

## Georgia Landscape - Adequate and Equitable Funding

Across the United States, states distribute education funds to school districts through a funding formula set forth in state law. State funding formulas typically have two distinct parts: the foundation (or base) and categorical funding. In most states, the foundation amount is designed to cover the basic cost of education, while categorical funding is applied to specific initiatives such as special education, reduced class size, or summer school programs.<sup>280</sup>

In Georgia, the majority of state funds for public schools are provided according to the Quality Basic Education (QBE) formula, which was established by state legislation in 1985. The total amount of state revenue received by local districts has three components: QBE earnings, categorical grants, and equalization grants.

The QBE is a highly complex formula consisting of 18 student categories based on grade and academic level, such as special education; career, technical, and agricultural education programs (CTAE); and so forth. The weights are based on the class size of each category, which determines the number of teachers the state will fund for each district. The state's salary schedule for teachers is based on education level and years of experience, and it determines how much money is allocated for each teacher. Essentially, districts "earn" money from the state based on how many teachers they need to meet their class size demand.

The formula also provides funding for maintenance and operations, instructional materials, other instructional and administrative staff, and other routine costs. These amounts are determined on a per-student basis.

Local school systems receive additional funding from the state in the form of categorical grants. These grants can include funds for transportation, sparsity (designated for areas with sparse populations), and low-incidence special education students.

Finally, because not all counties in Georgia have equal property tax wealth, the amount of funds localities can raise through the local 5 mills share varies greatly.<sup>281</sup> The state provides additional funding to low-wealth counties according to an equalization formula that compares the relative property tax wealth of all counties in the state. Table 8.3 shows the three components of state funding for education in fiscal year (FY) 2017 as an example.

280 Education Commission of the States. "Finance: Funding Formulas." Retrieved from [www.ecs.org](http://www.ecs.org).

281 Currently, the law mandates that all local systems in Georgia pay an amount equal to 5 mills of property tax generated within their taxing authority. By law, the amount of money represented by the 5 mills cannot exceed 20% of the total QBE formula earnings. Funds that are raised through locally levied property taxes do not leave the school system and are not sent to the state or to other school systems. (Funds raised from bonds and special-purpose local-option sales taxes also are kept locally.) The 5-mill share is simply the amount of the local funding "obligation" the state requires each system to pay.

**TABLE 8.3 GEORGIA STATE EDUCATION FUNDING FOR FISCAL YEAR 2017**

	QBE Earnings		Categorical Grants		Equalization Grants	
<b>State Funding for Public Education</b>	=	Direct and indirect instructional costs, from which a local share of funds is deducted	+	State funds for specific education expenses, such as transportation, nurses, and the State Commission Charter Supplement	+	Additional funding for school systems with lower property wealth
<b>\$8,589,483,825</b>		\$7,843,802,010		\$246,955,289		\$498,726,526

Source: Georgia Department of Education. (2016, November 9). "Earnings Sheet for FY 2017."

Over the years, only minor adjustments have been made to the funding formula, the most notable of which has been state austerity cuts. These state-level reductions in funding levels, which were initiated during a time of economic decline, have significantly limited the amount local school systems receive from the state, despite the level of funding guaranteed by the QBE law.

Recently, Georgia took a serious look at how the state funds public K-12 education. In February 2015, Governor Nathan Deal established the Education Reform Commission (ERC) to conduct a "top to bottom review of public education" during his second term.<sup>282</sup> As part of this review, Governor Deal directed the Subcommittee on Funding to develop a new formula to distribute state dollars to public schools. He also requested that the state provide district leaders with greater flexibility in how they spend state money.

One budget model that allows for increased flexibility and could also afford increased equity based on student need is called student-based budgeting (SBB), or the weighted student-funding model. Under SBB, schools receive funding based on the number of enrolled students and their individual needs. These needs can vary from disadvantages associated with living in poverty, special education status, English language learners, low academic performance, and gifted children, among others.<sup>283</sup>

Across the country, more than 10 of the largest urban districts have adopted SBB. A few states, including New Jersey and most recently California, have adopted similar funding systems that distribute money to districts based on student need, including poverty status.<sup>284</sup> The ERC Subcommittee on Funding recommended Georgia move to an SBB model.

The SBB model proposed by the ERC sets a base amount that districts receive for every student and then identifies additional categories for students whose needs will require increased financial resources. The final proposal being considered by Governor Deal recommends the base amount for students in grades six through eight be set at \$2,393.13 per student.<sup>285</sup> Students in the remaining categories would receive the base amount, plus extra dollars determined by a weight intended to account for providing additional services.

282 Yarbrough, D. (2014, October 21). Everything on the Table, Public Education Reform, says Gov. Deal. *The Telegraph*.

283 Travers, J., and Catallo, C. (2015). *Following the Dollars to the Classroom Doors: Why and How Effective Student-Based Budgeting Must Be Linked with Strategic School Design*. Watertown, MA: Education Resource Strategies.

284 Ibid.

285 Education Reform Commission. (2015, December 15). *Final Recommendations to Governor Nathan Deal*. Atlanta: Office of the Governor. Retrieved from gov.georgia.gov/education-reform-commission.

The recommended move to an SBB model would award dollars to districts based on student need, rather than staff allotments. It would also provide greater flexibility to districts to strategically target resources around student need. With this increased flexibility, all SBB models increase accountability to districts over student outcomes. This accountability shifts the focus from questions around funding resource inputs to questions concerning funding student outcomes.<sup>286</sup> However, note that the weights proposed by the ERC are not based on an assessment of the actual costs of educating students in each category in Georgia. Rather, the Governor’s Office of Student Achievement staff developed preliminary weights based on a review of similar categories assigned by other states and the current QBE formula while considering that total funding was not to exceed the already established 2016 level.<sup>287</sup>

In addition to changing the funding formula, the ERC recommended changing how districts earn money from the state to pay teachers. The proposed formula would provide districts with the 2016 statewide average teacher salary (\$50,768) for each teacher, which is reflected in the base amount provided to districts. This is not how much teachers would actually be paid, but the amount districts would earn from the state. Districts would then develop their own compensation models to be approved by the state. These new models would be required to include at least one measure of teacher performance. All new teachers hired after this proposal is approved would be subject to the new pay models.

These funding changes have yet to be debated by the General Assembly. However, even without legislation, many districts are using the flexibility allowed to districts under their Charter System or Strategic Waiver System contracts to pilot alternative budgeting strategies that align with district goals. See the sidebar Experiments in Funding Flexibility: Consolidated Funds Pilot Program.

### EXPERIMENTS IN FUNDING FLEXIBILITY: CONSOLIDATED FUNDS PILOT PROGRAM

Organized by the Charter System Foundation, three charter systems in Georgia — Calhoun City Schools, Cartersville City Schools, and Madison County Schools — participated in the Consolidated Funds Pilot Program, which allowed the consolidation of state, local, and federal funds.

Traditionally, requirements from different funding streams dictate how the dollars are to be used within a school or district. From a district perspective, this compliance-based process makes it difficult to align available budgets and resources with identified needs. By being able to blend different funding streams under the pilot, districts have maximum flexibility to match student and school needs with resources.

Under the Consolidated Funds Pilot Program, districts are able to develop their school and district strategic plans, identify goals and needed resources, then build budgets around those goals. Within the districts, the pilot has fostered critical discussions around a key question: What resources are necessary to meet student need and achieve our goals?

The pilot districts are seeing positive results. Using this flexibility, Madison County developed new programs and opportunities that were not previously available targeting highlighted needs, including a parent engagement specialist to work with and support the refugee population at one school, a behavior specialist hired at another school to address needs, and a nontraditional after-school option for students at yet another school.

Consolidating funds can be a time-consuming process, but the goal of this pilot is to create a process for all systems in Georgia to replicate. This program is now open to districts across the state.

286 Ibid.

287 Governor’s Office of Student Achievement. (2015, August 12). Student-Based Funding Formula. Retrieved from [gov.georgia.gov/sites/gov.georgia.gov/files/related\\_files/site\\_page/Narrative%20August%2012%20FINAL.pdf](http://gov.georgia.gov/sites/gov.georgia.gov/files/related_files/site_page/Narrative%20August%2012%20FINAL.pdf).

Finally, during the 2017 legislative session, the Georgia General Assembly passed House Bill (HB) 139, which is intended to increase the transparency of the financial information of local school systems and schools. The new law requires local public schools and districts to publish how much they spend on average per-student and how funds are spent. Accurately reported, this type of information will be helpful in identifying best practices related to how to target resources to effectively drive student achievement.