

Delivering on the Promise to our Children: How to Restore the Intent of the QBE Formula

The Quality Basic Education Act was adopted by a unanimous vote of both houses of the Georgia General Assembly and signed into law by Governor Joe Frank Harris in 1985. It was a giant step forward in the financing of Georgia's public schools.

The QBE Act put into place a logical and comprehensive framework for providing a quality basic education to every student in Georgia. Although it did not address all aspects of an adequate education, the new law improved the funding for what it defined as a basic program. There was a significant increase in the level of State and local support, which took into account the varying resources of local school systems.

The new financial model held up well for several years, but eventually began to unravel. Instead of adjusting all of the required costs periodically, the State chose to increase the funding for the components with the greatest political appeal and neglected everything else.

In the process, the QBE formula, as it came to be known, lost its comprehensive nature. It is no longer a reliable way to provide the funding for even a basic program for all of Georgia's students – much less the adequate education that is required by the Georgia Constitution.

General Background

Georgia is one of many states to use what is described as the foundation approach to school funding. In this model, the State prescribes a basic program, which is referred to as the foundation, and acts to ensure that the basic program is offered to every student in the state. The State also pays for most of the cost of the basic program.

This approach allows local systems to go beyond the basic program if they are willing to raise additional funds for this purpose. This layer of supplemental funding is financed through a combination of local taxes and grants from the State to assist those systems which do not have as much taxable property per student as most systems.

Typically, there are other grants from the State to meet specific needs not covered by the general formula on a per-student basis.

Current Situation

The funding of the general operating expenditures by all local systems in Georgia in FY02 is summarized in the following table. These expenditures do not include the cost of school construction, school nutrition, or any designated Federal programs (which by law are supposed to supplement and not supplant spending for the basic program), nor do they reflect the overall increase in cash reserves in that year.

	FY02 General Fund Expenditures (Billions)		
	<u>State</u>	<u>Local</u>	<u>Total</u>
QBE Formula Earnings	\$ 5.1	1.0	\$ 6.1
Categorical Grants	.2	.3	.5
Supplemental Funds	.3	<u>2.4</u>	<u>2.8</u>
Total Expenditures	\$ 5.7	3.7	\$ 9.4

Based on the numbers shown above, the State provided the funds to pay about 60% of the General Fund Expenditures by all local school systems in Georgia in FY02. After counting the relatively small amount of unrestricted Federal funds, nearly all of the remaining 40% was paid through local revenues. However, these percentages vary widely from system to system.

The QBE Formula, which is supposed to cover the cost of the basic program, was equal to 71% of the total cost in FY02. The State's share of this cost (\$5.1 billion out of \$6.1 billion) represented 83% of the total amount of QBE Formula Earnings. This percentage appears to exceed the original goal of 80% in the QBE Act, but this appearance is very misleading.

The crucial problem in Georgia - and a major cause of the Constitutional violation – is that the estimated cost of the basic program, as defined by the QBE Formula, is far short of what a local system would have to spend to comply with the minimum State requirements, without even considering whether the minimum State requirements are enough to provide for an adequate education. Because the starting point is artificially low, the rest of the funding model loses its validity, and the intended relationships are blurred.

The obvious solution is to set the cost of the basic program at a realistic level, which would ensure that every student has the opportunity to obtain an adequate education. For various

reasons, the State has failed to do so. Many legislators even contend that the State has provided more than enough funds for this purpose.

In addition, the mechanics of the funding formula have become so hard to follow that policy-makers are often distracted from the underlying educational issues. The general public is left in the dark as to who is responsible for what. Instead of being understandable and transparent, the financing of our schools has become confusing and murky. Worse of all, it does not provide enough funding for an adequate education.

The QBE Formula

The QBE Act establishes a formula to determine the cost per student for each of 19 general programs, based on the type of instruction for each student. The cost of each program is calculated through a series of “building blocks” for the various components of the total cost, such as the salary and benefits for the classroom teacher; the cost of textbooks and instructional materials; the cost of utilities and maintenance; and allocations for specialists, instructional support, and administrative expenses at the school and system levels.

The salary of the teacher and other certificated positions is based on the State's minimum salary schedule, with adjustments for the training and experience of the system's certificated employees in each field and allowances for health insurance and pension benefits. The amount per student depends on the number of students in each class (the “Funding Ratio”) as well as the staffing ratios for other positions. The resulting cost per student is then multiplied by the number of full-time equivalent (FTE) students in each program, taking into account the portion of the school day that each student spends in each program.

Categorical Grants are made by the State for those activities, such as pupil transportation, which are estimated on a system-wide basis instead of a per-student basis.

Additional funds are provided through Equalization Grants to assist the systems with the least taxable property per student in supplementing the basic program on the same basis as other systems. These grants are intended to enable every system to derive as much revenue from each of the next 15 mills of property tax above the first 5 mills as does the system at the 75th percentile, when ranking all systems according to their property-tax digest per weighted student.

The tax digest is “equalized” to ensure that the property in each jurisdiction is assessed on the same basis, and the number of students is adjusted by weighting the students by the relative cost of the programs in which they are enrolled.

Every system is expected to contribute a local share based on the revenue which would be generated by five mills of property taxes when levied on the “equalized” tax digest for the system. In effect, the Five Mill Local Share, as it is now called, is like a statewide tax in the sense that this amount is deducted from the funds “earned” by each system through the formula.

Distortions in the Formula

Despite its logical framework, the QBE Formula has been distorted over time, because some components, such as teacher salaries, have been increased regularly while other components, such as textbooks and supplies, have not kept pace with actual costs.

Some of the per-student amounts, such as the allocations for facility maintenance and supply teachers are essentially arbitrary. Other amounts, such as the allocations for school and general administration and the grants for pupil transportation, are based on unrealistic schedules.

The funding of school nurses illustrates the difference between expectations and reality. The State made a bold, visionary decision in allocating \$30 million per year from the proceeds of the tobacco settlement to support nursing services in Georgia's schools. However, the nature of this action was widely misinterpreted. The perception was created that the State was going to place a nurse in every school, even though dividing \$30 million by nearly 2,000 schools would provide only about \$15,000 per school, far less than the salary and benefits for what was later described as a “health professional.”

As a result of these discrepancies, there are substantial “gaps” between the amount of funds earned through the QBE Formula (and the Categorical Grants for pupil transportation) and the actual expenditures for various parts of the basic program, especially those which have not been adjusted over time. The formula is conspicuously “under-funded” in these categories. Even if the argument is made that local systems are spending more for these functions than necessary to meet the minimum State standards, the differences between the actual expenditures and the allocations in the QBE Formula are so large that they cannot be explained on this basis alone.

It is true that the State has increased its spending for K-12 education substantially over the last decade, except for the dramatic cuts after FY 2002. It must be recognized, however, that nearly all of the “new” money has gone to cover the steady growth in student enrollment, to increase teacher salaries, and to construct new school facilities. The other parts of the cost of a quality basic education have been virtually ignored when setting the QBE Formula for each year. The result has been to drain funds away from other programs and to force increases in local property taxes – for reasons that are not readily apparent.

The Need for Adequate Funding

There is no guarantee that adequate funding will lead to an adequate education. The teacher must be capable; the curriculum must be challenging and relevant; the school environment must be conducive to learning; the school must provide instructional assistance for a variety of student needs; and the students must be ready and willing to learn. The support and encouragement of parents and the community at large are other key factors.

However, the lack of adequate funding creates a hardship that is almost impossible to overcome. Salaries have to be competitive in attracting and retaining capable teachers; class sizes must be reasonable; appropriate textbooks, supplies, and equipment must be available; and the school facilities must be safe, sanitary, and reasonably comfortable.

The test of adequate funding relates to the elements of an adequate education. Each of the necessary elements must be at an adequate level. It is not possible to use overages in one area to compensate for shortfalls in another area. Some of these elements are as follows:

1. Is the teacher adequately compensated? In terms of the basic program, the essential question is whether the minimum salary schedule adopted by the State and recognized in the QBE Formula is high enough to attract and retain the teachers who can provide adequate instruction. The QBE Act contemplated that the beginning salary for a teacher would be the same as the salary for comparable positions in other fields, but this standard has not been followed, much less the need to consider the increases in compensation over the course of one’s career in other professions.

It should be stressed that the actual salary paid to each teacher (or more precisely those teachers recognized in the QBE Formula) is a combination of the State

minimum and the local supplement, i.e. the amount by which the local salary schedule exceeds the State's minimum salary schedule. The local salary schedules vary widely, with some systems being far more competitive than others in recruiting new teachers and keeping current teachers. The lack of a meaningful supplement also causes the salaries in some systems to be especially inadequate.

On a statewide basis and in terms of the average total salary, Georgia has been aggressive in raising the average teacher pay to the point where it leads the Southeast and is close to the national average. Nevertheless, the real determination of what is an adequate level of compensation has to be made in the labor market for teachers and other occupations that require similar education and training. The relevant labor market is also segmented geographically. An adequate salary in one area may not be adequate in other areas. Similar differences exist in hard-to-fill academic subjects.

2. Is the class small enough to provide adequate attention to every student? The QBE Act sets limits on the size of each class. Since there is typically one teacher (or one teacher with an aide) per class, reducing the number of students in a class increases the cost per student accordingly. The financial impact can be significant.

In 2000, the latitude to increase the size of a class beyond the base size (known as the Funding Ratio) was sharply curtailed. However, the limits on class size were tightened without increasing the Funding Ratio for each program except for a minor adjustment in grades 1-3 (from 17.125 to 17). Also, the Funding Ratio does not recognize the requirement for every teacher in high school to have a planning period.

The present limits on class size are lower than they have ever been in Georgia, but once again, the question of adequacy can be answered only through educational research, especially as to what is necessary to meet the needs of the students who are not succeeding or progressing on schedule.

3. Are the textbooks, supplies, and equipment adequate for effective instruction? The QBE formula provides an arbitrary allocation for textbooks, supplies, and equipment of \$62.76 per student in kindergarten, \$70.51 in grades 1-3, \$55.03 in grades 4-8, and \$98.21 in grades 9-12 for the general program. According to data complied by the

Georgia School Superintendents Association (GSSA), the total expenditure by all local systems for textbooks and supplies in FY02 was 2.3 times greater than the total allocations in the QBE Formula, which covered only 44% of the actual expenditures for textbooks and supplies in that year.

The textbook allocation of \$40.26 for a typical student in high school would not even purchase half of one textbook in only one of the courses which the student takes each year. The allocation for consumable materials of \$33.21 for a student in grades 1-3 amounts to 18 cents per day. The allocation for the purchase (and replacement) of books and periodicals in the media center is only \$9.77 per student for an entire year.

It is inconceivable that these allocations would be enough to provide the textbooks, supplies, equipment, and media materials needed in providing an adequate education. Moreover, it should be relatively easy to determine a reasonable supply of textbooks, supplies, and equipment for each of the general programs and then to “cost out” these items for the purpose of defining a reasonable monetary allowance.

4. Are adequate provisions for instructional support? Although an argument can be made that the QBE Formula should simply provide a monetary allowance for instructional support and let local systems decide how to uses these funds, the staffing allocations are not adequate or even logical.

The staffing ratio of 1 position for music, art, and physical education specialists for every 345 students in an elementary school supports less than 1 position for an elementary school at the base size of 450 students, and the origin of this number is buried somewhere in the transition from the previous law to the QBE Act nearly 20 years ago. Whatever the logic might have been at one time, this allocation has become essentially arbitrary and is clearly less than what most school systems consider to be part of their necessary staffing. Curiously, the students in kindergarten or Special Education are not even counted in this allocation.

Likewise, there is no rational basis for funding various forms of compensatory education in the elementary and high schools but not in the middle grades. The original justification was that local systems could use Title I funds for this purpose,

but expecting a local system to make this decision is contrary to the intent of the Federal program, which is not supposed to be used to plug holes in the basic program. The funding model recognizes the need for counselors at all grade levels, but omits this allocation for students in Special Education, high-school remedial classes, and English for Speakers of Other Languages (ESOL).

The staffing ratios for psychologists and school social workers are considerably less than the recommended national standards and are based on a factor (1 of each position for every 2,475 students) that has no apparent logic educationally.

The funding of Alternative Education is conspicuously inadequate, because of limitations on the type and number of students who can be placed in this program. The result is to concentrate on the students who are disruptive and have been assigned to an alternative school as a form of punishment.

Similarly, the funding for the Early Intervention Program, while appearing to be ample on its face, is hampered by administrative rules which create financial incentives for using one delivery model instead of another and seek to limit the number of eligible students and the time which a student can spend in this program.

Unfortunately, the nature of the Early Intervention Program, which is the successor to the Special Instruction Assistance Program in the initial version of QBE Act, has drifted from its original intent. The emphasis has shifted from (a) an intervention program to provide a sustained boost to the children who need extra help so that they can progress on schedule to (b) a more conventional form of remedial education for the children who have already fallen behind and should be returned to the regular program as soon as they "catch up."

The resulting question of public policy, although mentioned here in the context of financial concerns, may reveal one of the central issues in determining whether the State is fulfilling its constitutional responsibility to provide an adequate education for all of its students. The goal should not be to offer a standard, uniform program to all students in the hope that they will succeed, but to identify the actual needs of the students and to address those needs in a meaningful way.

5. Is there adequate supervision and support at the school level? The allocations for School Administration in the QBE Formula are based on a hypothetical staffing pattern for an elementary school with 450 students, a middle school with 624 students and a high school with 970 students. However, the total amount spent by all local systems on school administration in FY02 was 2.18 times greater than the total allocations in the QBE Formula, which covered only 46% of the actual expenditures for School Administration in that year.

Even if the staffing pattern is reasonable, the allowable salaries are not. The salary for a school secretary, for example, is assumed to be \$11,805 for a 10-month work year with pension benefits but no health insurance. The allowance of \$150 per teacher for substitute teachers would cover only one or two absences per year in most systems.

The allocation of \$20.62 per student for school operations provides only \$2,000 per month in a 10-month school year for all of the telephones, supplies, equipment rentals, photocopy charges, and postage required by a high school with the base size of 970 students.

Instead of trying to define a specific staffing pattern, it would make more sense to set a reasonable “overhead” percentage, based on the personnel or total costs at a school or to provide a monetary allowance for schools of various sizes, although specific dollar amounts, once established, tend to become static over time.

6. Are the school facilities maintained and conditioned at an adequate level? There is an arbitrary allocation in the QBE Formula of \$298 per student for cleaning schools, providing regular maintenance, and paying utilities, but the total expenditure by all systems in FY02 was 82% higher than total allocations in the QBE Formula, which covered only 55% of the actual expenditures for Facility Maintenance in that year.

A more sensible approach would be to base this allocation on the cost per square foot of floor area to maintain various types of buildings. For example, according to a survey of building owners in 2003, the median cost for utilities, janitorial services, regular maintenance, and property insurance for office buildings in Metropolitan Atlanta was \$3.69 per sq. ft. per year. Since the Georgia Department of Education prescribes a standard of 2,850 sq. ft. per class (with 23 students) for the total floor

area of high schools, the indicated cost per sq. ft. would equate to \$457 per student – for a building with more wear and tear than a regular office building. This figure is 53% higher than the present allocation in the QBE Formula and turns out to be about the same as what local systems are actually spending on a statewide basis.

7. Is there adequate supervision and support at the system level? The allocation for General Administration is based on an arbitrary staffing pattern for systems with various sizes and even more unrealistic salaries. The total expenditure by all systems in FY02 was 12% higher than the total allocations in the QBE Formula, which covered 89% of the actual expenditures for General Administration in that year.

The allowable staffing pattern assumes that a system with 100,000 or more students can be administered by a superintendent, six assistants, one accountant, and one secretary. The assumed salary levels are equally artificial. For example, the salary (with pension benefits but not health insurance) is \$21,144 for an accountant and \$14,166 for a secretary.

Once again, an overall overhead rate, with gradations for systems of various sizes, would be much simpler and easier to understand.

8. Is there adequate funding to transport the students to school? Pupil transportation is not part of the QBE formula for the general programs, but it is clearly a required cost. The Categorical Grants from the State for this purpose covered only 41% of the actual expenditures in FY02. Reportedly, the State's own formula for pupil transportation, which excludes all students living less than 1 ½ miles from the nearest school, was consciously under-funded by \$40 million in FY02.

A relatively sophisticated study of student transportation is needed to define these costs more accurately, but this cost should be quantifiable. State funding of pupil transportation has depended more on the willingness of the State to provide funds than the cost of providing this service.

9. Are there other costs that are not recognized in the QBE Formula at all? For example, all of the local systems in Georgia which did not opt out of the Social Security System by the deadline several years ago have to pay FICA taxes equal to

6.2% of all covered salaries (up to a maximum per employee). Although this expenditure does produce an eventual benefit to a system's employees and was at one time a local option, it is still a substantial cost that is not recognized in the formula. The total cost of FICA taxes in FY02 was calculated by GSSA to be \$247 million.

Since the adjustments for Training and Experience are delayed by a year, a system has to pay the full amount of any salary above the salary for a beginning teacher for at least a year if it hires a teacher with more preparation (i.e., degrees) or experience (i.e., years of service) than a beginning teacher with bachelor's degree.

The Size of the Problem

The table shown on the last page indicates the extent to which the allocations in the QBE Formula in FY02 were less than the actual expenditures by all school systems in Georgia.

One way to estimate the magnitude of the under-funding in FY02 is to assume that the allocations in the QBE Formula for Instruction and Media Centers in the QBE Formula were a realistic measure of the required minimum costs in these categories and that the necessary expenditures for General Administration, School Administration, Facility Maintenance, and Transportation were only 75% of the actual expenditures in that year. (This is the same relationship that the allocations in the QBE Formula had to the actual expenditures for Instruction and Media Centers in FY02.) The purpose of this adjustment is to factor out the portion of local salaries that is higher than what the State might recognize and to eliminate any local expenditure that might not be required to meet minimum State standards. It implies that the actual expenditures by local systems for General Administration, School Administration, Facility Maintenance, and Transportation in FY02 were one-third more than was really necessary.

It would then be possible for the purpose of analysis to define three levels of expenditure, as follows:

1. The total amount of QBE Earnings, including the required local effort. This is the same as the amount shown on the bottom line of the so-called allotment sheet, which a local school system "earns" in accordance with the QBE Formula, plus Equalization Grants, Categorical Grants, and other non-formula grants. (Equalization Grants have

been included in this total for simplicity, even though they are actually intended to enable a local system to go beyond the basic program.)

2. The necessary expenditures to meet the minimum State standards. This is the minimum amount which a school system would have to spend to comply with State standards for instruction and physical conditions, with salaries on the State minimum salary schedule. It does not represent the cost of an adequate education.
3. The actual expenditures by local school systems in FY02 for general operations. This amount excludes all designated Federal funds, school nutrition, and school construction. It includes the part of a teacher's salary in excess of the State minimum, which is often referred to as the "local salary supplement."

On this basis, the under-funding of General Administration, School Administration, Facility Maintenance, and Transportation amounted to at least \$458 million or 5% of all expenditures or 13% of all local revenues in FY02. These funds could have been used to provide additional programs or reduce local property taxes. The total of these items was equivalent to \$316 per student or \$6,325 for a class with 20 students.

Those systems which have a large property tax base per student can cover the deficits in the funding of the basic program more easily than other systems. They are also able to do more for their students. Nevertheless, the constitutional issue is simply whether the funding of the basic program is sufficient to provide an adequate education of all students.

The required local effort is essentially a state tax and is even treated in the State's budget as a source of funds in financing the State's expenditures for K-12 education. After meeting this obligation, local systems should be able to use their additional local revenues to enrich and expand the basic program through higher salaries and additional opportunities for their students instead of covering deficits in the funding of the basic program.

Local systems are being forced to absorb an increasing share of the required cost of the basic program. Although this problem is the most severe for those systems without a substantial local tax base, it affects all local school systems. Raising the level of State financing for the basic program would benefit every system in Georgia, especially since all systems are being expected to meet higher standards and new forms of accountability.

Worsening Situation

Unfortunately, the under-funding of the QBE Formula has become significantly worse in the three years following FY02. When including the cuts “within” the formula in FY03, reductions in the grants for pupil transportation, and the cuts in the formula as a whole (first called “Austerity Reductions” and now “Temporary QBE Reductions”), the total amount of QBE Earnings was cut by \$125 per student in FY03 and another \$101 per student in FY04. The budget for FY05, as finally adopted, reduced the proposed cuts to \$40 per student (including transportation), but the cumulative cuts in State funding to local systems in FY05 still amount to about \$270 per student or \$400 million.

These cuts come on top of the previous under-funding of the QBE Formula (at least \$458 million in FY02) and do not reflect the impact of inflation since FY02 (at least \$525 million when applying an assumed inflation rate of 3% per year to the State’s share of the total cost of K-12 education in FY02). **When viewed in this light, the total deficit in the QBE Formula has increased to at least \$1.4 billion in FY05, without even considering the cost of the new requirements imposed by the State and the No Child Left Behind Act.**

This shortfall is equivalent to at least \$925 per student or about 15% of the total cost of K-12 education in FY02. Since local systems are not allowed to reduce salaries below the State minimum schedule or to increase class sizes beyond certain limits and are reluctant to decrease local salary supplements, they have to cover these deficits by eliminating supplemental programs and raising local property taxes. The goal - and constitutional responsibility - of providing an adequate education for all students becomes even more distant, since even the funding of the basic program through the QBE Formula does not provide all of the elements of an adequate education.

The budget for FY05 includes additional funds to increase the State minimum teacher salary schedule and add another step to the schedule, but the necessary costs by local systems will rise by the same amount plus the related increases in personnel costs not recognized in the QBE Formula. Since the minimum salary schedule is being increased at the same time as the funding for the QBE Formula is being reduced, the practical effect is to shift the cost of an increase in the State share of salaries to the local level.

It should be noted that many systems have made up the shortfall in the funding of the basic program by increasing their local property taxes beyond the amount that would be required otherwise. Therefore, setting the QBE Formula at a realistic level (which would lead to additional State funding since the required local effort had already been met) would be accompanied in part by reductions in property taxes at the local level. This may not be a constitutional issue as such, but the reality remains that the funding of education in general is adversely affected by the unpopularity of property taxes and the effect of the wide disparities in the property-tax digest per student from system to system.

Many people believe or at least hope that the recent cuts in State funding for education are a temporary phenomenon and that the funding will be restored when economic conditions improve. However, under the current tax structure, this may be wishful thinking.

The first increase in State revenues will be used to restore the State's reserves (sometimes called the "rainy day" fund, which is close to being fully depleted). Other State agencies are seeking relief from the cuts in their budgets, since they have been hit as hard as or even harder than K-12 education; and even within K-12 education, the likely priorities will continue to be covering the cost of the growth in enrollment and increasing teacher salaries. Despite polls which indicate the opposite conclusion, many legislators believe their constituents are opposed to tax increases even when education is affected; and worse of all, many people in the general public as well as legislators do not realize how severe this problem has become.

There are even some who mistakenly contend that the decision to rescind the previous cuts in Equalization Grants in FY05 "solved the problem." However, Equalization Grants are not intended to pay any of the costs of the basic program, and the increase in Equalization Grants in FY05 is less than one-quarter of the total cuts in QBE Formula for the systems which receive these grants, even though the increase in Equalization Grants in FY05 do offset the additional cuts for a few systems in that year.

What Needs to be Done

The underlying premise in the QBE Act is still sound. The intent is to estimate the cost of the basic program in accordance with minimum standards, to provide a mix of state and local

funds to cover this cost, and to allow local communities to supplement the basic program to whatever extent they want.

The key to solving this problem and ensuring an adequate level of funding is to implement three specific steps, as follows:

1. The cost of providing a basic program can and should be set in a realistic manner. An independent study of adequacy would be a great help, but it is still possible to “cost out” in a reasonable way the standards that are already set forth in the QBE Act. That would be a very important improvement, which could be accomplished simply and quickly. It is also essential to have a periodic review of the QBE Formula at least once every three years. This review was permissive in the original QBE Act, but is now mandatory. Updating the formula through a periodic review would help in preventing the type of distortions that have crept into the current formula.
2. The partnership between the State and local school systems should be reinforced by maintaining an appropriate mix of State and local funds, with adjustments to compensate for differences in the taxable wealth of local systems. Setting the QBE Formula at a realistic level would have the effect of increasing the amount of State funding for the basic program, since the total amount of the required local effort by local systems would have already been met. There would also be an equalizing effect to the extent that the funding for the systems which have the greatest difficulty in financing the basic program would rise the most on a per-student basis. It should be emphasized, however, that all systems would benefit, since the additional State funds would be distributed on a per-student basis in accordance with the QBE Formula.
3. Local school systems should be encouraged and assisted in going beyond the basic program to achieve educational excellence based on the needs and aspirations of their own communities. Some systems will always be able to do more for their students than other systems, but every system should be expected to levy a reasonable millage rate to supplement the basic program. The change in the formula for Equalization Grants in 2000 created a strong incentive to do so, since low-wealth systems now receive additional State funds for every additional mill they levy. Likewise, the systems which chose to operate individual schools or an overall system at a size that

is smaller than the base size in the QBE Formula bear the financial consequences of such decisions (except when they are prevented from consolidation because of geographic sparsity or other barriers beyond their control).

The Constitution of the State of Georgia is clear and unequivocal in defining the State's responsibility to provide an adequate education for every student. This responsibility is not conditioned on having enough funds from the current sources of revenues, nor is it contingent on the status of the economy.

An essential step in achieving this goal is to restore the intent of the QBE Formula and update all of the cost components. The sooner the State faces this obligation, the sooner Georgia will be able to move forward in creating opportunities for all of our citizens and improving the quality of life and economic prosperity for everyone in Georgia.

We know what the State is required to do, and we know how to do it. The only remaining question is whether the State will act to fulfill the promise it has made to our students.

Joseph G. Martin, Jr.
Consortium for Adequate School Funding in Georgia
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**General Fund Expenditures and Revenues for All Local School Systems in Georgia in FY02
Based on QBE Earnings, Actual Expenditures, and the Necessary Cost of a Quality Basic Education**

QBE Earnings & Other Sources	Current	Per	% of	Necessary	Per	% of
	QBE Formula (1)	FTE	Actual	Basic Costs (2)	FTE	Actual
Instruction (3)	\$ 5,002,231,752	3,456	75%	\$ 5,002,231,752	3,456	75%
Media Centers	151,364,716	105	70%	151,364,716	105	70%
General Administration	190,426,785	132	89%	159,768,066	103	75%
School Admin. (4)	281,581,447	195	46%	460,538,870	297	75%
Facility Maintenance.	434,205,000	300	55%	594,141,147	385	75%
QBE General Program	\$ 6,059,809,700	4,187	71%	\$ 6,368,044,551	4,400	75%
Transportation	177,551,705	123	41%	327,003,011	210	75%
Equalization Grants	255,947,743	177	100%	255,947,743	177	100%
Non-Formula Grants (5)	115,614,755	80	100%	115,614,755	80	100%
Total QBE Earnings	\$ 6,608,923,903	4,566	71%	\$ 7,066,610,060	4,883	76%
Required Local Effort	(1,003,852,755)	(694)		(1,003,852,755)	(694)	
State QBE Funds	\$ 5,605,071,148	3,873		\$ 6,062,757,305	4,189	
Other State Funds (6)	63,286,502	44		63,286,502	44	
Lottery Funds	52,321	0		52,321	0	
Total State Funds	\$ 5,668,409,971	3,916	60%	\$ 6,126,096,128	4,233	65%
Federal Funds (7)	41,564,145	29		41,564,145	29	
Other Local Funds	22,822,865	16		22,822,865	16	
Required Local Effort	1,003,852,755	694		1,003,852,755	694	
Additional Local Funds	2,648,267,578	1,830		2,190,581,421	1,514	
Total Expenditures (8)	\$ 9,384,917,314	6,484	100%	\$ 9,384,917,314	6,484	100%
Increase in Reserves	255,690,219					
Total Revenues	\$ 9,640,607,533					

Based on an enrollment of 1,447,332 students

Current QBE Earnings	\$ 6,608,923,903	4,566				
Estimated Necessary Cost (2)				\$ 7,066,610,060	4,883	
Required Local Effort	(1,003,852,755)	(694)		(1,003,852,755)	(694)	
State QBE Funds	\$ 5,605,071,148	3,873		\$ 6,062,757,305	4,189	
Increase in State Funds				457,686,157	316	

Notes:

(1) Reported on the GDOE website for FY02. The funding of Equalization Grants and Non-Formula Grants is shown separately, but the expenditures covered by these grants can be apportioned among the other costs for the QBE General Program.

(2) Estimated by adjusting General Administration, School Administration, Facility Maintenance, and Transportation to equal 75% of the actual expenditures in FY02. (The estimated necessary cost for General Administration actually decreased.) This is what QBE Earnings is supposed to represent. The total for Actual Expenditures would not change.

(3) Includes Instruction, Instructional Support, Pupil Services, Staff & Professional Development, 20 Days Additional Instruction, and Hold-Harmless Mid-Term Adjustments, except for the State funds for Nursing Services (shown in Non-Formula Grants).

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

(5) Includes Sparsity Grants, Principal Supplements, Vocational Supervisors, Nursing Services, and Computers.

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

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

(8) Includes Capital Projects, School Nutrition, and Debt Service paid from the General Fund of Local School Systems.