# Georgia

## by Meagan Batdorff

## **Summary and Highlights**

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Georgia and, in particular, the city of Atlanta and Fulton County during FY 2006-07

(Figure 1).1

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district PPR varies between districts. The weighted values

Figure 1: District and Charter School Revenues and Enrollments

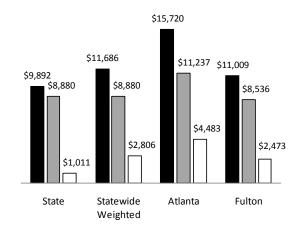
Figure 1: Dis	trict and Ch	arter School	Revenues a	nd Enrollme	nts				
Georgia (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Atlanta Public Schools		Fulton County Schools		
Per pupil Revenu	ie								
District		\$9,892		\$11,686		\$15,720		\$11,009	
Charter		\$8,880		\$8,880	\$11,237		\$8,536		
Difference	(\$1,011)		(\$2,806)		(\$4,483)		(\$2,473)		
Difference		(10.2%)		(24.0%)	(28.5%)		(22.5%)		
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	\$643	\$249	\$833	\$249	\$1,522	\$643	\$383	\$0	
State	\$4,828	\$2,965	\$4,013	\$2,965	\$3,002	\$2,398	\$3,141	\$2,237	
Local	\$4,230	\$4,820	\$6,621	\$4,820	\$10,942	\$7,109	\$7,233	\$5,459	
Other	\$155	\$587	\$199	\$587	\$244	\$1,020	\$258	\$419	
Indeterminate	\$36	\$259	\$21	\$259	\$9	\$67	(\$7)	\$422	
Total	\$9,892	\$8,880	\$11,686	\$8,880	\$15,720	\$11,237	\$11,009	\$8,536	
Enrollment									
B	1,593,428		N/A		47,951		81,545		
District	99.5%		N/A		95.8%		98.1%		
	7,225		N/A		2,080		1,566		
Charter	0.5%		N/A		4.2%		1.9%		
Charter									
Schools		24		N/A		7		5	
Total Revenue									
District	\$15,762,026,409		N/A		\$753,804,414		\$897,691,153		
District	99.6%		N/A		97.0%		98.5%		
Charter	\$64,161,520		N/A		\$23,373,898		\$13,366,777		
Charter	0.4%		N/A		3.0%		1.5%		
Total	\$15,	826,187,929	N/	<b>′</b> A	\$777,178,312		\$911,057,930		
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	6.5%	2.8%	7.1%	2.8%	9.7%	5.7%	3.5%	0.0%	
State	48.8%	33.4%	34.3%	33.4%	19.1%	21.3%	28.5%	26.2%	
Local	42.8%	54.3%	56.7%	54.3%	69.6%	63.3%	65.7%	64.0%	
Other	1.6%	6.6%	1.7%	6.6%	1.6%	9.1%	2.3%	4.9%	
Indeterminate	0.4%	2.9%	0.2%	2.9%	0.1%	0.6%	(0.1%)	4.9%	
Change in district school funding if subjected to charter funding structure									
	(\$1.6	i billion) (\$215 mill		nillion)	illion) (\$202 million)				
	170%	,			1757	,	17-0-1	,	

estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

### **Highlights of Our Findings**

- The gap between district and charter school funding on a statewide basis is 10.2 percent: \$9,892 vs. \$8,880 per pupil, a difference of \$1,011.
- Georgia charter schools received \$8,880 per pupil, but district schools would have received an estimated \$11,686 to educate the same students a difference of \$2,806, or 24.0 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$1,795 from the statewide difference above.
- Atlanta charter schools trailed their district counterparts in funding by 28.5 percent: \$11,237 vs. \$15,270 per pupil, a difference of \$4,483 per student.
- Fulton County charter funding lagged behind district funding by 22.5 percent: \$8,536 vs. \$11,009 per pupil, a difference of \$2,473.

Figure 2: Per Pupil Total Revenue for Georgia District vs. Charter Schools, FY 2006-07



#### **Primary Reasons for Funding Disparities**

 State statutes limit charter schools' access to local funds beyond the required local 5 mills contribution to the Quality Basic Education (QBE) Foundation Program.

- Georgia's QBE Foundation Program funds school systems rather than students based on the number of students in certain programs. QBE was designed to meet the needs of traditional schools in system-wide programs, so flexible and innovative charter school structures and programs (and some traditional schools) often fall outside a QBE's program criteria and receive fewer, or no, funds. A charter school's daily schedule, curricular offerings, or staff composition might all be reasons that specific design elements "don't fit the mold".
- Because Georgia does not recognize charter schools as LEAs, they are: (1) dependent upon their sponsoring district's program structure for QBE funds; (2) dependent upon their sponsoring district for a "fair share" of local funds; (3) unable to apply for many state and federal program funds without help from their sponsoring districts; and (4) ineligible for "special factor" adjustments, such as those for traditional districts below a minimum size.
- According to the Georgia Department of Education's "2006-2007 Annual Report on Georgia's Charter Schools", charter schools serve a higher percentage of free or reduced price lunch students than traditional district schools, 56 percent vs. 50 percent. Title I data from NCES, however, shows 4 percent more district schools statewide are Title I eligible than charter schools (47.6 percent vs. 43.6 percent). Demographic differences in student population, therefore, do not account for the disparity between charter and district school revenues.

## How Georgia Funds Its District Schools<sup>2</sup>

Georgia funds its public schools through the Quality Basic Education (QBE) Act, a foundation program based on weighted student equivalents set for multiple programs or cost factors. The state's funding formula is a combination of state funds from QBE, categorical grants, equalization grants for property-poorer districts as well as local

revenues from the local five mills share (each district's mandatory "fair share"). School districts can raise local supplements through property taxation beyond the 5 mills requirement (with a 20 mills limit), and through bonds and SPLOSTS (sales tax) to fund capital outlay needs.

#### **State Revenues**

Each district's QBE funding is calculated by multiplying the weighted student FTE count by the guaranteed base amount per student. The guaranteed base amount is the same for all students and districts. The state sets a base amount per pupil that accounts for direct instruction (staff and textbooks), indirect costs (maintenance, central office, and support staff), staff development, and media costs. Local districts are required to raise their "local fair share" of five mills or its equivalent and the state equalizes up to 3.25 mills that are levied above the required 5 mills. By law, the amount of funding represented by the local 5 mills raised statewide cannot exceed twenty percent of total QBE formula earnings.3 Local districts can use their "local fair share" revenues for any program funded under QBE, but not for programs operated at the discretion of the local district. A series of program weights is then applied to each student's funding base. Funding under QBE programs depends on whether the district or the school meets specific program requirements.

School systems receive categorical grant funds based on population and enrollment for transportation, sparsity, or special education students. An additional line item of funding is included for school nurses.

#### **Local Revenues**

The Georgia Constitution allows school districts to raise additional local revenues for program support and capital projects: "Authority is granted to county and area boards of education to establish and maintain public schools with their limits" (8-5-1). School systems can levy up to 20 mills (or more, with voter approval). These revenues can be used for: staffing, salary supplements, additional programming,

extracurriculars, technology, supplementation of "underfunded" categorical grants such as transportation and M&O, or for social security costs.

In 1985, counties were authorized by the Legislature to enact a county tax of 1 percent on items subject to the state sales tax for funding specific capital projects. The county electorate must approve the tax called a Special Purpose Local Option Sales Tax (SPLOST). In 1996, Georgia voters revised the SPLOST law by approving a constitutional amendment that allows local boards of education to raise a 1 percent sales tax for specific capital projects for a period of time of no more than five years. Georgia's 21 city school systems share in the proceeds based on FTE – or other local law authorizing distribution – along with the 159 county school systems granted authority to raise SPLOST funds.<sup>4</sup>

## How Georgia Funds Its Charter Schools<sup>5</sup>

Georgia's charter school law was amended in 2005 to clarify the way in which start-up charter schools and state chartered special schools are funded. Prior to 2005 the law's language was unclear and left much room for interpretation on the inclusion and distribution of charter school revenues through QBE and access to local and federal funds. The charter school law now stipulates that local school districts must pass through to charter schools all earnings from the QBE formula, which combine state sources with local 5 mills revenues, applicable QBE grants and nonQBE state grants, earned federal revenues, and local revenues. (See Figure 3 for a summary of policies that impact charter school funding.)

#### **State Revenues**

The 2005 amendments specifically define the program factors that will be included in determining charter school QBE revenues: "QBE formula earnings shall include the salary portion of direct instructional costs, the adjustment for training and experience, the nonsalary portion of direct instructional costs, and earnings for psychologists and school social workers, school administration, facility maintenance and

instruction in accordance with Code Section 20-2-184.1, and staff development." The program adjustments used in calculating charter school QBE earnings are the same adjustments used in calculating any local schools earnings with the exception that a start-up charter school's formula earnings cannot be less than "one-half of the comparable percentages for the local school system in which the charter is located."

In addition to state revenues under QBE formula earnings, charter schools also receive earned QBE state grants and nonQBE state grants.

#### **Local Revenues**

Prior to 2005 the law was vague on the distribution of local revenues to charter schools; the amount of local revenues and process of allocation was left to district discretion. Charter schools are now clearly eligible for a near-equal share of local revenues as the formula for allocation describes below:

- 1. The total amount of state and local mill share funds is determined for all students enrolled in a charter school as calculated under QBE, including funds for social workers psychologists, but excluding system-wide central administration, transportation, or categorical grant revenues not applicable to the charter school.
- 2. The total amount of state and local 5-mill share funds is determined for all students (schools) in the public school system, including charter schools that receive local revenues under QBE but excluding all categorical grants and non-QBE grants.
- 3. Divide the amount determined in item 1 (above) by the amount determined for item 2 (above) and multiply this quotient by the school system's local revenue.

The resulting product of item 3 (above) is the amount that should be distributed to the start-up charter school. The law also states that, "Where revenues may be included in "district tuition".

operation, media centers, additional days of feasible and services are provided, funds for transportation, food-service programs, construction projects shall also be distributed to the local charter school as earned". The law's language for the distribution of local revenues to start-up charter schools still leaves problematic room for interpretation. For one, a clear definition of "local" revenues is not provided and since the law states that local districts will distribute capital funds "where feasible", it is our assumption that local revenues are not inclusive of capital or debt service. The local funding streams also are not included in the state's accounting system of local revenues.

> State chartered special schools report directly to the state, but their QBE earnings, QBE grants, non-QBE state grants, and any earned federal grants are distributed to the local school district in which the state charter special school is located and passed through to the school. State chartered special schools are not included in the calculation and distribution of a local school system's equalization grant, unless the school district's voters have approved the school's inclusion and sharing in local tax levies and funds from bond indebtedness. The state board can require a local referendum of a district's voters in which a state chartered special school is located to determine whether the local board of education shall provide funds from school tax levies or incur bond indebtedness, or both, to support the school. The state determines a state chartered special school's revenues for transportation and building programs.

#### **Federal Revenues**

Georgia charter schools receive federal revenues for applicable and/or eligible programs that the school district in which the charter school is located applies for and receives. Charter schools cannot apply for federal funding on their own. In many cases, charter schools receive services in lieu of direct funding. Fulton charter schools, for example, reported no federal revenues. assume that Fulton charter schools received services in lieu of revenues or that federal

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive			
their funding directly from			
the state			Х
Charter schools are eligible			
for local funding			X <sup>6</sup>
Cap on funding a charter			
school can receive		Χ	
District public schools			
receive differential funding			
(e.g. more funding for 9-12			
vs. K-8 schools)	Χ		
Charter schools receive			
differential funding	Χ		
State allows district to			
withhold funding from			
charter schools for			
providing administrative			
services	Х		
State "holds harmless"			
district funding for charter			
enrollment		Х	
School is considered LEA if			
authorized by non-district			
organization			Х
School is considered LEA if			
authorized by district		Х	
Cap on number of charter			
schools		Х	
Cap on number of charter			
schools authorized per year		Χ	
Cap on number of students			
attending charter schools		Χ	
Charter schools have an			
open enrollment policy	Χ		

#### **Facility Funding**

During FY 2006-07, local districts decided whether to include charters in their five-year capital plans, which are funded by a combination of state capital outlays and local taxes or bonds. Most districts raise capital funds through SPLOST, a 1 percent sales tax collected over a five-year period. Charter schools were rarely included in district five-year plans. In the spring of 2008, HB 1065 required districts to include charter schools in their local referendum sales tax campaigns.

Charter schools may access, on equal footing with other district schools, property that is designated as surplus by a local board of education. If the local board owns the charter school facility, it must renovate and maintain it to the same extent as it does for other public schools. In practice, however, this policy generally has been used only for conversion schools.

The Georgia State Board of Education created a fund for local charter schools and state chartered special schools to establish a per pupil, needbased facilities aid program. The program was not funded in 2003, however, and received only modest funding (\$500,000) for FY 2005-06, with an additional \$950,000 included in the FY 2006-07 state budget. These monies can be used to purchase property, construct facilities, purchase or lease facilities, purchase vehicles to transport students, and to renovate, repair, and maintain school facilities. Itemizations of charter school facilities grants totaled \$232,000 from the 23 FY 2006-07 charter school audits we were able to collect.7

## Primary Revenue Sources for Georgia's Public Schools

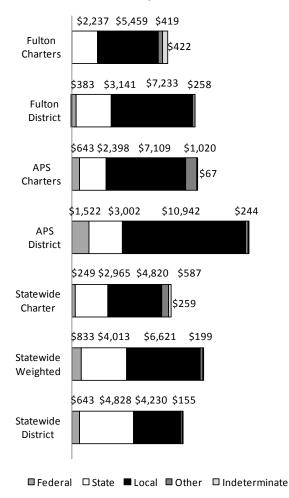
Georgia's public schools are primarily funded through the state's QBE system, which was designed to establish a minimum base funding amount to which all districts would contribute their "fair share." Both traditional and charter schools rely on local sources (local property taxes, special local sales taxes, and non-tax revenues), state lottery funds, federal, and "other" dollars to supplement QBE allotments. Traditional schools are guaranteed state and local debt service and capital funds, whereas charter schools are not. Some charter schools may have received local capital from their sponsoring district, but these amounts were not identified.

The gap between charter and district school funding per pupil is largely attributable to the following disparities in source distributions: (1) charter schools' limited access to local funds;

- (2) charter schools' lack of access to capital

dollars; (3) the state's funding formula; and (4) charter schools' limited access to federal and state grant sources because they lack LEA status.

Figure 4: Per Pupil Revenue by Source for Georgia District vs. Charter Schools, FY 2006-07



#### **Local Sources**

Limited Access to Capital Funds: In FY 2006-07, Georgia charter schools could not access state or local capital revenues without districts including charters in their capital campaigns. We were able to identify a total of \$232,000 in facilities grants from audits — and charters likely received more facilities funds, which are classified under "indeterminate" since those funds were not identified. Although the district data herein does not include total capital and debt service revenues, the revenues we did identify still present a disparate picture: SPLOST revenues

alone provided APS district students with \$2,267 per pupil and Fulton County district generated \$1,693 per student. Even if we assume that all unidentified "government grants" for charter schools were state facilities grants, in addition to the \$232,000 of identified facilities funds, this would amount to only \$250 in facilities revenue per charter student.

We were unable to obtain a total local SPLOST amount for all districts statewide. The Department of Revenues FY 2006-07 Statistical Report estimated SPLOST revenues at \$1.3 billion, which equates to \$816 per district student.

<u>Limited Access to Local Funds:</u> Statewide, charter schools seem to fair better in local revenue totals than district schools (\$4,820 vs. \$4,230), a difference of \$590. This difference can most readily be explained because: the majority of charters for which we have audits are located in urban areas with higher district local revenues than the average statewide. The statewide snapshot of local charter school revenues stands in sharp contrast to APS and Fulton charter totals. The Atlanta City district received \$3,833 more per pupil in local dollars than did Atlanta charter schools (\$10,942 vs. \$7,109). In Fulton County, this disparity was \$1,774 per pupil (\$7,233 vs. 5,459). A majority of the Fulton difference can be attributed to the SPLOST revenues discussed above, but it should be noted again that the capital and debt service totals for all districts statewide are low and that charter local revenue estimates are likely overestimated. Likewise, APS SPLOST revenues are likely responsible for the difference in local revenues, producing a \$1,566 disparity between charters and district schools.

The remainder of local revenue differences between district and charter schools is likely attributable to the license districts have to fund charter schools "where feasible" for many services, capital projects, or programs. This discretion to determine feasibility leaves districts with the option of denying funding to charter schools when it deems such funding to be unfeasible.

#### **State Sources**

Georgia's Funding Formula: The state's school funding formula was established to fund district systems rather than schools or students. Consequently, students might meet certain criteria that would warrant additional funding beyond the base funding, but schools are unable to access the funds because the school itself does not qualify for the program. Reasons for this can include district constraints, non-eligibility, nonparticipation, or non-conformity QBE requirements. Because funds do not follow the child, charter schools have been blocked from receiving funds to educate needs-identified students.

Figure 5: School Characteristics

Georgia (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch <sup>10</sup>	50.0%	56.0%
Percentage of schools eligible for Title I	47.6%	43.6%
Percentage of students by school type:		
Primary (K-5)	50.6%	47.3%
Middle (6-8)	18.4%	20.0%
High (9-12)	14.0%	14.5%
Other (K-12, K-8, etc.)	3.0%	16.4%

Students Served: Georgia's funding system applies a greater weight to elementary grades and to selected categories for higher-needs students. As figure 5 shows, in FY 2006-07 Georgia charter schools served a nearly equal percentage of elementary students as district schools (50.6 percent vs. 47.3 percent), so the greater weight attached to the elementary grades does not explain the charter funding shortfall. According to the NCES Common Core of Data, a slightly lower percentage of charter schools across the state were Title I eligible as compared to district schools (43.6 percent vs. 47.6 percent), yet according to the FY 2006-07 Annual Charter School Reports, charter schools served higher percentages of free

or reduced price lunch students than did district schools (56.0 percent vs. 50.0 percent). Since the students served in both school types are so similar, the funding differences cannot be attributed to student characteristics.

#### **State/Federal Sources**

Georgia charters are restricted from applying for many state and federal grants because they do not qualify as independent districts (LEAs). As stated above, this has considerably reduced the federal dollars charters can generate. Since it is often the case that districts withhold federal funds in exchange for services provided to charters, it is difficult to assess whether charter schools are receiving their fair share of federal funds.

#### **State Scorecard**

We have assigned ratings to each state based on the quality of data available, as well as to the extent charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged "Data Availability" on the ease of access to the information needed for this study and others like it. A rating of "Yes" means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of "Partial" means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of "No" means the data were not available either through web sources or state departments of education. Separately, we judged "Funding Formula" based on whether or not charters were considered Local Education Agencies for purposes of funding. "Yes" means that charters in the state are always considered LEAs for all forms of funding. "Partial" means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. "No" means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and

Figure 6: State Scorecard

	e 6: State Scorecard	GΛ
	Charters have access to forders I found	GA
unding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Υ
Federal Funding	Percentage of federal revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	<
nding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
State Funding	Percentage of state revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	<b>'</b>
nding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
Local Funding	Percentage of local revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	<11
unding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
Facilities Funding	Percentage of facilities revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	<
Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
Data Ava	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

equitable revenue in all three revenue streams listed.

The same method was applied to the ratings for federal funding, state funding, local funding and facilities funding.

#### **Endnotes**

<sup>1</sup> Information on revenue sources calculations: District Revenues: we were able to obtain detailed revenues by fund for all districts statewide and for Fulton and Atlanta. These accounts did not include capital or debt service. SPLOST figures were taken from Atlanta and Fulton annual audits, although debt service figures were not obtained and were noted as a problem by APS auditors for FY 2006-07. The Office of Planning and Budget provided statewide revenue figures for state sources of capital and debt service; they were not able to provide this figure for Fulton and Atlanta City public schools.

Charter School Revenues: all charter school revenues are taken from FY 2006-07 charter school audits. Districts do not maintain a separate chart of accounts for charter schools and neither does the state. Total charter school and district school revenues were calculated by the following:

- (1) With the exception of one charter school audit, all audits reported a combination of local and state revenues under the heading "district tuition", "state funding" or "QBE funding". Many audits also itemized other state grants, federal revenues, and other dollars.
- (2) State QBE revenues were identified using QBE allotment sheets (<a href="http://app.doe.k12.ga.us/ows-bin/owa/qbe\_reports.public\_menu?p\_f\_y=2000">http://app.doe.k12.ga.us/ows-bin/owa/qbe\_reports.public\_menu?p\_f\_y=2000</a>). The state QBE total was deducted from the reported "district tuition", or total QBE amount to approximate a remainder of local revenues. It is likely, therefore, that local revenues are overestimated since

- the lump sum amounts may include other unidentified state funds or pass-through federal funds. However, this method produced percentages of local and state charter school revenues similar to district percentage totals.
- (3) We did not use the state statute formula for determining local revenues because: (1) charter school audits did not provide enough detail to produce starting figures; (2) the definition of "local" district revenue is unclear; and (3) trial runs at using the formula to determine charter school local revenues produced figures that were not compatible with reported state QBE amounts.
- Sielke, Catherine. "Georgia". University of Georgia, 2000; The Governor's Education Finance Task Force. "Understanding Education Funding for Georgia's Public Schools," November 2004. www.ie2.org/Portals/5/Govs%20task%20force% 20training%20condensed.pdf.
- 3 "Basics of Georgia School Finance". Georgia School Council Institute. www.GeorgiaEducation.org.
- 4 "SPLOST". Finance and Business Operations, Georgia Department of Education. <a href="http://www.doe.k12.ga.us/fbo-facilities.aspx?PageReq=FBOFacilitiesSPLOST">http://www.doe.k12.ga.us/fbo-facilities.aspx?PageReq=FBOFacilitiesSPLOST</a>
- <sup>5</sup> Georgia School Code. "Title 20. Education Chapter 2. Elementary and Secondary Education Article 31. Charter Schools Act of 1988".
- <sup>6</sup> Charter schools are eligible for local funding under state statute but are not guaranteed equal funding.
- Additional facilities grant funds are likely captured under "district tuition" or "government grants" as reported in audits.

- <sup>8</sup> Unidentified government grants totaled \$1,577,674.
- Georgia Code, Title 20 "Education". From Chapter 2, Article 6, Part 4: The general education high school program is set as the base program to which the cost of other instructional programs are compared. A general education high school student has a weight of (1.0000), whereas a basic kindergarten student is weighted at 1.6587. Weights for special needs students range from Category I at 2.3940 to Category IV students at 5.8176.
- <sup>10</sup> Percentages of free and reduced priced lunch eligibility were taken from the Georgia Department of Education's "2006-2007 Annual Report on Georgia's Charter Schools".
- On a statewide basis the original averages do produce a figure that shows charter schools ahead of district schools in local revenues, but not when considering the weighted for charter enrollment PPRs, which is how determinations were made.