

Calculation Guide for the Financial Efficiency Star Rating

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Richard Woods, Georgia's School Superintendent
"Educating Georgia's Future"



THE GOVERNOR'S OFFICE OF
STUDENT ACHIEVEMENT

Table of Contents

Introduction.....	2
Education Funding and Expenditures	3
Funding Sources.....	3
Explanation of School District Financial Expenditures	3
Data Used.....	3
LUA State Chart of Accounts	3
Expenditures Excluded from the FESR	4
School Codes Excluded from the FESR	5
Full-Time Equivalent (FTE) Student Counts.....	6
Measure of Student Achievement	6
FESR Calculation Steps	6
Release of the Financial Efficiency Star Rating	7
Overall Limitations of the Financial Efficiency Star Rating	8

Introduction

In 2016, the Georgia Department of Education (GaDOE) will release the Financial Efficiency Star Rating (FESR) for the 2014-2015 school year for each school district in the state.¹ GaDOE will release school-level FESRs beginning with the 2015-2016 school year after the GaDOE amends the guidance in its Financial Management for Georgia Local Units of Administration to facilitate more consistent school-level reporting.² The FESR utilizes a three-year average of per pupil expenditures and College and Career Ready Performance Index (CCRPI) scores to determine the rating. The ratings will be displayed as supplemental information to CCRPI scores.

O.C.G.A. §20-14-33 requires that the Governor's Office of Student Achievement (GOSA), in coordination with GaDOE, create a financial efficiency rating. The law requires that GOSA and the GaDOE collaborate to "adopt and annually review, and revise as necessary, indicators of the quality of learning by students, financial efficiency, and school climate for individual schools and for school systems." Financial efficiency "may include an analysis of how federal and state funds spent by local school systems impact student achievement and school improvement, and components used to determine financial efficiency may include actual achievement, resource efficiency, and student participation in standardized testing." The rating must be based upon five stars.

The FESR applies a scale of one-half star to five stars, where a rating of one-half star designates a high spending school with a low CCRPI and a rating of five stars designates a low spending school with a high CCRPI. The FESR is designed to provide information on the relationship between per pupil expenditure (PPE) and academic achievement. The FESR should be one measure that a user evaluates in conjunction with all other information provided for each school and district. A more detailed discussion of the limitations of this measure can be found in the last section of this guide.

The following calculation guide details the steps used to obtain each component of the FESR. The first section includes a brief overview of the funding process for Georgia public schools and lists the included and excluded expenditures for the purpose of the FESR. The second section details how the number of full-time students is calculated. The third section explains how the CCRPI is applied to the metric. The fourth section describes how the star rating is calculated. This guide concludes with a discussion of the star rating's limitations.

¹ Districts must have a calculated per pupil expenditure (PPE) and a CCRPI score in all three years in order to receive a star rating.

² Although all districts follow the same reporting guidelines and are able to report expenditures at the school level, analysis of the school-level data indicates inconsistencies in the use of school codes for expenditure reporting throughout the state. For these reasons, publicly releasing school-level financial ratings in spring 2016 with the 2015 CCRPI will not provide meaningful, accurate, or consistent comparisons. Because these concerns only affect the attribution of expenditures to the school level, the reliability of district-level expenditures is not a concern. In March 2016, the GaDOE Financial Review Division plans on updating the guidance on reporting expenditures, and an update to State Board Rule 160-5-2-.21 has been proposed for the State Board to review in February 2016 and vote on the amendment in March 2016. The clarification in reporting requirements for schools and facilities is expected to provide more consistent reporting of expenditures at the school level.

Education Funding and Expenditures

Funding Sources

School districts are funded with state revenue based on the Quality Basic Education Act funding formula, referred to in this document as QBE.³ The funding formula considers the full-time equivalent (FTE) student enrollment that is reported by each district.⁴ State funding is based on the needs of each district based on the number and characteristics of students the district serves, as well as categorical grants for various programs. Complete details of the funding formula can be found on [GaDOE's website](#).

Additional funding sources for school districts in the State of Georgia include local property taxes, state grants outside of QBE, and federal grants. Federal Title I and special education grants are two prominent examples.

With the exception of the exclusions listed below, the FESR uses expenditures from all revenue sources.

Explanation of School District Financial Expenditures

The following section describes the data used to calculate the FESR, including an overview of state accounting, and lists the expenditure categories that are excluded from the calculation.

Data Used

Each school district is required to submit a financial report, commonly referred to as the DE046, to the GaDOE for the fiscal year ending June 30th. The financial report is required to be reported in accordance with the Local Units of Administration (LUA) [State Chart of Accounts](#). Each September, school districts collect financial data for the previous fiscal year. For example, the September 2015 financial data collection includes data from FY15 (July 1, 2014 through June 30, 2015).

LUA State Chart of Accounts

School districts record expenditures using a uniform state chart of accounts.⁵ Districts are required to submit their fiscal year-end financial report (DE046) with all expenditures correctly coded to the uniform state chart of accounts. Each expenditure has an associated Fund, Function, Program, and Object.

Fund – Governmental accounting systems are organized and operated on a fund basis. Each school district and commission charter school is considered a local unit of administration (LUA) for accounting purposes. All of the individual funds of an LUA are first classified by category and then by generic fund type within each category.

Except for QBE accounting in the general fund, the LUA has flexibility to establish sub-funds as needed to identify projects or programs within a fund. Fund accounting must include revenue, expenditure accounts, and a balance sheet for each project or program within a fund.

³ The funding formula is set forth in OCGA §§20-2-161, 20-2-162, 20-2-164, 20-2-165, and 20-2-166. Chapter 24 of the “*Financial Management of Georgia Local Units of Administration*” handbook provides a brief description of the QBE Funding formula.

⁴ The FTEs used for the calculation take an average of the March and October counts, then compare the average percentage of growth from the previous October.

⁵ The state schools (Atlanta Area School for the Deaf, Georgia Academy for the Blind, and Georgia School for the Deaf) do not report their financial information separately using the LUA Chart of Accounts. The state schools are operated by the Georgia Department of Education. Therefore, the financial activity of the state schools is reported in the State of Georgia Budgetary Compliance Report but not in the data file used to calculate the FESR. As a result, these schools will not receive an FESR.

Calculation Guide for the Financial Efficiency Star Rating

Most expenditures fall into four generic fund types: General, Special Revenue, Capital Projects, and Debt Service. Financial activity is further categorized by the following:

Function – The function describes the activity for which a service or material is acquired. The functions are classified into five broad areas: Instruction, Support Services, Operation of Non-Instructional Services, Facilities Acquisition and Construction, and Other Outlays.

Program and Object Codes –Program codes are used to accumulate the data for the functions used in QBE program accounting and for required reporting of QBE programs and other programs as specified by GaDOE. Object codes are used to describe the service or commodity obtained as the result of a specific expenditure, such as State Health Insurance for employees, Teachers Retirement System, and supplies. The program and object code fields are not used by the FESR because the fund and function categories provide sufficient information for this purpose.

Expenditures Excluded from the FESR

The funds and functions listed below are excluded from the FESR. In general, expenditures that do not directly affect the K-12 population, those associated with facility construction, and expenditures that cannot be associated with a specific year are omitted from the PPE calculation. Detailed justification for each is listed in the table. Any fund or function not listed below is included in the PPE calculation.

Excluded Codes		
Code	Fund Type	Justification
200	Debt Service	Principal, interest and associated fees for general, long-term debt can be tied to expenses over multiple years.
3XX	Capital Projects	Construction of major capital facilities occurs over many years. Designation to one year would disproportionately add to that year's total expenditures.
422	Even Start	These expenditures are targeted at populations that are outside of K-12. Additionally, the last grant awarded to districts ended September 30, 2012 (FY 2013).
500	School Activity Accounts	These funds are largely raised from local donations.
510	Adult Education	These expenditures are targeted at populations that are outside of K-12.
514	Head Start	
560	Pre-Kindergarten-Lottery	
600, 608, 690	School Nutrition Service Fund	These expenditures vary by the level of poverty and school food participation in the school/district.
693	Enterprise Fund	These funds are largely raised from local donations.
7XX	Trust and Agency Funds	Schools/districts do not often have control over expenditures from trust and agency funds.
800, 801	General Fixed Assets	These expenditures are for fixed assets that are tied to expenses that benefit multiple years.
900	General Long-Term Debt - Governmental Funds	Principal, interest, and associated fees for general, long-term debt, and end-of-year balances are tied to expenses over multiple years.

Calculation Guide for the Financial Efficiency Star Rating

Code	Function Type	Justification
0004	End of Fiscal Year Balance Function	These funds are not applied to expenditures during the year. These balances represent prior year activity that is rolled forward to the balance sheet.
2700	Student Transportation	Transportation funds vary by size, geography and enrollment of district.
3100	School Nutrition	These expenditures vary by the level of poverty and school food participation in the school/district.
4000	Facilities Acquisition and Construction Services	Construction of major capital facilities occurs over many years. Designation to one year would disproportionately add to that year's total expenditures.
5000, 5100	Other Outlays/Debt Service	Principal, interest and associated fees for general, long-term debt, and end-of-year balances can be tied to expenses over multiple years

School Codes Excluded from the FESR

In the annual financial report, expenditures are listed by school code. These four-digit codes are unique to each school in the district. In addition to schools, the financial report also contains expenditures for other programs that also have school codes. For example, central office expenditures are listed under school code 8010. Transportation facilities, maintenance facilities, some Pre-K programs, alternative programs, and new school facilities are other examples of programs that have school codes.

The following school codes are excluded from the FESR:

Code	School Code Type	Justification
8012	Transportation Facility	Transportation funds vary by size, geography and enrollment of district.
8015	Consolidated School Nutrition	These expenditures vary by the level of poverty and school food participation in the school/district.

With the exception of the two school codes listed above, expenditures allocated at the district level (e.g., central office and maintenance expenditures) and expenditures for schools that do not have October FTE counts are allocated to all schools within a district (that have expenditures and FTE enrollment counts) based on their share of the districts' Fall FTE Enrollment in grades K-12. The total of both the school-level expenditures and the allocated district expenditures are then divided by the Fall FTE enrollment to determine that school's PPE for the year, using the following formula:

$$\text{School PPE} = \frac{\text{school expenditures} + (\text{district expenditures} * \text{proportional enrollment percentage})}{\text{Fall FTE enrollment}}$$

The FESR uses a unique identifier for each school (the system code and the school code) to match schools across years to generate three-year averages. Some schools change school codes over time for various reasons. Each year, GaDOE's Accountability Division produces a list of schools which have changed school codes between school years for various reasons. GOSA developed a policy for accounting for these school code changes for the purposes of the FESR. This policy can be [accessed here](#).

Full-Time Equivalent (FTE) Student Counts

To calculate PPEs, the FESR uses the FTE counts for K-12 students that are reported for each district and school in October of the fiscal year under review. For example, the 2015 Financial Efficiency Star Rating is calculated using the FTE Counts submitted by each district in October 2012, October 2013, and October 2014.⁶ Using a three-year average smooths aberrant enrollment within a given year.

Measure of Student Achievement

To measure student achievement, the FESR uses the CCRPI, the statewide accountability measure. The CCRPI is based on standardized test scores, student growth on these tests, graduation rates, and other factors. For more information on the CCRPI, including a calculation guide, [visit the Georgia Department of Education's website](#).

FESR Calculation Steps

Using the annual financial report submitted by each school district, complete the following steps for each year to obtain the PPE number for that year:⁷

1. Drop the excluded funds (see table above).
2. Drop the excluded functions (see table above).
3. Drop the excluded school codes (see table above).
4. Collapse all expenditures so that each school code has just one observation.
5. Merge with that year's October FTE counts.
6. Align any school code changes based on the GOSA policy on school code changes, which can be [accessed here](#).
7. Determine the amount to be allocated to the schools based on enrollment (district expenditures). This includes any school code that does not have K-12 FTE counts for that year.
8. Determine the district enrollment number. This number is the sum of the fall FTE enrollment counts for the schools that have expenditures but are not counted as district expenditures as defined in step 7.⁸
9. Generate the percentage of total district enrollment for each school that has expenditures. The percentage of total district enrollment is rounded to the second decimal place (e.g., 13.56%)

⁶ The October 2014 Count can be located on GaDOE's website at https://app3.doe.k12.ga.us/ows-bin/owa/fte_pack_enrollgrade.entry_form.

⁷ FESR calculations utilize the following rounding rules:

- Dollar amounts are rounded to the nearest cent (e.g., \$100.24).
- CCRPI scores are rounded to the nearest tenth (e.g., 64.5).
- Enrollment percentages are rounded to the nearest hundredth (e.g., 45.55%).

⁸ This number may differ from the total FTE count for the district because some schools with FTE counts do not report expenditures. The FTE counts for schools without expenditures are not counted in this step.

Calculation Guide for the Financial Efficiency Star Rating

10. Allocate the district expenditures listed in step 7 to the schools based on their percentage of total district enrollment, as determined in step 9. Round this dollar amount to the nearest cent. Add this amount to the school’s expenditures obtained in step 4.
11. Divide the number obtained in step 10 by the school’s Fall FTE count. This is the PPE. Round this number to the nearest cent.

After the above steps have been completed, use the following steps to determine the FESR.

12. Merge the three PPE files together.
13. Merge CCRPI scores for all three years.
14. Calculate the three-year average PPE. Round to the nearest cent.
15. Calculate the three-year average CCRPI. Round this number to the first decimal place.
16. Generate a percentile for the average PPE for schools that have PPEs and CCRPI scores in all three years. Round to the nearest whole number.⁹
17. Generate a star rating using the PPE percentile and the average CCRPI based on the following matrix:

★★★★★	CCRPI Average					
Percentile of Average PPE	Less than 50	50-59.9	60-69.9	70-79.9	80-89.9	90 and Above
80-100 (High Spending)	0.5	1	1.5	2	2.5	3
60-79	1	1.5	2	2.5	3	3.5
40-59	1.5	2	2.5	3	3.5	4
20-39	2	2.5	3	3.5	4	4.5
0-19 (Low Spending)	2.5	3	3.5	4	4.5	5

The district scores are created following the same steps, aside from the district allocation steps (steps 7 through 10). Although state charter schools comprise their own districts (LEAs), they are not included in the district-level FESR. They are included only in the school-level calculations.

Release of the Financial Efficiency Star Rating

The district-wide and school-level per pupil expenditure data will be released in the Financial Review Application included in the GaDOE secure file portal. The Superintendent and the Financial Review Coordinator will have the opportunity to review the district-level expenditure calculation and provide a management response that will be released with the CCRPI. The overall star rating will not be calculated until the CCPRI scores are finalized for FY15. Instructions for reviewing the expenditure data and providing a management response will be released in a separate document.

⁹ The following calculation is used to generate percentiles:

1. Rank all of the observations in terms of PPE from lowest to highest.
2. Determine the total number of observations that have a PPE.
3. For each school/district, divide the school’s/district’s rank by the total number of observations and multiply by 100. Round this number to the nearest whole number.
4. This generates a percentile rank ranging from 0-100.

Overall Limitations of the Financial Efficiency Star Rating

While the star rating provides additional information about the relationship between PPE and student achievement, users should note its limitations. Although all districts follow the same reporting guidelines, inconsistencies in the use of school codes have resulted in the districts reporting similar expenditures in different ways to the GaDOE. For example, a school district that reports teacher salary expenditures at the district level will result in very high district allocations relative to a district that reports teacher salary expenditures at the school level. The Financial Review Division has proposed clarifications on the use of school codes, and the revision to the Handbook is expected to be released in March 2016.

This rating is designed to be used in conjunction with other information to obtain a holistic assessment of a school or district.