			0.00
Students with Disab Cat II	61	520,334	7,119	527,453	102,832	424,621	9.45			0.06
Students with Disab Cat III	104	1,139,519	19,554	1,159,073	225,973	933,100	20.71			0.09
Students with Disab Cat IV	16	291,658	6,485	298,143	58,126	240,017	5.31			0.01
Students with Disab Cat V	4	30,871	1,822	32,693	6,374	26,319	0.56			0.00
Gifted Student Category VI	4	19,896	369	20,265	3,951	16,314	0.36			0.00
Remedial Education Pgm	10	37,008	421	37,429	7,297	30,132	0.67			0.01
Alternative Education Pgm	37	156,895	2,033	158,928	30,985	127,943	2.46		0.37	0.03
Eng.Spkrs.of Other Lang.(ESOL) Pgm	12	92,790	496	93,286	18,187	75,099	1.68			0.01
Spec Ed. Itinerant				5,766	1,124	4,642				
Spec Ed. Supplemental Speech				7,012	1,367	5,645				
TOTAL DIRECT INSTRUC.	3,119	11,609,044	291,670	11,913,492	2,322,658	9,590,834	194.46	5.17	6.51	2.81
INDIRECT COST										
Central Admin		425,317	48,017	473,334	92,281	381,053				
School Admin		760,461	22,018	782,479	152,552	629,927				
Facility M & O		929,781		929,781	181,270	748,511				
Sub Total (INDIRECT COST)		1,185,778	999,816	2,185,594	426,103	1,759,491				
MEDIA CENTER PGM		293,575	30,484	324,059	63,179	260,880				
20 DAYS ADDITIONAL INSTRUCTION		110,596		110,596	21,562	89,034				
STAFF & PROFESSIONAL DEV				64,874	12,648	52,226				
MIDTERM HOLD HARMLESS				N/A	N/A	N/A				
AUSTERITY REDUCTION						(315,940)				
QBE FORMULA EARNINGS		13,198,993	1,321,970	14,598,615	2,846,150	11,436,525	194.46	5.17	6.51	2.81
CATEGORICAL GRANTS										
Pupil Transportation Pgm (includes 43 Drivers and bus replacement funds of 146,038)				726,426		726,426				
Sparsity - Regular				0		0				
Sparsity - Alternative Program				19,000		19,000				
Sub Total (SPARSITY)				19,000		19,000				
Principal Supplement (Weighted FTE is 4,190)				12,670		12,670				
Vocational Supervisors				24,259		24,259				
Migrant Education				0		N/A				
TOTAL EARNINGS FOR QUALITY BASIC EDUCATION				15,380,970		12,218,880				
Education Equalization Funding Grant				90,760		90,760				
TOTAL STATE FUNDING ON THIS ALLOTMENT SHEET				15,471,730		12,309,640				
Nursing Services				76,910		76,910				
Computers in the Classroom				0		0				
Sub Total (OTHER FUNDING)				76,910		76,910				
TOTAL FUNDING ON THIS ALLOTMENT SHEET				15,548,640		12,386,550				

Earned Positions — Gr K-3 / Gr 4-12 / Min Required Positions Grades K-12

	Teacher (Gr K-3)	Teacher (Gr 4-12)	* Subj. Spec	Couns.	Tech. Spec
Kindergarten Pgm	9.93				
Kindergarten Early Intrv Pgm	4.36				
Primary Grade(1-3) Pgm	24.75				
Primary Grd Early Intrv(1-3) Pgm	7.80				
Total	46				
Upper Elementary Grd(4-5) Pgm		14.30			
UppElem Grd Early Intrv(4-5) Pgm		2.32			
Middle Grade(6-8) Pgm		0.00			
Middle School(6-8) Pgm		23.38			
High School Gen Educ(9-12) Pgm		19.69			
VocationalLab(9-12) Pgm		7.88			
Students with Disab Cat I		0.38			
Students with Disab Cat II		6.89			
Students with Disab Cat III		15.11			
Students with Disab Cat IV		3.87			
Students with Disab Cat V		0.41			
Gifted Student Category VI		0.26			
Remedial Education Pgm		0.49			
Alternative Education Pgm		1.79			
Eng.Spkrs.of Other Lang.(ESOL) Pgm		1.23			
Total		98			

Earned Positions

	Supt.	Asst Supt.	Prin.	Asst Prin.	Sety.	Acct ant.	VT/SW	Psych.	Sp Ed Ldr	Media Center
Central Admin	1		2		1		1			
School Admin			6	5.04	6.27		1.23	1.23	0.97	
Sub Total	1		2	6	7.27	1	1.23	1.23	0.97	5.41
Total	1		2	6	7.27	1	1.23	1.23	0.97	5.41

	Grades K-12 Couns.	Tech. Spec
Total	6	2

NOTES :
1. This allotment sheet changes the following: FTEs from site to system, adds the austerity reduction line item for QBE formula earnings, includes austerity reductions to regular and alternative sparsity and to equalization.
2. There may be additional austerity reductions.
3. This allotment sheet does not contain any midterm information.
4. For "Expenditure Control Tests Under HB 1187 & Position Test Under HB 1187" info. go to: http://www.doe.k12.ga.us/communications/releases/hb1187.html.
5. Position tests only on numbers in bold Print. Also see requirements in SBOE rule CGB:160-5-1-.22 Personnel Required.
6. KG & KG EIP include salary earnings for aides/parapro.
7. THESE NUMBERS ARE SUBJECT TO CHANGE.

TABLE 3. GEORGIA EDUCATION FUNDING BY COMPONENT: FY 2003

Component	Amount
QBE Foundation Earnings	$6,234,498,154
Less Local Five Mill Share	1,102,013,456
Less Austerity Reduction	134,933,642
QBE Foundation Funds	4,997,551,056
QBE Equalization Grant	264,346,430
Categorical and Other Programs	204,012,610
Total	$5,465,910,096

Source: Georgia Department of Education, March 2003.

funding for each of the funding programs for FY 2003 for the entire state. As can be seen, the foundation component of state funding accounts for 91.4 percent of total state funds provided. State appropriations to the Department of Education in FY 2003 accounted for 37 percent of the state budget.

IV. Local Funding

Local school systems raise revenue from a variety of sources to supplement state and federal funding. But in Georgia, as in most states, the property tax is the principal source of revenue for school systems. And, for most school systems in Georgia, the property tax is the only tax that school systems can use to fund school operations. However, there are 10 school systems that are allowed to use a 1 percent sales tax to fund school operations, and there are other systems that can use certain other taxes, such as an alcoholic beverage tax used by the DeKalb School System. In addition, since 1997, school systems have had authority, subject to a referendum, to levy a temporary 1 percent sales tax to fund capital improvements, i.e., construction. Local school systems also raise a relatively small amount of revenue from fees and contributions.

A. Property Taxes

As discussed above, local school systems in Georgia 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 equalized property tax base. The 10 school systems that are allowed to levy a sales tax for operating purposes must also raise an amount of revenue equivalent to what five mills of property tax would raise, but they are allowed to use the sales tax for that purpose.

In addition to the required contribution, school systems can supplement the revenue provided for in the QBE formula by levying a property tax rate in excess of five mills. All school systems in Georgia supplement the foundation level. These supplementary funds can be used to provide additional or enhanced programs and services, to pay salaries that exceed the state's salary schedule, and to fund system's capital (i.e., construction) program. However, the Georgia Constitution limits the property tax rate for most county school systems to 20 mills; there is no such

Constitutional limitation for independent (i.e., city) school systems.[20] The 20-mill limit can be exceeded if the school system obtains permission from the voters through a referendum.

In FY 2001, per capita property taxes in Georgia for school purposes were $411. Over the 9-year period FY 1992 to FY 2001, total property taxes for school purposes increased by 77.4 percent in Georgia. However, in per capita terms and adjusted for inflation, the increase was 13.0 percent, from $364 to $411.[21]

Property taxes have increasingly become an education tax. Property taxes for school purposes accounted for 55.0 percent of all property taxes collected in Georgia in FY 2000, but were only 52 percent in FY 1992. As cities and counties have developed other sources of tax revenue, their relative reliance on property taxes has decreased.   On the other hand, most school systems in Georgia have to rely solely on the property tax to fund their operating expenses. Thus, the share of all property taxes that goes to fund education has increased over time.

Property taxes per student vary widely across school systems in Georgia, ranging from $339 to $5,254, with more than half between $1,000 and $2,000. Table 4 shows the distribution of property taxes per student for FY 2001.

TABLE 4. PROPERTY TAXES PER PUPIL, FY 2001

	$1,000 or less	$1,000 - $1999	$2,000 - $2,999	$3,000 or more
Number of Systems	21	95	35	17

Source: National Center for Education Statistics (2003).
Note that data for several school systems were missing from the database used to construct Table 4.

Differences in the property tax base per student is an important factor in explaining why there are differences in property taxes per student. The property tax base per student reflects the "wealth" of the school system, and the greater the

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[20] School systems, such as DeKalb, Fulton, and Rockdale, that were allowed to levy a property tax in excess of 20 mills prior to June 30, 1983, the last date that local Constitutional amendments were allowed, may exceed 20 mills. The Muscogee School System, which consolidated with Columbus, is considered an independent school system. The Vidalia city system has a local property tax limit of less than 20 mills.

[21] Bureau of the Census (2001).

property wealth of the school system, the easier it is for the school system to finance education since one mill generates more revenue per student. There are wide differences across school systems in the level of property tax base per student (see Figure 3). Table 5 summarized the distribution. The wealthiest system (Rabun County) has an equalized property tax base per student that is almost 23 times larger than the poorest system (Pelham City). While there are large differences in property wealth per student, 162 school systems, accounting for 91 percent of the students, have property wealth per student between $50,000 and $200,000. Expenditures per student are generally larger for school systems with larger per pupil property tax bases.

Figure 3. Net Tax Digest per FTE
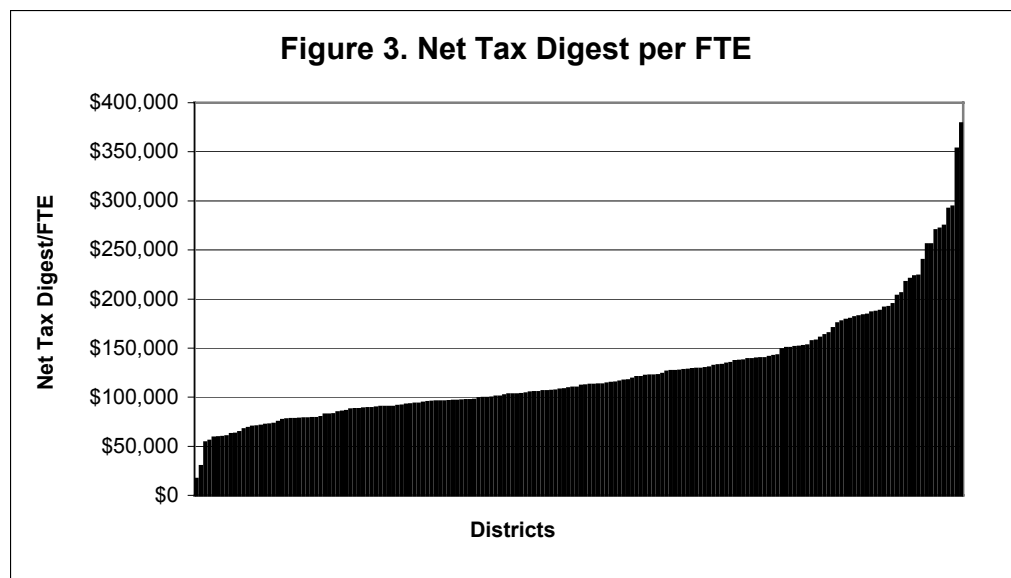
TABLE 5. EQUALIZED PROPERTY TAX BASE PER STUDENT, FY 2001

Base per Student	Number of School Systems
$50,000 or less	2
50,001 – 100,000	95
100,001 – 150,000	43
150,001 – 200,000	24
200,001 – 250,000	7
250,001 or more	9

Source: Georgia Department of Education.

There are also differences in millage rates (see Table 6). Part of these differences are associated with the ability of 10 school systems to use a sales tax for school operations; 7 of the school systems with millage rates of less than 10 mills rely on a sales tax.

TABLE 6. DISTRIBUTION OF MILLAGE RATES

Millage Rate	Number of Systems
Less than 10 mills	16
10 – 14.9 mills	87
15 – 19.9 mills	72
20 or more mills	5

SOURCE: Georgia Department of Revenue.

B. Sales Tax

1. Sales Taxes for Operations

The other major source of local tax revenue for school funding is the sales tax. There are 10 school systems that are allowed to collect sales taxes for school operations. These are comprised of 8 county school systems (Bulloch, Chattooga, Colquitt, Habersham, Houston, Mitchell, Rabun, and Towns) and two city school systems [Pelham (Mitchell County) and Trion (Chattooga County)]. These 10 systems account for 3.8 percent of the total number of students in the state. In calendar year 2001, these systems collected $21.4 million in sales taxes for school operations. This amounts to $382 per student.

Voters in these 8 counties approved by referendum the use of a 1 percent sales tax for education purposes in 1983 or earlier. Prior to July 1, 1983, it was possible to enact local constitutional amendments, i.e., amendments to the state constitution that pertained only to a specific county or government. These eight counties adopted amendments that allowed them to use a local sales tax for school purposes. In 1983, the state adopted a new constitution which prohibited any future local constitutional amendments, but which "grandfathered" all existing local constitutional amendments as local legislation. State law does not allow any other school system to use the sales tax to fund its school operations.

2. ESPLOST

The other local use of sales taxes for education is the Education Special Purpose Local Option Sales Tax (ESPLOST). 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 schedule a referendum on the ESPLOST. The ESPLOST rate is mandated at one percent, with a maximum usage period of five years. At any point during the five years, local boards of education can call for a referendum on extending the tax. Unlike a general-purpose local option sales tax to support operations, the ESPLOST revenue can only be used for three specific purposes:

1. for capital outlay, such as new educational facilities;

2. to repay bonded debt from previous educational facilities construction; or

3. to issue new bonded debt for capital outlay, to be repaid with ESPLOST revenue.

Georgia's mix of county and city school systems complicates the referendum process. The ESPLOST is levied countywide, but in counties containing 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 full-time equivalent (FTE) students within the county, unless the city and county systems negotiate an alternative sharing mechanism. Through July 2003, 167 school systems had approved the tax (see Table 7).   The first-time referendum approval rate has been 90 percent in county systems and 83 percent in city systems. Table 6 shows the number of school systems that implemented ESPLOST by year of implementation or renewal. Since most of the ESPLOSTs were implemented in 1997 and 1998 for a five year period, a substantial number of systems began to implement renewed ESPLOSTs beginning in 2002.

TABLE 7. ESPLOST BY YEAR OF IMPLEMENTATION

	-----------Number of Counties-----------	
Calendar Year	**First ESPLOST**	**ESPLOST Renewal**
1997	64	
1998	45	1
1999	16	
2000	13	2
2001	4	5
2002	4	62
2003*	1	37
No ESPLOST**	13	

*Through July 2003.
**Bullock, Burke, Chatham, Clinch, Echols, Fayette, Glynn,
Hancock, Johnson, Miller, Treutlen, Washington, and Wilkes.

As one of the fastest-growing states in the U.S., one of the most pressing problems facing the state has been meeting the capital outlay needs of fast-growing school systems. In addition, school reform legislation enacted in 2000 mandated reduced class sizes, thereby making space constraints even more critical. (During the 2003 session of the General Assembly the mandated reduction in class sizes was postponed, except for grades K-3.) School facility needs across the state through 2004 have been estimated at $900 million. However, this figure is based on the state's allowance for construction, which is about half of the typical cost and does not include such factors as land cost, site preparation, or the 5,500 to 6,700 new classrooms needed to meet the requirements of the class size reduction plan.[22] In 2002, school systems collected $1,160 million in ESPLOST revenue (Georgia Department of Revenue).

Georgia's ESPLOST legislation provides school systems the opportunity to substitute sales tax-funded, pay-as-you-go construction for property tax-funded, long-term debt service. While the ESPLOST has provided a windfall for many school systems – particularly large, fast-growing systems in metro Atlanta – many other school systems have been largely left behind. This pattern is not entirely unexpected, since retail sales outlets tend to concentrate in heavily populated urban and suburban areas. Few rural areas, except those with large malls or retail outlets, are likely to have a sales tax base large enough to raise substantial revenue from a local sales tax.

[22] Georgia Education Reform Study Commission (2000).

In rural areas with large retail outlets, it is likely that a large proportion of sales are made by residents of surrounding school systems, thereby forcing non-residents to support educational expenditures in the system with the concentration of retail establishments.

It is well established in the public finance literature that the general sales tax tends to be a regressive and unstable revenue source. Since lower-income families will tend to spend a higher proportion of their income on items subject to the sales tax, they will bear a disproportionate share of the burden from a sales tax increase, such as the ESPLOST.[23]   To the extent that these families also receive greater benefits from the school construction or property tax relief funded through the ESPLOST, this regressivity may be mitigated. However, the incidence of these benefits is far from clear.

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[23] Food is exempt from state sales tax in Georgia, but not from the local sales tax.

V. Summary

Table 8 summaries expenditures and the various sources of education funding in Georgia for FY 2002.[24]

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[24] Table 8 was constructed by Joe Martin. We appreciate his willingness to allow us to use it.

TABLE 8. GEORGIA K-12 GENERAL FUND EXPENDITURES AND REVENUES, FY 2002

	Expenditures			Revenues			
	[1] General Fund Expenditures by School Systems	[2] Per FTE	[3] % of Total	[4] QBE Earnings	[5] Per FTE	[6] % of Total Expenditures	[7] QBE as % of Expend (4)/(1)
Instruction (1)	$6,829,732,317	$4,719	72.8%	$5,186,813,558	$3,584	55.3%	75.9%
Pupil Services (2)	230,814,962	159	2.5%	247,615,740	171	2.6%	107.3%
Media Center	215,819,491	149	2.3%	151,364,716	105	1.0%	70.1%
General Admin. (3)	213,024,088	147	2.3%	117,062,015	81	1.2%	55.0%
School Admin. (4)	614,051,827	424	6.5%	294,311,169	203	3.1%	48.0%
Maintenance & Operations	792,188,196	547	8.4%	434,205,000	300	4.6%	54.8%
Transportation	436,004,014	301	4.6%	177,551,705	123	1.9%	40.7%
Other Expenditures (5)	53,282,419	37	0.6%			NA	N/A
Total	$9,384,917,314	$6,484	100%	$6,608,923,903	$4,566	70.4%	70.4%
Less Required Local Share				(1,003,852,755)	(694)	10.7%	
State QBE Funds				$5,605,071,148	$3,873	59.7%	
Other State Funds (6)				63,286,502	44	0.7%	
Lottery Funds				52,321	0	0.0%	
Total State Funds				$5,668,409,971	$3,916	60.4%	
Federal Funds (7)				41,564,145	29	0.4%	
Other Local Funds				22,822,865	16	0.2%	
Required Local Share				1,003,852,755	694	10.7%	
Additional Local Funds				2,648,267,578	1,830	28.2%	
Total Expenditures				$9,384,917,314	$6,484	100%	
Increase in Reserves				255,690,219	177		
Total Revenue				$9,640,607,533	$6,661		

Notes: Based on the Georgia Public Education Report Card and statewide Midterm GDOE Allotment Sheets for FY 2002 and a total enrollment in full-time-equivalent (FTE) students of 1,447,332. Numbers may not add to total because of rounding.

(1) Includes Instruction, Instructional Support, Staff & Professional Development, 20 Days of Additional Instruction, Hold-Harmless Midterm Adjustments, Equalization Grants, Computers in the Classroom, Sparsity Grants, and Migrant Education. Does not include the QBE funding for Counselors.

(2) Based on the portions of the QBE formula represented by Counselors, Psychologists, and Social Workers and the non-formula grant for Nursing Services. Local systems apparently reported some of the related expenditures in other categories.

(3) Does not include the QBE funding for Psychologists and Social Workers.

(4) Includes School Administration, Principal Supplements, and Vocational Supervisors.

(5) Includes Capital Projects, School Food, and Debt Service paid from General Funds.

(6) Reduced by $55,222,031 from the amount shown in the Report Card to reflect funds which the State considered to be State QBE Funds but which local systems reported as Other State Funds.

(7) Does not include Federal Funds that are restricted to specific programs.

VI. Issues/Problems

A. Equity

For over thirty years, providing equitable funding for education has been a primary goal of school finance policy in Georgia and elsewhere. Equity is not, however, synonymous with equality; equity refers simply to a "fair" distribution of resources. In school finance, equity analyses typically focus on differences in expenditure or revenue levels across school systems, and on the relationship between local property tax wealth and spending for education. To the extent that per-pupil revenue or expenditure levels are relatively equal across systems, funding is generally considered more equitable, a concept often referred to as *horizontal equity*. Note, though, that the measures of spending may take into account differences in student needs or in the cost of education that might require higher levels of spending by some systems, a concept often referred to as *vertical equity*.   In *fiscal neutrality* analyses, the absence of a relationship between local property wealth and spending for education is generally considered to be more equitable. In Georgia, average per pupil expenditures by the 36 wealthiest school systems is about 19 percent larger than the 36 poorest school systems.

Studies examining the equity of funding in Georgia generally find that, compared with other states, Georgia ranks near the middle of the pack. Moser and Rubenstein (2002), for example, compared states on several measures of equity and found that Georgia generally ranked in the middle, improving from 24th in the nation in 1992 to 21st in 1995. Rubenstein, Doering and Gess (1998) looked at equity in Georgia from the late 1980s to mid 1990s and found relatively large differences in funding across school systems. While equity worsened during the deep recession of the early 1990s, equity had improved by 1996, though much of the disparity in funding could be attributed to differences in student characteristics and in the cost of providing education across systems. They also found that, despite state aid targeted to poor school systems, the wealthiest quintile of systems averaged approximately $600 more revenue per pupil as compared to the poorest quintile in 1996, despite levying similar average tax rates.

More recent work by Rubenstein and Freeman (2003b) examines the potential effects of the reforms enacted as part of the A+ Education Act of 2000. The researchers found that the changes to the QBE formula could more effectively target state funds to low-wealth/high tax-effort school systems, many of which are in rural South Georgia. This targeting could reduce, though not eliminate, the relationship between property wealth and spending. The effects will largely depend, though, on whether poorer school systems levy sufficiently high tax rates to take full advantage of the program.

B. Adequacy

While equity analyses focus on disparities in resources across school systems, adequacy analyses are concerned with the level and sufficiency of resources. Adequacy analyses ask, "*Is funding adequate to provide all students with the opportunity to achieve the goals of the education system?*" The concept, therefore, implicitly focuses on the relationship between resources and student performance.

Georgia's Constitution explicitly requires "the provision of an adequate education…." While other states have faced a legal challenge to the adequacy of its funding system, Georgia has not. Measuring adequacy is very difficult and empirical evidence on adequacy in Georgia is lacking.   Rubenstein (2002) used several benchmark spending levels to examine the cost of adequacy across states and found that raising all systems in Georgia to the national median of per-pupil spending in 1997 would cost an additional $96 million, with the cost rising to over $1 billion to fund spending 20 percent above the median in all systems. He also found that, similar to the equity analyses, Georgia is ranked near the middle of all states on a measure of adequacy.

While the QBE formula sets out the expenditures required per FTE in various grade levels and educational programs, it does not explicitly take into account desired student performance levels or the relationship between the minimum foundation level and performance. The weights for each instructional program are driven primarily by estimates of appropriate student-teacher ratios in each program.   These weights provide additional funding for special education students as compared to general education students because of the lower student-teacher ratios used to derive funding

levels for special education. The derivation of these ratios and of the foundation levels is not entirely clear, however, nor is the link between the foundation levels and research on educational costs. The report of the Education Reform Study Commission in 2000 recommended that a comprehensive study be undertaken by researchers to assess the cost of providing adequate educational resources in Georgia, but this recommendation was not included in the final legislation and no such study has been conducted to date.

C. Other Policy Issues

Many more detailed policy issues can be identified beyond equity and adequacy. However, most of these can be considered as simply part of the issue of either equity or adequacy. For example, in determining the foundation level the State may not have allowed an amount considered sufficient to cover the cost of some of the elements, such as school administration or books. This is really an issue of what is adequate.

But there are four policy issues, while not of the importance of equity and adequacy, which are nonetheless worth mentioning. First, the mechanics for funding education are extremely complicated and not easily understood. A funding system that is complicated can lead to the "experts" taking over the formula. If citizens, and perhaps even school superintendents and board members, cannot understand the process, they are hard pressed to voice concern over the issues of equity and adequacy. Thus, it would be desirable to adopt a system that is more transparent.

Second, there is an issue of the appropriate balance between State control of expenditures and local fiscal autonomy. While not discussed above, the State exercises great control over how school systems use the funds provided by the State. This means that school systems cannot exercise judgment on what composition of expenditures would work best for that system. The issue is whether school systems would misuse the allocation by spending it on pet projects, sports programs, etc., rather than on the core mission.

Another issue concerns how charter schools should be funded. This issue is really about whether to support the expansion of charter schools. If the procedures for determining the funds available for charter schools yield amount below what is

provided to regular schools, then it will be more difficult to establish a charter school. On the other hand, charter school funding should not be so generous that it harms the non-charter schools in the system.

Finally, there is the issue of the use of the property tax. While there are many desirable characteristics of the property tax, there are very good reasons why property taxes are not liked. If the State wants to reduce the use of the property tax, the issue arises of what to do about the revenue that local school systems currently raise. There are three options, reduce education spending, increase the state share of education spending, or give local school systems an alternative revenue source. There are major issues associated with each of those options that need to be seriously considered.

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APPENDIX A

	FTE	Net Equalized Digest	Digest/FTE	FY 2003 QBE Formula Earnings
Appling County	3,121	569,229,711	182,386.96	14,524,226
Atkinson County	1,553	99,679,047	64,184.83	6,676,222
Bacon County	1,798	157,810,858	87,770.22	8,230,656
Baker County	356	90,958,832	255,502.34	2,144,013
Baldwin County	5,825	638,659,117	109,641.05	26,443,616
Banks County	2,456	385,089,731	156,795.49	10,324,857
Barrow County	9,287	898,184,614	96,714.18	39,523,238
Bartow County	13,076	1,297,077,837	99,195.31	55,563,432
Ben Hill County	3,253	274,406,883	84,355.02	14,772,706
Berrien County	2,946	231,705,754	78,650.97	12,567,596
Bibb County	24,464	3,735,319,436	152,686.37	100,710,677
Bleckley County	2,211	172,986,130	78,238.86	10,208,662
Brantley County	3,134	184,272,845	58,797.97	12,669,810
Brooks County	2,446	245,874,834	100,521.19	10,482,964
Bryan County	5,376	511,024,404	95,056.62	21,119,900
Bulloch County	8,109	1,086,185,631	133,948.16	38,104,412
Burke County	4,434	1,565,370,710	353,038.05	18,207,797
Butts County	3,356	378,752,000	112,858.16	13,336,226
Calhoun County	683	97,381,646	142,579.28	3,476,930
Camden County	9,341	724,478,831	77,559.02	38,783,022
Candler County	1,823	141,859,837	77,816.70	7,739,578
Carroll County	12,930	1,257,651,343	97,266.15	55,074,999
Catoosa County	9,666	1,025,289,526	106,071.75	41,605,825
Charlton County	1,951	193,514,829	99,187.51	8,307,951
Chatham County	33,416	6,507,486,418	194,741.63	143,404,130
Chattahoochee County	405	42,991,088	106,150.84	2,304,224
Chattooga County	2,850	330,219,895	115,866.63	13,619,143
Cherokee County	28,330	3,942,278,422	139,155.61	116,972,601
Clarke County	10,989	2,100,958,434	191,187.41	51,035,965
Clay County	305	58,490,200	191,771.15	1,784,150
Clayton County	49,364	6,354,251,944	128,722.39	195,574,283
Clinch County	1,400	163,337,434	116,669.60	6,536,329
Cobb County	100,403	17,765,539,312	176,942.32	417,400,237
Coffee County	7,513	667,276,538	88,816.26	33,325,283
Colquitt County	7,908	574,726,272	72,676.56	35,003,258
Columbia County	19,220	2,150,413,758	111,884.17	77,502,792
Cook County	3,003	263,005,701	87,580.99	12,141,446
Coweta County	17,910	2,299,969,805	128,418.19	73,880,589
Crawford County	2,000	190,787,128	95,393.56	8,463,715
Crisp County	4,121	407,291,949	98,833.28	18,441,351
Dade County	2,508	241,181,000	96,164.67	10,752,904

Appendix A continues next page…

APPENDIX A (CONTINUED)

	FTE	Net Equalized Digest	Digest/FTE	FY 2003 QBE Formula Earnings
Dawson County	3,042	679,817,586	223,477.18	13,394,504
Decatur County	5,537	573,792,549	103,628.78	24,345,890
DeKalb County	96,258	16,837,535,166	174,920.89	393,110,559
Dodge County	3,422	238,897,014	69,812.10	15,354,889
Dooly County	1,451	200,944,095	138,486.63	7,052,223
Dougherty County	16,362	1,995,787,520	121,976.99	69,572,393
Douglas County	18,586	2,274,807,733	122,393.62	78,157,920
Early County	2,648	303,395,747	114,575.43	11,869,699
Echols County	717	75,224,286	104,915.32	3,140,620
Effingham County	8,855	754,256,854	85,178.64	36,481,579
Elbert County	3,664	412,307,911	112,529.45	16,445,869
Emanuel County	4,416	309,595,702	70,107.72	19,628,884
Evans County	1,825	164,488,852	90,130.88	8,362,250
Fannin County	3,190	438,195,679	137,365.42	14,688,499
Fayette County	20,778	3,331,072,720	160,317.29	88,828,683
Floyd County	9,996	1,367,482,704	136,802.99	45,010,971
Forsyth County	20,523	4,223,691,933	205,802.85	82,222,456
Franklin County	3,729	495,025,515	132,750.21	16,932,737
Fulton County	70,362	20,700,513,159	294,200.18	282,041,210
Gilmer County	3,813	648,788,513	170,151.72	16,683,877
Glascock County	523	54,886,258	104,945.04	2,393,161
Glynn County	11,607	2,587,613,511	222,935.60	50,553,082
Gordon County	5,955	573,034,653	96,227.48	26,093,756
Grady County	4,382	394,605,433	90,051.45	19,558,406
Greene County	2,148	579,741,608	269,898.33	9,895,557
Gwinnett County	124,962	19,659,118,523	157,320.77	507,895,544
Habersham County	5,995	835,588,691	139,380.93	26,894,177
Hall County	22,063	2,774,007,279	125,731.19	93,068,268
Hancock County	1,659	165,062,620	99,495.25	7,065,119
Haralson County	3,562	337,773,729	94,826.99	15,784,269
Harris County	4,228	569,881,773	134,787.55	17,193,181
Hart County	3,571	670,097,110	187,649.71	15,884,313
Heard County	2,045	264,470,703	129,325.53	8,749,670
Henry County	27,972	3,397,448,590	121,458.91	109,491,359
Houston County	22,055	1,985,248,117	90,013.52	94,443,044
Irwin County	1,706	158,794,695	93,080.13	8,030,552
Jackson County	5,366	797,897,039	148,694.94	23,475,629
Jasper County	2,067	282,286,800	136,568.36	8,819,996
Jeff Davis County	2,543	243,432,823	95,726.63	11,862,656
Jefferson County	3,309	306,792,693	92,714.62	13,736,459
Jenkins County	1,665	113,753,541	68,320.44	7,332,997

APPENDIX A (CONTINUED)

	FTE	Net Equalized Digest	Digest/FTE	FY 2003 QBE Formula Earnings
Johnson County	1,299	100,365,150	77,263.39	6,041,405
Jones County	4,896	433,077,333	88,455.34	19,834,870
Lamar County	2,499	300,563,957	120,273.69	10,271,710
Lanier County	1,372	76,178,091	55,523.39	6,019,226
Laurens County	5,767	543,159,213	94,184.01	24,848,844
Lee County	5,215	456,445,141	87,525.43	21,763,345
Liberty County	10,916	655,069,795	60,010.06	43,588,094
Lincoln County	1,402	157,944,457	112,656.53	6,809,326
Long County	1,904	113,069,537	59,385.26	7,288,813
Lowndes County	9,104	882,859,532	96,974.90	39,247,633
Lumpkin County	3,533	576,115,628	163,066.98	14,974,219
Macon County	2,140	254,256,043	118,811.23	9,484,718
Madison County	4,620	409,600,102	88,658.03	20,666,604
Marion County	1,619	114,443,578	70,687.82	6,895,950
McDuffie County	4,210	401,626,732	95,398.27	17,897,138
McIntosh County	1,919	220,045,688	114,666.85	7,711,571
Meriwether County	3,675	368,991,273	100,405.79	18,551,154
Miller County	1,168	125,810,065	107,714.10	5,556,014
Mitchell County	2,695	343,663,821	127,519.04	11,652,145
Monroe County	3,715	949,413,423	255,562.16	15,719,829
Montgomery County	1,255	96,306,287	76,738.08	5,999,446
Morgan County	3,125	515,536,146	164,971.57	13,703,995
Murray County	7,212	665,821,816	92,321.38	30,462,700
Muscogee County	32,209	3,619,826,901	112,385.57	142,188,023
Newton County	13,319	1,459,852,300	109,606.75	54,862,983
Oconee County	5,649	713,693,720	126,339.83	23,757,489
Oglethorpe County	2,272	233,110,704	102,601.54	10,040,088
Paulding County	19,271	1,531,094,863	79,450.72	75,404,380
Peach County	3,940	401,232,515	101,835.66	16,755,159
Pickens County	4,073	746,402,456	183,256.19	17,473,113
Pierce County	3,138	246,256,055	78,475.48	13,081,280
Pike County	2,807	270,582,059	96,395.46	11,423,163
Polk County	6,844	638,268,672	93,259.60	30,569,457
Pulaski County	1,558	159,799,075	102,566.80	7,351,219
Putnam County	2,490	675,841,635	271,422.34	11,361,378
Quitman County	288	43,163,970	149,874.89	1,526,869
Rabun County	2,234	846,471,415	378,903.95	10,349,289
Randolph County	1,401	120,176,862	85,779.34	6,635,641
Richmond County	33,807	3,773,795,795	111,627.65	140,689,694
Rockdale County	13,806	1,959,043,007	141,897.94	57,113,024
Schley County	1,079	63,819,807	59,147.18	4,582,277

APPENDIX A (CONTINUED)

	FTE	Net Equalized Digest	Digest/FTE	FY 2003 QBE Formula Earnings
Screven County	3,058	251,227,708	82,154.25	13,288,072
Seminole County	1,706	178,473,702	104,615.30	7,490,988
Spalding County	10,292	1,202,875,851	116,874.84	43,747,587
Stephens County	4,389	555,992,500	126,678.63	19,837,197
Stewart County	656	83,860,164	127,835.62	3,675,382
Sumter County	5,462	562,270,249	102,942.19	22,595,519
Talbot County	761	114,798,553	150,852.24	3,401,379
Taliaferro County	267	36,996,757	138,564.63	1,257,748
Tattnall County	3,138	226,125,251	72,060.31	13,702,181
Taylor County	1,653	128,055,330	77,468.44	7,271,571
Telfair County	1,605	198,490,774	123,670.26	8,018,982
Terrell County	1,677	180,855,587	107,844.71	7,740,328
Thomas County	5,228	474,987,954	90,854.62	22,601,249
Tift County	7,568	800,734,765	105,805.33	32,239,660
Toombs County	2,748	184,918,009	67,291.85	11,836,958
Towns County	1,500	330,495,025	220,330.02	6,765,224
Treutlen County	1,191	63,920,325	53,669.46	5,379,909
Troup County	11,466	1,396,268,930	121,774.72	50,817,530
Turner County	1,835	165,300,547	90,082.04	8,662,017
Twiggs County	1,419	257,073,465	181,165.23	6,995,095
Union County	2,606	486,518,551	186,691.69	12,056,853
Thomaston-Upson County	4,862	444,330,164	91,388.35	20,495,056
Walker County	8,628	981,743,998	113,785.81	38,662,207
Walton County	10,157	1,283,964,197	126,411.76	42,930,019
Ware County	6,089	500,773,003	82,242.24	28,492,099
Warren County	846	101,818,700	120,353.07	3,781,572
Washington County	3,747	487,784,739	130,180.07	15,984,251
Wayne County	5,014	545,246,564	108,744.83	21,314,583
Webster County	385	49,599,805	128,830.66	1,954,120
Wheeler County	1,105	91,152,694	82,491.13	4,935,094
White County	3,605	544,738,279	151,106.32	15,753,942
Whitfield County	12,361	1,316,810,152	106,529.42	54,669,101
Wilcox County	1,375	102,683,902	74,679.20	6,387,928
Wilkes County	1,744	230,879,063	132,384.78	7,466,473
Wilkinson County	1,635	304,567,614	186,279.89	7,637,906
Worth County	4,207	376,086,388	89,395.39	18,045,487
Atlanta City	54,065	15,777,048,519	291,816.30	242,627,710
Bremen City	1,491	93,452,834	62,677.96	6,678,143
Buford City	2,299	411,076,593	178,806.70	10,211,674
Calhoun City	2,593	526,882,288	203,194.09	11,144,791
Carrollton City	3,499	524,221,975	149,820.51	15,246,450

APPENDIX A (CONTINUED)

	FTE	Net Equalized Digest	Digest/FTE	FY 2003 QBE Formula Earnings
Cartersville City	3,872	695,114,605	179,523.40	15,875,939
Chickamauga City	1,306	38,800,341	29,709.30	5,569,038
Commerce City	1,356	106,156,585	78,286.57	5,911,950
Dalton City	5,890	1,083,442,934	183,946.17	26,777,090
Decatur City	2,423	580,183,456	239,448.39	11,668,086
Dublin City	3,126	321,378,103	102,808.09	14,549,526
Gainesville City	4,590	996,639,389	217,132.76	19,881,563
Jefferson City	1,528	201,041,612	131,571.74	7,059,189
Marietta City	7,707	2,116,244,287	274,587.30	34,326,161
Pelham City	1,567	26,061,259	16,631.31	6,929,487
Rome City	5,302	804,850,566	151,801.31	24,111,897
Social Circle City	1,409	101,105,000	71,756.56	6,397,397
Thomasville City	2,845	401,078,250	140,976.54	13,234,130
Trion City	1,283	79,903,058	62,278.30	5,720,169
Valdosta City	7,102	991,481,312	139,605.93	29,816,378
Vidalia City	2,318	221,183,830	95,420.12	10,265,101
State Total	**1,472,798**	**220,402,687,785**		**6,232,335,032**

Appendix B
Quality Basic Education Programs[25]

Kindergarten

All local school systems must offer a full-day kindergarten program. A kindergarten program must provide classroom instruction for a minimum of four and one-half hours daily for a 180-day school year. The kindergarten program provides all children an equal opportunity to become prepared for a successful first grade experience and to acquire the foundation for academic progress throughout the students' educational careers. No student is to remain in kindergarten for more than two years. This program is funded at a student-to-teacher ratio of 15 to 1.

Primary Grades (1-3)

The purpose of the primary grades (1-3) program is to provide students with the essential basic skills and knowledge needed to enable them to achieve more advanced skills and knowledge taught in the higher grades. This program is funded for a student-to-teacher ratio of 17 to 1.

Elementary Grades (4-5)

The original QBE statute did not differentiate between students in grades 4-5 and students in grades 6-8. As a result of the recommendations of the 1988 Governor's Educational Weights Task Force, the Elementary Grades (4-5) program was created, and became a part of the QBE funding formula beginning with the fiscal year 1991 budget. This program helps students make the transition from the primary grades into the middle grades. This program is funded for a student-to-teacher ratio of 23 to 1.

Middle Grades (6-8)

The middle grades (6-8) program has several purposes, including:

- Providing students with essential basic skills and knowledge,
- Assisting students in the transition from childhood to adolescence,
- Preparing students for the selection of programs and courses consistent with their abilities and interests when they enter high school, and
- Providing an opportunity for mastery of advanced skills and knowledge.

This program has existed as a distinct program since fiscal year 1991 and is funded at a student-to-teacher ratio of 23 to 1.

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[25] This Appendix is an update of a document prepared by John Brown. We thank him for allowing us to use it.

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High School Program (9-12)

The high school programs has three main purposes:

- Prepare students for continuing their education beyond high school,
- Prepare students for entry into their chosen career fields, and
- Prepare students to take their places in society as young adults.

The program includes all high school courses that are not vocational or include lab components. This program is funded for a student-to-teacher ratio of 23 to 1.

High School Vocational Laboratories (9-12)

The goal of the high school vocational laboratory program is to provide instruction to enable students to enter the workforce or a technical institution upon completion of high school. Like the high school non-vocational lab program, the vocational laboratory program is funded at higher levels than the high school general education program to reflect the reduced student-teacher ratios and more extensive material and equipment needed for effective laboratory courses. The program is funded for a student-to-teacher ratio 20 to 1.

Early Intervention Programs

Early intervention programs exist for kindergarten, for primary grades (1-3), and upper elementary grades (4-5). The programs are for students who are at risk of not reaching or maintaining academic grade level. The nature of the programs are determined by the local school system. These programs are designed to be temporary, and are funded at the student- to-teacher ratio of 11 to 1.

Special Education

Children eligible for special education are defined as those who 1) have emotional, physical, communicative, or intellectual deviations, or a combination thereof, to the degree that there is interference with school achievement or adjustment or prevention of full academic attainment, and 2) require modifications or alterations in their educational programs. There are four categories of funding for special education as well as two categorical programs: Itinerant and Supplemental Speech.

Category I

Category I is for students who are self-contained specific-learning-disabled and self-contained speech-language-disordered. This program is funded for a student-to-teacher ratio of 8 to 1.

Category II

Category II is for students who are mildly mentally handicapped. This program is funded for a student-to-teacher ratio of 6.5 to 1.

Category III

Category III includes students who are behavior disordered, moderately mentally handicapped, severely mentally handicapped, resourced specific-learning-disabled, resourced speech-language-disordered, self-contained hearing impaired and deaf, self-contained orthopedically handicapped, and self-contained other health impaired. This program is funded for a student-to-teacher ratio of 5 to 1.

Category IV

Category IV is for students who are deaf-blind, profoundly mentally handicapped, visually impaired and blind, resourced hearing impaired and deaf, resourced orthopedically handicapped, and resourced other health impaired. This program is funded for a student-to-teacher ratio of 3 to 1.

Category V

Category V serves special education students in Categories I through IV whose Individualized Educational Programs specify specially designed instruction of supplementary aids or services in alternative placements. The placements should be in the least restrictive environment. Students may receive services from paraprofessionals, interpreters, job coaches, and other assistive personnel. The program is funded for a student-to-teacher ratio of 8 to 1.

Gifted Program

The Gifted Program serves students who demonstrate a high degree of intellectual ability and who need special instruction and/or services to achieve at levels commensurate with their intellectual ability. In order to be placed in gifted education programs, student must be tested on standardized mental ability and achievement tests and meet specified eligibility criteria. The program is funded for a student-to-teacher ratio of 12 to 1.

Remedial Education

The Remedial Education program provides remedial instruction to students in grades nine through twelve. Instruction is specifically provided in the areas of reading, writing, and mathematics. Students must meet two of five criteria to be eligible for services. The current criteria are as follows:

- A formal student support team process containing documented evidence supports remedial placement;

- The student has been retained in the grade for which he or she is enrolled;
- The student is eligible for Chapter 1 services;
- The student has been recommended by a teacher who has documented one of the following:
    - low performance in reading
    - low performance in math
    - the student is unable to express ideas verbally and cannot write or dictate a meaningful sentence; or
- Current test information indicates that the student has a score at or below the 25th percentile.

School systems have immense flexibility in the methods they may use to deliver services to their students. The program is funded at a student-to-teacher ratio of 15 to 1.

Alternative Education Programs

Alternative education programs are intended to meet the education needs of a student who is suspended from his or her regular classroom and also of a student who is eligible to remain in his or her regular classroom but is more likely to succeed in a nontraditional setting such as that provided in an alternative education program.

Each local school system must provide an alternative education program that:

1) Is provided in a setting other than a student's regular classroom;

2) Is located on or off of a regular school campus and may include in-school suspension that provides continued progress on regular classroom assignments;

3) Provides for disruptive students who are assigned to the alternative education program to be separated from nondisruptive students who are assigned to the program;

4) Focuses on English language arts, mathematics, science, social studies, and self-discipline;

5) Provides for students' educational and behavioral needs; and

6) Provides supervision and counseling.

State funding for the alternative education program is based on the actual count of students served during the preceding year, except that the count of students served shall not exceed 2.5 percent of the sum of the full-time equivalent program count of the middle grades program, the middle school program, the high school general education program (grades nine through 12), and the vocational laboratory

program (grades nine through 12). This program is funded at a student-to-teacher ratio of 15 to 1.

Program for Limited-English-Proficient Students

This program is for limited-English-proficient students whose native language is not English. The purpose of this program is to assist such students to develop proficiency in the English language, including listening, speaking, reading, and writing, sufficient to perform effectively at the currently assigned grade level. This program is funded at a student-to-teacher ratio of 7 to 1.

About the Authors

Ross Rubenstein is Associate Professor of Public Administration in the Maxwell School, Syracuse University. His research focuses on public finance and budgeting, education policy and education finance, specifically education funding equity and adequacy, performance measurement, merit-based financial aid, and the link between school resource allocation and performance. He has published his research in journals including *Journal of Policy Analysis and Management*, *Public Administration Review*, *Journal of Education Finance*, *Public Budgeting and Finance* and *National Tax Journal*. He received the 2002 Miriam Mills Award from the Policy Studies Organization (outstanding young person in the policy studies field), the Jean Flanigan Outstanding Dissertation Award from the American Education Finance Association, and the Joseph S. Wholey Distinguished Scholarship Award from the American Society for Public Administration. He was previously on the faculty of the Andrew Young School of Policy Studies at Georgia State University and associated with the Fiscal Research Center.

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