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C. Thomas Holmes
University of Georgia

John Dayton
University of Georgia

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In 1996, Georgia voters narrowly approved a constitutional amendment to permit sales and use tax. Due to growing enrollment, boards will need to exercise this option.

Financing Public Elementary and Secondary Education in Georgia

C. Thomas Holmes
John Dayton

In 1986 the Quality Basic Education (QBE) Act was established to provide funding for public elementary and secondary education in Georgia. Additionally the voters in 1992 approved a state lottery whose proceeds supplement QBE spending on education. The QBE program is a foundation program, with a power equalization component, that annually guarantees a financial support base per weighted full-time equivalent pupil (Ga. Code §20-2-160).

Quality Basic Education Act

State funding is allocated based on full-time equivalent (FTE) counts made on two specific dates designated by the State Board of Education. One of these dates is in the fall and the other is in the spring. School districts determine each student's assigned programs for each one-sixth segment of the school day on the designated reporting dates. Authorized programs are assigned relative weights according to assumed costs of those programs in comparison to the high school general education base program. The total value of the one-sixth segments for which each student is enrolled in an authorized program is determined, and then divided by six to calculate the average weighted FTE on that designated date. The fall FTE count is counted twice, the spring FTE count is counted once, with the total divided by three to calculate the annual average weighted FTE. Current program weights are included in Table 1. Under QBE, some courses and activities are specifically excluded from funding. Those excluded are: study hall, non-credit courses, courses that do not devote a major portion of time to competencies adopted by the Georgia Board of Education, courses that require competitive participation in an extracurricular activity, service as a pupil assistant unless the activity is an approved career or vocational education work program, individual study courses without outlines of course objectives, courses requiring fees or tuition of resident pupils,

C. Thomas Holmes, University of Georgia.
John Dayton, University of Georgia.

Table 1
1996-1997 Program Weights in Funding QBE

Program	Weight
Kindergarten	1.31722
Primary Grades (1-3)	1.23962
Upper Elementary Grades (4-5)	1.00732
Middle Grades (6-8)	1.01209
High School General Education (9-12)	1.00000
High School Nonvocational Labs (9-12)	1.15792
High School Vocational Labs (9-12)	1.26449
Category I Special Education	2.33495
Category II Special Education	2.71584
Category III Special Education	3.44965
Category IV Special Education	5.56514
Category V Special Education	2.40030
Intellectually Gifted	1.63599
Remedial Education	1.28806

and courses requiring fees or tuition in excess of the local costs per pupil of nonresident pupils. 90% of the total appropriations must be spent in the area earned.

For each local school system, the basic program entitlement for support of programs under QBE is determined by multiplying the weighted FTE pupil counts by the guaranteed financial support base. In 1996-1997, the financial base is \$1,837.30 per weighted pupil. Each district is required to provide what is known as the "local fair share." The local fair share is equivalent to the amount of revenue generated by a five mill tax on property assessed at 40% of the fair market value. The state-wide fair share amount for 1996-1997 was \$673.3 million. While the local fair share could theoretically be raised through any number of legal means, all districts levy more than the required five mills. The state's share of the basic support is calculated as the difference between the district's basic entitlement and the local fair share. The state's share is primarily generated by a statewide sales tax and by a state income tax. For 1996-1997 the state's share was \$3.706 billion.

District Power Equalization

In addition to the basic entitlement, QBE provides for district power equalization on up to 3.25 mills (or an equivalent amount raised from other sources) above the 5 mills required as the local fair share. That is, the state subsidizes districts below the 90th percentile in property wealth per pupil that generate local revenues for education above the required local fair share. The state transmits to the local districts the difference between what would be generated by the property tax by the district at the 90th percentile in property wealth per pupil and the amount actually generated in the local district. The total equalization money provided by the state for 1996-1997 was \$165.25 million. This represents about 4.46% of total state school aid.

Sources of Local Revenue

In Georgia there are a total of 180 school systems. Of these, 159 are fiscally independent county district systems, while the remainder are fiscally dependent city school systems. The independent systems are permitted to levy a tax of up to 20 mills on local property assessed at 40% of the fair market value. The 20 mill limit may be increased or removed upon

approval of a majority of the qualified voters (Ga Const. Art. VIII, §VI). To insure equity in assessment practices, sales/assessment studies are conducted annually by the Georgia Department of Audits. These ratio studies are used in determining the tax base in calculating the local fair share contributions for QBE purposes. Homeowners are provided a \$2,000 exemption. The elderly are entitled to homestead exemptions ranging from \$4,000 to \$10,000 depending upon age and income. Totally disabled veterans are provided exemptions of up to \$38,000.

In addition to property tax, local school boards have the option of asking local voters to approve local special purpose sales taxes. These sales taxes are to be used for special purposes and are of limited duration. When the purpose no longer exists or the initial time limit expires, the tax can only be extended by an additional referendum.

Categorical Grants

Middle Schools. An additional 13% of the basic QBE entitlement is granted as an incentive for local systems that operate middle school programs according to criteria established by the Georgia Board of Education. Pupils in grades 6, 7, and 8 are eligible for funding under this incentive grant. The programs are required to include among the other criteria, organized teacher teams with common planning times. For FY97 the middle school grants totaled \$77.2 million.

Sparsity. If a district is unable, due to sparsity, to offer a full QBE program to all or some of its pupils and consolidation or merger within and between districts would not create schools or districts of sufficient size, or would create excessive travel time, or the district has attempted to consolidate with another district which has rejected the offer, the district may be eligible for special financial assistance. If any of these three conditions exist, the state board of education will conduct a study to determine if consolidation is feasible, and if not feasible, to determine what additional resources are needed. This study must be conducted every five years and the district may not reject an invitation to merge to continue the sparsity grant. In FY97 no sparsity grants were awarded.

Transportation. Pupils who reside more than 1.5 miles from the school to which they are assigned are provided free transportation to and from school. All individuals with disabilities that require transportation services are also provided free transportation even if they live within the 1.5 miles. Local school systems are provided funding for students transported on routes and buses determined by the Georgia Department of Education as necessary for eligible students. The state pays replacement amounts to local school systems for buses of 7.2%, 10%, and 12.5%, depending on the bus size and equipment, in addition to compensating for drivers, insurance, and operating costs. Operating expenditures exceeding that allotted by the state are borne by the local district. Additionally many districts transport students who live within the 1.5 mile walking distance at local expense. In FY97 the grants amounted to \$139.2 million.

Limited English Speaking Program. The system is allocated the base cost of a teacher factored up by the system training and experience factor, for each eight FTE needing the service (for each six FTEs receiving itinerant services). The total for these grants in FY97 was \$14.36 million.

Special Instructional Assistance. These grants are based on the FTE counts for grades K through 3 and totaled \$87.84 million in FY97.

In School Suspension. Each system is allocated the basic cost of a teacher, factored up by the district's training and

experience factor, for each high school and each middle school in the system. For FY97 these grants totaled \$25.29 million.

Counselors Grades 4-5. These grants provide for counselors in elementary schools housing grades 4 and 5, and totaled \$7.58 million in FY97.

Technology Training. Each system earns the basic cost of a teacher for each four schools or fraction thereof. For FY97 these grants totaled \$15.29 million.

Special Adjustments

Adjustments are made to the basic funding program for special factors. These factors include training and experience levels of local teachers and changes in pupil counts.

Training and Experience. The funding entitlement of local school districts are initially computed based upon costs of teachers having a bachelor's degree and no teaching experience. A "T&E" factor is applied to the portion of the state entitlement that represents costs of teachers to reflect the actual training and experience of the teachers within the local school district. These adjustments are made to reflect the guaranteed salaries under the state supported schedule of minimum salaries for teachers.

Changing Pupil Counts. Because the QBE formula is based on pupil counts taken in the preceding year, school systems with growing school populations need adjustments to their basic entitlements to account for growth. Adjustments are made in January for changes in pupil counts. While growing systems are adjusted up, systems with decreasing pupil counts are not adjusted down but continue to receive the amount of funds calculated from the counts of the previous year.

Consolidation. If local school districts were to consolidate, all new construction required by the consolidation, approved by the state, would be finance entirely by the state. If schools smaller than the base size are consolidated or merged to form one school, larger than base size, or containing all of the districts students of those grades, the district would only be required to fund half the normal local share for any state-approved construction. The state pays all of any eligible costs for consolidation of schools across district lines. There are two special conditions for receiving financial incentives for consolidation of schools or school systems. No student can be required to travel a greater distance or time than permitted by state board policy, and all schools eliminated by consolidation must continue to be used for educational purposes, if that is practical.

Capital Outlay

Each system must develop a long-range facilities plan in order to participate in the state facilities financing plan. This five-year plan must include (1) enrollment projections, (2) the educational programs the system plans to provide for, and (3) their architect's cost estimates for providing these facilities. The system's plan is then reviewed by the state. Each system earns state funds annually as a function of the identified needs in relation to the total state needs and the program authorization level set by the General Assembly that year. Each system may choose to allow the earned funds to accumulate until some later date or to submit an application to utilize funds earned. Local matching funds are required. The cost to each local system is based on its ability to pay as determined by its property wealth per student. The wealthiest system is required to pay no more than 25% of the eligible construction costs while the poorest system is required to pay 10% of the eligible construction costs.

Georgia's constitution requires a referendum before local

governments may incur debts to construct new facilities. Recently the Houston County School District received legislative permission to create a "Houston County School District Building Authority." The Authority sold \$12,180,000 in trust certificates, using the proceeds to fund construction of two new schools. The trust certificates are secured by a contract between the Authority and the Houston County School District that obligates the district to make annual payments to the Authority (Holmes, Dayton, & Matthews, 1995). The underwriter of the trust certificates, Lex Jolly & Company of Atlanta, stated that the contract "is a general obligation of the district to which its full faith and credit and taxing power are pledged and is absolute and unconditional and will not expire so long as any of the installment payments of purchase price remain unpaid" (Whitt, 1994). According to Whitt (1994, p. E9), "The plan requires taxpayers, without a referendum, to pay whatever tax rate necessary, and for however long necessary, to retire debts created by school building authorities." Although some advocates of the plan have presented it as a revolutionary new method of funding new facilities, the legality of the plan is questionable, as is the likelihood that the legislature would authorize many other school systems to form school district building authorities similar to the special legislative authorization quietly granted to Houston County in the concluding days of the 1994 legislative session (Holmes, Dayton, & Matthews, 1995).

Optional Local Sales Tax

On November 5, 1996, Georgia voters narrowly approved an amendment to the Georgia constitution authorizing an optional local sales and use tax for public schools. Specifically, the voters were asked: Shall the Georgia Constitution be amended so as to authorize the boards of education of county school districts and independent school districts to impose, levy, and collect a 1% sales and use tax for certain educational purposes subject to approval in a local referendum? By a 51% to 49% margin, voters narrowly approved the proposed amendment. In addition to existing laws authorizing public school bond referendums funded by local property taxes, public schools may now propose special purpose projects to be funded through a local sales and use tax. Subject to voter approval, school boards can levy a 1% sales and use tax for up to five years. Due to growing student enrollments, it is likely that many school boards will exercise this new option to fund necessary facilities construction and renovations.

RESAs and Psychoeducational Centers

There are 16 Regional Educational Service Agencies (RESAs) that provide local districts with assistance in planning and research, staff development, curriculum and instruction, assessment and evaluation, and electronic technology. These RESAs are funded as part of QBE and do not require local contributions for basic services; however, each RESA board of control may establish fees for additional services. One-third of the membership of the RESA local board of control must be educators or public office holders.

A state appropriation provides for 24 psychoeducational centers. These centers are for those severely emotionally disturbed children who need services that cannot efficiently be provided by local school systems. These centers are wholly state supported and require no local matching funds.

Georgia State Lottery

Revenues generated by the state's lottery have contributed significantly to funding for public education. Under the provisions of the Georgia constitution, lottery proceeds may only be used for educational purposes. The amendment to the Georgia constitution authorized by Georgia voters in 1992

stated, "The General Assembly may provide for the operation and regulation of a lottery...and the Governor shall make specific recommendations as to educational programs and educational purposes to which said net proceeds shall be appropriated" (Georgia Constitution, 1993, Sec. II, Para. VIII (c)).

The first full fiscal year of lottery funding generated \$280 million in new revenue for education (League of Women Voters, 1994). In 1996, Governor Zell Miller celebrated the transfer of the one billionth lottery revenue dollar to education. Lottery revenues have exceeded the projections of even its advocates. As Governor Miller noted, "My highest expectations were for \$350 million a year...and now it's done \$500 million" (Billion, 1996). Lottery money has been primarily used to provide new technology for schools, create a statewide, universally available pre-kindergarten program for four-year olds, and provide Hope Grants (Holmes, Dayton & Matthews, 1995). There were five computers for every classroom in the state in the schools by the end of the 1995-1996 school year.

Georgia's "Hope Grant" program established the state as a national leader in promoting higher educational opportunities by paying for tuition and books at any Georgia public college, university, or technical institute, for all students who graduated from an accredited Georgia high school with a "B" average and who maintained a "B" average. Additional "Hope Grants" are available for teachers pursuing graduate programs in "shortage fields" (Holmes, Dayton, & Matthews, 1996).

FY98 Budget Requests

Governor Zell Miller ordered each state agency to identify 5% of its FY97 budget to be redirected in the FY98 budget. For the State Board of Education this amounts to approximately \$200 million. The Board unanimously approved a redirection plan that would combine the \$89.5 million currently earmarked for remedial program with the \$87.9 million earmarked for the Special Instructional Assistance Program to fund a program in which "systems would design school/system improvement plans that clearly state what student achievement gains are being sought. After review by the DOE, plans would be implemented . . . Systems would be given three years to complete their plans with benchmarks and assessments occurring annually" Budget Matter, 1996, p. 1). Additionally under this proposal \$20 million in earnings for media materials and \$7.7 million earned for extended day salaries through nonvocational laboratory and regular 9-12 QBE program weights would be redirected. Governor Miller's recommendations for redirection in the FY98 budget is not yet known. He will take the State Department of Education's (SDOE's) proposal into consideration but is not obligated to include it in his budget request to the General Assembly.

In addition to the redirection, the SDOE requested \$44 million in budget enhancements exclusive of salary increases. These additions included \$10.6 million increase for instructional materials, \$18.3 million increase for facility maintenance and operation (M&O), \$11.6 million for vocational equipment at new or modified high schools or middle schools, \$3 million for the creation of six new technology centers, \$350,000 for technology center staff, and \$350,000 to expand the elementary foreign language program to the 5th grade.

The majority of the board supported a quick look at the middle school incentive grants so that if it could not be shown that they have led to achievement gains that legislation could be introduced this term to allow for the redirection of that \$77.2 million in the future.

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