

## **State Education Finance Study Commission Summary of Recommendations**

House Bill 192, passed during the 2011 Legislative Session, created the State Education Finance Study Commission. The Commission was established to study the costs and resources required to educate Georgia's children. Since our first meeting on June 30, 2011, Commission members have shown extraordinary dedication and have worked tirelessly to submit final recommendations to the Governor by the September 30, 2012 deadline. The Commission has already delivered two sets of interim recommendations – in August 2011 and January 2012 – which were acted on by the General Assembly during the 2012 Legislative Session. The Commission's final recommendations were adopted on September 19, 2012, and all recommendations with a fiscal impact were prioritized for funding purposes.

The Commission has produced a number of recommendations and findings during the 15-month study period. Some recommendations have a fiscal impact, either requiring additional funds to implement or generating savings. Others are budget neutral. Additionally, several recommendations reflect the fact that due to the complex nature of education funding and our limited time frame, some issues examined will require further review. Additional details for each recommendation are provided in the attached issue papers. A summary of the recommendations is below:

### **Classroom Technology and Technology Infrastructure**

Since the creation of the QBE formula in the mid-1980s, technology has become an essential instructional tool in most classrooms. It is now standard for many teachers to enrich or even center their lesson plans on digital content and interaction, yet the current formula only generates funding for textbooks. Although funds currently earned for textbooks may be spent on the broad category of instructional materials, which includes technology, the actual earnings per student are still based on 1985 levels. A significant investment in funds for instructional materials is needed to reflect technology costs. In addition to the necessary technology enhancements to the formula, the Commission found that there is a need to enhance the current technology infrastructure in the state. To modernize the formula for the 21<sup>st</sup> century, the Commission recommends the following:

- Expand the current infrastructure by: 1) extending PeachNet or other system to K-12 public schools to increase the bandwidth available, and 2) creating a capital outlay grant program for technology infrastructure. Currently, the state provides some bandwidth to systems, but most systems must use their own funds to double or even triple their connectivity to support technology use. Extending PeachNet is an option currently under study by the Department of Education for leveraging an existing state resource to provide “last-mile access” to the Internet and the state data system. Additionally, a capital outlay grant could help systems update infrastructure to bear modern technology demands. Such a grant would be distributed on a per-school basis and would be funded at \$20 million over a three-year period. The Commission recommends that a local match be required for participation. This recommendation is the Commission's top priority.

- Provide funds for classroom technology through a combination of redirected funds within the formula and new funds. The Commission recommends phasing out over a three-year period the amount of funds systems earn per FTE for Central Administration operations and redirecting those funds to technology. By 2016, this would redirect approximately \$25 million annually for technology. The smallest ten percent of systems would be held harmless from the redirect. The Commission further recommends adding \$27 million in new funds for technology over two years beginning in FY 2015. By FY 2016, this recommendation would provide school systems with more than \$50 million annually for technology in new and redirected funds.
- Maximize flexibility by combining the current funding for textbooks with new funds for technology into one category of earnings called Instructional Materials. This recommendation reflects that modernized content delivery can now be hard-copy or electronic, and that computers or other electronic devices may be used for instruction, as well as traditional textbooks.

## School Counselors

The Commission recognizes the significant role that school counselors already play in a child's education. With the increased emphasis on college and career readiness, the Commission finds that the importance of school counselors and school counseling services has dramatically increased. The current QBE formula provides funding for school counselors based on different ratios for elementary, middle and high school. Other programs within the formula do not generate any earnings for counselors. The Commission's second priority is to increase the number of counselors as follows:

- Eliminate the use of varied funding ratios and fund school counselors at a ratio of 1:450, phased in over a three-year period.
- Beginning in FY 2014, fund school counselors at a ratio of 1:450 for those programs currently generating earnings. Because the high school program currently has a slightly lower ratio, the first year generates a formula savings of \$868,241.
- In FY 2015, add ESOL and Special Education to the programs that earn school counselor funding. This change would have a fiscal impact of \$11,146,143.
- In FY 2016, Gifted and Remedial would be the final programs added to generate school counselor funding. This recommendation would have an additional fiscal impact of \$9,638,751.

The Commission also made non-fiscal recommendations for school counselors:

- The Department of Education should provide school counselors with access to the necessary Longitudinal Data System data and training. This access will allow school counselors to work more closely with students and tailor their services on a more individual basis.
- The state should also consider implementing the Comprehensive School Counseling Program. The Program utilizes student data, academic standards, and career development, combined with school counselor, parent, and educator collaboration to provide all students with equitable access to a rigorous education.

## Student Support Services

In addition to studying resources needed inside the classroom, the Commission also examined services outside the classroom that provide essential support for students such as transportation, school nurses, school nutrition, media services, school psychologists, school social workers and speech-language pathologists. Enhancing these services is a Commission priority. The Commission recommends the following:

- Continue to provide bond funds for bus replacement, but increase funding to \$45 million per year. These funds help keep the fleet of buses operated by school systems current and operating within their useful lifecycle. The Commission further recommends that the Department of Education use the most current survey data for formula earnings and that the state fund about half of the transportation formula, or about \$150 million. This would require an enhancement of \$10 million in FY 2015 and \$12.5 million in FY 2016. This recommendation is the Commission's third priority. Other Commission recommendations for pupil transportation include the following: 1) exempting local school systems from the motor fuel tax, 2) encouraging local systems to consider installing stop arm cameras, and 3) encouraging the Department of Education to improve data collection and further examine how to meet start-up charter schools' transportation needs.
- Since FY 2001, the state has been providing funds for school nurses. However, no formula was ever established and additional funds have not been added to reflect increased enrollment. One of the Commission's interim recommendations was to create a funding formula that provides school nurse and supply funding on a per-FTE basis. The recommendation was enacted in SB 403 during the 2012 Legislative Session. This new formula is to be phased in over a three-year period. New funds were added in the FY 2013 budget for year one. The cost to continue the implementation of the new formula is \$3,246,796 in FY 2014 and \$3,132,448 in FY 2015. This is the Commission's fourth-ranked priority.
- Media specialists play an important role in schools, supporting both students and teachers. The formula currently provides funding for media specialists based on different ratios for each QBE program. In studying the issue, the Commission found that many schools have only one full-time or part-time media specialist and that he or she often needs assistance to perform the day-to-day operations of a library, like processing and circulating materials. The Commission also found that when the media specialist has support with library operations, he or she is able to devote more time to working with students and teachers to integrate other media center offerings into classroom learning. The Commission recommends that media specialists be funded at a ratio of 1:675 for all programs. Additionally, the Commission recommends creating a new noncertificated position in the formula for media clerks to assist the media specialists with daily operations. These hourly positions would be earned at a ratio of 1:950 for all programs. The fiscal impact in FY 2014 would be a slight increase of \$487,911, although the formula could generate a savings for training and experience depending on whether local systems choose to maintain their current number of media specialists. The Commission further recommends that funding for media services be revisited in three years.

- The Commission finds that GALILEO provides access to a tremendous amount of information to students for relatively little cost. To that end, the Commission recommends that funds appropriated to the Department of Education for the SIRS Discovery Researcher database for elementary and middle school students be restored and that funds for the SIRS Issues Researcher in high school be maintained. The fiscal impact for FY 2014 would be \$106,790.
- The Commission found that due to an increase in the performance of required special education evaluations under federal IDEA laws, there is a need for additional school psychologists. In an effort to accommodate these needs, the Commission recommends increasing the number of school psychologist positions earned by lowering the funding ratio to 1:2,420, beginning in FY 2016. This new ratio would have a fiscal impact of \$673,316. The Commission recognizes that lowering the ratio even further could improve service delivery and therefore recommends that funding for school psychologists be revisited in three years. The Commission also recommends that the Department of Education work with Community Service Boards, local school systems, Regional Educational Service Agencies (RESAs) and other relevant agencies and service providers to study and make recommendations regarding duplicated services and streamlined processes. Collaboration by these service providers could result in greater efficiencies and additional sources of funding.
- The Commission studied, but did not recommend, changes to earnings for social workers. Rather, the Commission found that funds currently being allocated for school social workers are being expended in other areas, thereby diminishing financial support for these important services.
- The Commission also examined possible changes to the funding of speech-language pathologists. The Commission found that, while changes are necessary, it would be impractical to single out one type of special education service without examining the whole special education funding formula. The Commission recognizes that, given multiple reauthorizations of the federal IDEA law and changes in the nature of special education service delivery, special education has changed since the implementation of the current funding methods. The Commission recommends that further study is needed to align current practices and the needs of students with funding for speech-language pathologists and all other categories of special education.
- While state funds make up only a small percentage of the total dollars spent on school nutrition, these state funds are needed to help school systems keep meal prices low and within reach of paying students. The Commission recommends that the state maintain its current level of funding for school nutrition and that these funds remain in a separate program in the budget, rather than in QBE. The Commission further recommends that the Department of Education work with the necessary parties to simplify the current state funding formula for nutrition.

## Professional Learning

The Commission previously recommended restructuring professional learning. These recommendations, which were enacted in SB 404 during the 2012 Legislative Session, will require the following funding for implementation:

- The Commission recommends that .01% of QBE salary earnings be appropriated to the Professional Standards Commission in FY 2014 to restructure professional learning. The Professional Standards Commission and the Department of Education would utilize these one-time funds to work together to determine new category-level expenditure controls for professional learning. This restructuring would ensure that formula funds are being used for the most appropriate purposes and help align professional learning with results in improved student achievement. A one-time addition of \$400,000 is needed in the FY 2014 budget.
- The Commission recognizes the importance of school level leadership and recommends including these positions in the calculation of professional learning earnings. The fiscal impact of this recommendation is \$1,206,304 in FY 2014.
- Finally, while funds for professional learning for educators at the school system level are important for creating and maintaining a highly qualified workforce, the Commission also recognizes the need for statewide strategic professional development. The Commission recommends creating a funding stream for these initiatives by appropriating .15% of salary earnings, or \$6,185,860, to the Department of Education in FY 2014. In FY 2015, the amount appropriated for statewide strategic initiatives will increase to .25% of salary earnings, but funds allocated to school systems through the QBE formula would decrease to .9% of salary earnings – meaning the impact in FY 2015 and beyond is revenue neutral to the state.

## Central and School Administration

As previously discussed, the Commission recommended that Central Administration Operations funding be redirected to technology over a three-year period. The Commission also recommends that funding categories be changed to properly reflect true central administration costs by creating a Student Services category under Indirect Instruction to reflect earnings for school psychologists, school social workers and special education leadership. Only funding for superintendents, assistant superintendents, accountants, district secretaries and operations (until phased out) would remain under the category Central Administration – Indirect Instruction. The Commission further recommends that the Department of Education work with the State Accounting Office to develop an updated chart of accounts that aligns with actual expenditures for items such as charter schools, rather than having these expenses improperly reflected as administration. Finally, the Commission recommends retaining existing funding ratios for central administration personnel and recommends no changes to school administration funding.

## Equalization

Another interim Commission recommendation was to modify the Equalization formula by equalizing to a modified statewide average rather than the 75<sup>th</sup> percentile, and to require a minimum millage for participation. These changes serve to make the formula more sustainable and predictable. This recommendation was enacted in HB 824 during the 2012 Legislative Session and the modified formula became effective in FY 2013; however, no change was made to the level of funds appropriated. The Commission recommends that beginning in FY 2014, the state work towards funding Equalization as revenues improve.

## Capital Outlay

The Commission's Capital Outlay program recommendation ensures that the program better meets the needs of Georgia's students. The recommendations include shifting Exceptional Growth entitlement earnings to the Regular program, benefiting the vast majority of school systems. Other recommended changes include tightening requirements on the Regular Advance program, allowing more school systems to participate in the Low-Wealth program, and other technical changes. This recommendation was enacted in HB 760 during the 2012 Legislative Session. School systems were able to submit their capital outlay requests for FY 2014 under this new program. The Commission recommends funding this new program in the FY 2014 budget.

## Formula Simplification and Smoothing

The Commission recommends that related programs within the QBE formula that have similar funding levels be combined to simplify reporting while allowing districts to have greater flexibility in how students are served. The Commission recommends that the 19 QBE programs be combined into 11 programs over a three-year period. While this recommendation is revenue neutral at the state level, it does create winners and losers at the school system level. To that end, the Commission recommends that losing systems be held harmless as these program combinations are phased in. The recommended program combinations are as follows:

- In FY 2014, combine Primary Grades and Upper Elementary into a single Elementary program (Kindergarten will remain a separate program); combine Kindergarten EIP, Primary Grades EIP and Upper Elementary EIP into a single Early Intervention Program; combine Middle Grades and Middle School Incentive program into a single Middle School program. The fiscal impact of the hold harmless is \$3,245,466.
- In FY 2015, combine Special Education Categories I, II and V into a single Special Education Low-Need program. The fiscal impact of the hold harmless is \$3,610,024.
- In FY 2016, combine Gifted, Alternative Education, and Remedial into a single Special Instruction program. The fiscal impact of the hold harmless is \$6,704,797.
- The Commission recommends that other QBE programs be renamed to modernize and streamline terminology as follows: Rename the Vocational program as Careers, Special Education Category III as Special Education Mid-Need, and Special Education Category IV as Special Education High-Need.

Finally, the Commission recommends making non-classroom costs identical across all programs on a per-FTE basis. These “smoothed” costs would be calculated so that each FTE generates an identical amount of funding for each category with the exception of classroom staff ratio, aides, art/music/PE, special education specialists and staff development. An adjustment to the classroom staff ratio would offset the resulting differences in programs by ensuring that each program weight remains identical to its current value as calculated in the above program combinations.

## **Title 20 Changes**

The Commission previously recommended repealing or revising sections of OCGA Title 20 that were deemed problematic or outdated. Most of these recommendations were incorporated into HB 706 which was passed during the 2012 Legislative Session. The Commission has identified 12 additional sections recommended for revision or repeal during the 2013 Legislation Session.

- §20-2-60 - Remove "Center of District" requirement. This code section gives local boards of education the authority to consolidate schools, but states that the consolidated school must be located as near to the center of the district (or districts) as possible.
- §20-2-73 - Give the State Board more time to conduct hearings to remove local boards of education by expanding the maximum number of days allowed from 30 to 90 days.
- §20-2-110 - Remove requirement that superintendents have an office in the courthouse.
- §20-2-184.1 - Allow locals more flexibility on how to use the "20 additional days" funding for low-performing students by allowing the funds to be used during the regular school day. Currently the funds are only allowed to be used for opportunities outside the regular school day, such as summer school and Saturday classes.
- §20-2-211(d) - Remove requirement for local school systems to report vacancies to the Department of Education and the University System of Georgia. This requirement is no longer needed as TeachGeorgia.org is the official state source for employment opportunities in Georgia's public schools.
- §20-2-230 - Limit training named in section to local school systems rather than Local Units of Administration in order to prevent confusion with RESA boards.
- §20-2-290 - Remove middle school program definition, but still fund in QBE by combining programs as previously recommended.
- §20-2-2062(2) – Revise definition of “charter petitioner” to clarify that a charter for a local charter school is a three-party agreement between a charter petitioner, local board of education, and the State Board of Education. The charter petitioner who enters into the agreement is a third party and not the local board of education.
- §20-2-2063.1 - Clarify Charter Advisory Committee roles and responsibilities as follows: “The committee shall make recommendations to the State Board of Education for approval or denial on each charter *system* petition and shall specify the reasons for such recommendations.”
- §20-2-2064 (d)- Give local boards of education more time to review charter petitions, increasing the allowed number of days from 60 to 90.

- §20-2-2065(b)(7) - Revise requirement that all charters have an independent annual audit. This would prevent duplication and generate savings for charter schools that are already included in their local school system audit. Charters not included in a school system audit would still be required to have an independent annual audit.
- §20-2-2068.2 - Revise requirement that charter schools must enter into a long-term lease of five years or more in order to receive facilities grants by shortening the lease term to three years.

### **Recommendations for Further Study**

- In addition to considering changes to the current formula, the Commission also considered alternative funding formulas, such as student-based budgeting. A student-based budget formula would move the focus away from particular services and seat time and more towards funding student-need characteristics, with systems deciding how best to serve each type of student. The Commission found the student-based formula model, which utilizes a base amount and additional factors on a per-student rather than a per-segment basis, merits further study. The Commission recommends that a deeper analysis of this model be continued beyond the September 30, 2012 deadline and that an assessment of the resources and timeline needed for the state and districts to implement new processes for student-based budgeting should also be considered.
- The Commission recommends that a plan to create an accountability/flexibility model that combines the concepts of IE2, Charter Systems, and Strategic School Systems (SSS) be studied further and finalized by the 2013 Legislative Session. Such a plan would create a more streamlined system of accountability in which systems begin with the traditional QBE model and advance to higher levels of flexibility and accountability as they are ready.
- The Commission had previously recommended repealing the 65% Rule, but that recommendation was not passed by the General Assembly during the 2012 Legislative Session. The Commission now recommends that further study is needed to repeal the 65% Rule and replace it with a penalty for excessive central office spending. Repealing the 65% Rule would provide districts with greater spending flexibility and creating a penalty would maintain the policy's original intent by restricting central office spending and focusing funds on the classroom. The type of penalty is yet to be determined, but it may include a QBE funding reduction.
- At the request of the Commission, the 16 Regional Education Service Agencies (RESAs) identified 34 services they currently provide to school systems throughout the state. Services provided by the RESAs help systems save funding in personnel and contracts. This collaboration has grown exceedingly important in these tight budget times. The Commission recommends that RESAs and school systems use the inventory of services available to maximize resources. The Commission further recommends that RESAs and staff work with school systems to identify additional tasks or services that RESAs could provide to generate efficiencies for school systems.
- There are currently 22 Residential Treatment Centers (RTCs) throughout the state with on-site education services that serve over 1,000 children annually. SB 618, which passed during the

2006 Legislative Session, provides that these students earn QBE funding as well as additional grant funding to help offset any local education costs. While this funding stream has helped centers, problems remain. The Commission recommends that staff continue to work with the Residential Treatment Centers over the coming months to examine all funding streams available to the RTCs and to develop recommendations for a new funding solution by the 2013 Legislative Session.

### Prioritized Recommendations with a Fiscal Impact

The Commission has proposed a total of 12 recommendations that have a fiscal impact. Excluding bond funds and Equalization, the proposed enhancements to the formula total less than \$100 million over a three-year period. These formula enhancements are strategic and support student instruction, both directly and indirectly. Each recommendation made by the Commission has merit and should be considered for funding by the Governor and the General Assembly. However, the Commission also recognizes the state’s current financial constraints and has therefore prioritized and proposed a timeline for phasing in these recommendations.

**Table 1. Prioritized Fiscal Recommendations**

Priority	Recommendation	FY 2014	FY 2015	FY 2016
1	Extend PeachNet or other system to school systems and create a capital outlay grant for technology infrastructure.	\$20 million over three years		
2	Fund school counselors at a ratio of 1:450 for all programs.	\$(868,241)	\$11,146,143	\$9,638,751
3	Fund approximately 50% of transportation earnings and bond bus replacement at \$45 million/year.	\$ -	\$10,000,000 plus bond funds	\$12,500,000 plus bond funds
4	Continue the implementation of new school nurse formula by funding 45% of program in FY 2014 and 50% in FY 2015.	\$3,246,795	\$3,132,448	\$ -
5	Provide .01% of QBE salary earnings to Professional Standards Commission to restructure professional learning (one-time). Add school level leaders in professional learning earnings at 1% of staff salaries. Provide funding for DOE strategic initiatives at .15% of staff salaries in FY 2014 and .25% in FY 2015. (In FY 2015, QBE professional development earnings will be reduced to .9% of salaries.)	\$7,792,492	\$ -	\$ -
6	Fund the new capital outlay program recommended by the Commission and enacted in HB 760, 2012 Session.	As requested by the Department	As requested by the Department	As requested by the Department
7	Restore state's subscription to SIRS Discovery Researcher at the elementary and middle school levels.	\$106,790	\$ -	\$ -
8	Redirect funds earned for Central Administration Operations to technology over a three-year period. Hold harmless the smallest 10% of systems from redirect. Provide for classroom technology through redirected funds and new funds in FY 2015 and FY 2016. Combine funding for textbooks and technology into one category called Instructional Materials.	\$66,318	\$13,590,102	\$13,615,361
9	Fund the Equalization formula as recommended by the Commission and enacted in HB 824, 2012 Session.	TBD based on actual data	TBD based on actual data	TBD based on actual data
10	Fund school psychologists at a ratio of 1:2,420.	\$ -	\$ -	\$673,316
11	Fund Media Specialists at a ratio of 1:675 for all programs and create a media clerk position funded at a ratio of 1:950 for all programs	\$487,911	\$ -	\$ -
12	Simplify the formula by combining programs.	\$3,245,466	\$3,610,024	\$6,704,797