

**FINANCIAL MANAGEMENT FOR
GEORGIA LOCAL UNITS
OF ADMINISTRATION**

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INTRODUCTION

Georgia Code Section 20-2-167 requires Local Units of Administration (LUA) to report Quality Basic Education (QBE) program financial operating data and approved program budgets to the Georgia Department of Education (GA DOE) annually.

This chapter provides information which explains the QBE programs and the current funding formula. It identifies allowable QBE costs and allocations among programs. The description below is based on the OCGA Code Section 20-2-161, and can change each year based on the appropriations approved by the General Assembly. This Chapter is meant as guidance for school districts and may not relate to each year’s appropriation bill as signed by the Governor.

QBE PROGRAMS

The Quality Basic Education Act was passed by an unprecedented unanimous vote of the Georgia General Assembly in 1985 and became effective July 1, 1986. This Act describes the programs which the State of Georgia authorizes and supports in an effort to provide a quality basic education to all Georgia children. Periodically, the Georgia General Assembly has amended the original Act, with the most recent change effective for fiscal year (FY) 2016. For funding purposes, currently the Act identifies 18 QBE programs.

Identification of Programs

A program is a plan of activities designed to accomplish a predetermined objective. There are 18 individual QBE programs classified within two broad program areas. The two program areas are:

1. General and career education programs - for purposes of QBE funding, these programs include all instructional and vocational programs other than special programs. (General programs also include the non-instructional staff development, professional development and media center programs.)
2. Special programs - programs for students with special needs.

There are six general and career education programs:

1. **Kindergarten**
2. **Primary Grades (1-3)**
3. **Upper Elementary (4-5)**
4. **Middle School (6-8)**
5. **High School – General Education (9-12)**
6. **High School – Vocational Laboratory (9-12)**

There are 12 special programs:

1. **Category I** - Self-contained specific learning disabled and self-contained speech-language disordered;
2. **Category II** - Mildly mentally disabled;
3. **Category III** - Behavior disordered, moderately mentally disabled, severely mentally disabled, resourced specific learning disabled, resourced speech-language disordered, self-contained hearing impaired and deaf, self-contained orthopedically disabled, and self-contained other health impaired;
4. **Category IV** - Deaf-blind, profoundly mentally disabled, visually impaired and blind, resourced hearing impaired and deaf, resourced orthopedically disabled, and resourced other health impaired;
5. **Category V** - Those special education students classified as being in Categories I through IV, as defined in this subsection whose Individualized Educational Programs specify specially designed instruction or supplementary aids or services in alternative placements, in the least restrictive environment, including the regular classroom and who receive such services from personnel such as paraprofessionals, interpreters, job coaches, and other assistive personnel;
6. **Category VI** - Intellectually gifted
7. **Remedial Education** - Children and youth who are eligible for a general and career education program shall be provided remedial services to address their respective reading, mathematics, or writing deficiencies.
8. **English for Speakers of Other Languages (ESOL)** - Assists eligible students to develop proficiency in the English language including listening, speaking, reading, and writing, sufficient to perform effectively at the currently assigned grade level.
9. **Alternative Education** - Alternative education programs are intended to meet the education needs of a student who is suspended from his or her regular classroom and also of a student who is eligible to remain in his or her regular classroom but is more likely to succeed in a nontraditional setting such as that provided in an alternative education program.

10. **Kindergarten Early Intervention** - The early intervention program shall serve students who are at risk of not reaching or maintaining academic grade level, including but not limited to students who are identified through the first grade readiness assessment required by Code Sections 20-2-151 and 20-2-281 and students with identified academic performance below grade levels defined by the Office of Student Achievement in Code Section 20-14-31 for any criterion-referenced assessment administered in accordance with Code Section 20-2-281 for grades one through five.
11. **Primary Grades Early Intervention (1-3)** - See above.
12. **Upper Elementary Early Intervention (4-5)** - See above.

QBE Earnings Formula

The High School General Education instructional program is established as the “base program” against which the cost of all other instructional programs are compared and funded by the General Assembly. The amount of resources needed by an LUA for each full-time equivalent student in the “base program,” in order that such a program can be funded sufficiently to provide quality basic education to all enrolled students, shall be the cost of this basic program, and this amount is adjusted annually. If the funding provided by the General Assembly is not adequate to meet the requirements of the QBE earnings formula, the funded amount shall be prorated to each of the QBE program categories.

Base Program Cost. The base program cost is calculated from predetermined amounts for certain costs and from actual cost data. The computation is as follows for fiscal year 2018, grades 9 - 12 general education program:

**EXHIBIT II-7-1
TOTAL FTE COST - HIGH SCHOOL GENERAL EDUCATION PROGRAM, AS OF FY 2018 (THE**

BASE COSTS CHANGE EACH YEAR, DEPENDING ON THE APPROPRIATIONS)

Direct Instructional Costs:	
Teacher	\$ 1,753.74
Technical Specialist	36.53
Counselors	89.30
Operations Cost	113.60
20 Days Additional Instruction	27.04
Indirect Instructional Costs:	
Central administration	
Social Worker	16.24
Psychologist salaries	16.24
School administration	
Assistant Principal	82.86
Secretary	31.28
Operations	6.82
Facility maintenance & operations	298.00
Staff development	15.45
Media:	
Personnel salaries	41.43
Materials	<u>13.03</u>
Total cost per FTE Using Grades 9-12 as Base	<u>\$ 2,541.56</u>
 <u>Additional FTE Costs Outside of Grades 9-12 Base</u>	
Kindergarten Aide	\$746.96
Subject Specialist – Grades 1-5 (Art, Music, Physical Education, and Foreign Language)	\$116.92

The determination of each of the cost components is explained in the following sections.
Note – all discussions for calculation of benefits are related to earned positions.

Direct Instructional Costs – Teacher

1. T-4 Minimum Salary	\$33,981.07
2. Retirement = \$33,981.07 x 16.81% =	5,712.22
3. Medicare = \$33,981.07 x 1.45% =	492.73
4. Sick leave = 8 days @ \$18.75 per day =	<u>150.00</u>
5. Total instructional salary and benefits	<u>\$40,336.02</u>
6. Base salary funding Per FTE = \$40,336.02/23 FTE =	<u>\$1,753.74</u>

The following explains the above computation.

1. The T-4 minimum salary is the base for certified personnel salary funding. To calculate the amount included in the formula, do the following –
 - a) Calculate the July and August monthly salary by dividing the previous fiscal year's state salary for level T-4, salary step E, by 12 to get a monthly rate. (\$33,424 ÷ 12 = \$2,785.33)
 - b) Calculate the September through June monthly salary by dividing the current fiscal year's state salary for level T-4, salary step E, by 12 to get a monthly rate. (\$34,092 ÷ 12 = \$2,841.00)
 - c) Multiply the rate calculated in step (a) by two months and the rate from step (b) by ten months.
Add together the amounts calculated in step (c). This is the annual salary.
(Note: this calculation must be performed in years that the state salary schedule is increased.)
2. The QBE formula funds the LUA teachers' retirement at the same rate as that charged by the Georgia Teachers' Retirement System (TRS). The rate for each fiscal year is published by TRS. It can also be found on the funding worksheet at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for the QBE Funding Formula (6 pages). In the upper left corner, the rate for retirement should be displayed.
3. The QBE formula funds the LUA for Medicare at the actual rate determined by the Social Security Administration.
4. Eight days of sick leave are funded for each teacher at a predetermined rate.
5. Total instructional salary and benefits equals the sum of items 1 through 4.

6. The FTE used to calculate the base salary funding by FTE comes from the student teacher ratios defined in 20-2-161(b) for the high school general education base program.

FTEs per Program

Program	FTE
Kindergarten	15
Kindergarten – Early Intervention	11
Primary Grades 1-3	17
Primary Grades 1-3 - Early Intervention	11
Upper Elementary 4-5	23
Upper Elementary 4-5- Early Intervention	11
Middle Grades 6-8	20
Grades 9-12 (Base)	23
Vocational Labs Grades 9-12	20
Special Education Category I	8
Special Education Category II	6.5
Special Education Category III	5
Special Education Category IV	3
Special Education Category V	8
Special Education Category VI	12
Remedial Education	15
Alternative Education	15
English Speakers of Other Languages	7

Direct Instructional Costs – Technical Specialist

- | | |
|--|--------------------|
| 1. T-4 Minimum Salary | \$33,981.07 |
| 2. Retirement = \$33,981.07 x 16.81% = | 5,712.22 |
| 3. Medicare = \$33,981.07 x 1.45% = | <u>492.72</u> |
| 4. Total instructional salary and benefits | <u>\$40,186.01</u> |
| 5. Base salary funding Per FTE = \$40,186.01/1,100 FTE = | <u>\$36.53</u> |

Direct Instructional Costs – Counselor

- | | |
|--|--------------------|
| 1. T-4 Minimum Salary | \$33,981.07 |
| 2. Retirement = \$33,981.07 x 16.81% = | 5,712.22 |
| 3. Medicare = \$33,981.07 x 1.45% = | <u>492.72</u> |
| 4. Total instructional salary and benefits | <u>\$40,186.01</u> |
| 5. Base salary funding Per FTE = \$40,186.01/450 FTE = | <u>\$89.30</u> |

The following explains the computations for both Technical Specialist and Counselor.

1. Steps 1-4, see explanation under Direct Instructional Costs – Teacher.
2. Total instructional salary and benefits equals the sum of items 1 through 4.
3. The FTE used to calculate the base salary funding by FTE comes from the Weights for FTE Funding Formula spreadsheet located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for QBE Funding Formula (6 pages). The ratio of Technical Specialists and Counselors is highlighted to the left of the FTE cost on page 2 of the spreadsheet (for Base Program Grade 9-12).

Operations Cost

The QBE funding formula provides the following for each earned FTE in Grades 9-12:

Consumable materials	\$35.91
Instructional Materials	55.65
Travel	.93
Equipment replacement	3.11
Non Vocational Lab Equipment	<u>18.00</u>
Total costs	<u>\$113.60</u>

These amounts may be obtained from Direct Instructional Operational Costs, Page 6, located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for QBE Funding Formula (6 pages).

Indirect Instructional Cost

Central Administration Salaries- Psychologist & Social Worker

- | | |
|--|--------------------|
| 1. T-4 Minimum Salary | \$33,981.07 |
| 2. Retirement = \$33,981.07 x 16.81% = | 5,712.22 |
| 3. Medicare = \$33,981.07 x 1.45% = | <u>492.72</u> |
| 4. Total instructional salary and benefits | <u>\$40,186.01</u> |
| 5. Base salary funding Per FTE = \$40,186.01/2,475 FTE = | <u>\$16.24</u> |

Note – funding is for both a psychologist AND a social worker at \$15.89 per FTE.

The following explains the computations for both Psychologist and Social Worker.

1. Steps 1-4, see explanation under Direct Instructional Costs – Teacher.
2. Total indirect instructional salary and benefits equals the sum of items 1 through 4.
3. The FTE used to calculate the base salary funding by FTE comes from the Weights for FTE Funding Formula spreadsheet located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for QBE Funding Formula (6 pages). The ratio of Psychologists and Counselors is highlighted to the left of the FTE cost on page 2 of the spreadsheet (for Base Program Grade 9-12).

In addition, Code Section 20-2-186 states that the beginning salaries of a superintendent and two assistant superintendents, as well as a secretary and accountant will be allowed for a LUA with 5,000 or less students. For LUAs with over 5,000 FTE but less than 10,001, funds will be allowed to pay the beginning salaries of a superintendent and four assistant superintendents, as well as a secretary and accountant. For FTE over 10,000, funds will be allowed to pay the beginning salaries of a superintendent and eight assistant superintendents, as well as a secretary and accountant.

Indirect Instructional Cost

School Administration – Assistant Principal (For 9-12)

1. Assistant Principal – Base Salary	\$40,186.00
2. Base Salary ÷ 970 (Base School Size)= Cost per FTE	\$44.65
3. 2 Assistant Principals	\$89.30

The following explains the Assistant Principal computation.

1. Assistant Principal Base Salary
2. Base salary divided by base school size found on page 5 of the Weights for Salary and Operations, Grades (9-12) & Vocational Lab. Worksheet is located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000

(press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for QBE Funding Formula (6 pages).

3. Two Assistant Principals are earned for every 970 FTE as stated on the worksheet on page 5 of the spreadsheet referenced in Step 2. Multiply cost per FTE for Assistant Principal by 2.
4. NOTE: K-5 earn $\frac{1}{2}$ Assistant Principal for every 450 FTEs; Middle School/Special Education/Gifted/Remedial/ESOL/Alternative earn 1 Assistant Principal for every 624 FTEs; and 9-12/Vocational Education earn 2 Assistant Principals for every 970 FTEs.

School Administration – Secretary

1. Secretary – Base Salary (12 month)	\$16,547.00
2. Secretary – Base Salary (10 month)	\$13,789.00
3. Total Secretary Base Salaries	<u>\$30,336.00</u>
4. Base Salary ÷ 970 (Base School Size)= Cost per FTE	<u>\$31.28</u>

The following explains the Secretary computation.

1. Secretary Base Salary for 12 month employee – amount established in original formula in 1985, plus applicable employer retirement contribution percentage.
2. Secretary Base Salary for 10 month employee- amount established in original formula in 1985, plus applicable employer retirement contribution percentage.
3. Add Secretary salaries for both 10 month and 12 month employees
4. Base salary divided by base school size found on page 5 of the Weights for Salary and Operations, Grades (9-12) & Vocational Lab. Worksheet is located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for QBE Funding Formula (6 pages).

In addition to the above, each LUA shall earn funds to pay the beginning salary of a principal for each school in the local school system with a principal of record for the preceding year. For any school that operates as a combination school, funds will be earned to pay one principal's salary except for schools operating as combination schools with separate school codes issued by DOE. A LUA shall earn funds in the midterm adjustment sufficient to pay the beginning salary of a principal of a new school when the school has reported FTE counts in the October count, has an approved facility code issued by DOE, and has reported a

principal in the October FTE count under the new facility code. Each LUA shall also earn funds sufficient to pay for nursing services.

School Administration – Operations

1. Supplies	\$2,198.00
2. Travel	\$1,500.00
3. Equipment (replacement)	\$1,759.00
4. Miscellaneous	<u>\$1,162.00</u>
5. Total Operations	<u>\$6,619.00</u>
6. Total Operations \$6,619 ÷ 970	<u>\$6.82</u>

The following explains the Operations computation.

1. Operations costs are obtained for the Weights for Salary and Operations spreadsheet, page 5 under Grades (9-12) & Vocational Lab calculation.
2. Total all costs for operations.
3. Total Operations cost is divided by base school size of 970 for grades 9-12 & vocational lab found on the worksheet referenced in Step 1.

Facilities Maintenance & Operations

The \$298 per FTE is a flat amount recommended during the appropriations process.

20 Days Additional Instruction

Code Section 20-2-184.1 requires funds to provide 20 additional days of instruction for 10 percent of the full-time equivalent count of the kindergarten, kindergarten early intervention, primary, primary grades early intervention, upper elementary, upper elementary grades early intervention, middle grades, middle school, and high school programs. Such funds shall be used for addressing the academic needs of low-performing students.

The \$27.04 per 15.70 FTE is calculated as follows:

1. Total Instructional Salary (\$40,336.02, Weights for Salary and Operations)
2. Divide by 190 instructional days ($\$40,336.02 \div 190 = \212.29)
3. Multiply by 10 % ($\$212.29 \times 10\% = \21.23)
4. Multiply by 20 days ($\$21.23 \times 20 \text{ days} = \424.60)
5. Divide by 15.70 FTE ($\$424.60 \div 15.70 \text{ FTE} = \27.04)

Staff and Professional Development

The \$15.45 for the "Grades 9 - 12" program is determined by taking 0.9% of all certified professional salaries in that program area per code section 20-2-182(h). To calculate this amount for each program, you use the teacher base salary (\$33,981.00) from the Weights for Salary and Operations spreadsheet under Base Instruction Salary. The base salary is then divided by the funding ratio for positions under each program. The calculation for Grades 9-12 is as follows –

Base Teacher Salary -	\$33,981.00
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The Base Teacher Salary is individually divided by the following funding ratios obtained from the Weights for FTE Funding Formula spreadsheet.

Teacher Student Ratio – 23	\$1,477.43
Counselor Ratio – 450	\$75.51
Technical Specialist Ratio- 1,100	\$30.89
Psychologist Ratio– 2,475	\$13.73
Social Worker Ratio – 2,475	\$13.73
2 Assistant Principal Ratio– 970	\$70.06
Media Ratio - 970	<u>\$35.03</u>
Total Salaries	<u>\$1,716.38</u>
0.9% of Salaries	\$15.45

Principal Staff and Professional Development

Official Code of Georgia Annotated 20-2-190 states, “(a) Subject to appropriations by the General Assembly, the State Board of Education shall provide professional development centered on state-wide strategic initiatives. Such strategic initiatives may include, but are not limited to, training on the new common core curriculum, support for under-performing educators, and mentoring programs in specific subject areas. (b) it is the intention of the General Assembly that... (2) For Fiscal Year 2015 and thereafter, an amount equivalent to 0.25 percent of salaries of all certificated professional personnel, including school level administrators, used in the development of each respective program weight be appropriated to the State Board of Education for purposes of funding state-wide strategic initiatives for professional development, as provided in subsection (a) of this Code section.”

For FY 2018, the amount appropriated for this program was \$307 per principal.

Media

Salaries

- | | |
|---|-------------|
| 1. Media Specialist - Base Salary less sick leave | \$40,186.00 |
| 2. Base Salary ÷ 970 Base School Size | \$41.42 |

The following explains the Media computation.

1. Base salary for media specialist is the Base Instruction Salary from the Weights for Salary and Operations spreadsheet, excluding sick leave.
2. Base salary is divided by the base school size for Grades 9-12 & Vocational Lab (970).

Materials

- | | |
|----------------------|---------|
| 1. Books/Periodicals | \$13.03 |
|----------------------|---------|

The Materials calculation is based on amounts included in the appropriations bill as passed by the General Assembly.

Additional FTE Costs Outside of Grades 9-12 Base - Kindergarten Aide

- | | |
|--------------------------|-------------|
| 1. Teacher Aide - Salary | \$13,445.34 |
| 2. Salary ÷ 18 | \$746.96 |

The following explains the Kindergarten Aide computation.

1. Teacher Aide cost is determined at 1/3 the cost of the T-4 teacher salary plus benefits. Total salary plus benefits for fiscal year 2018 is \$40,186.00. Worksheet with details is located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for Funding Formula (6 pages). Amounts are listed on page 5, under Base Instruction Salary.
2. Salary is divided by 18. The Weights for FTE Funding Formula, page 5, under the Kindergarten program section indicates an aide will be provided for every 18 students (see ratio in column 1).

Additional FTE Costs Outside of Grades 9-12 Base – Subject Specialist

1. Subject Specialist – Salary	\$40,186.00
2. Salary ÷ 345	\$ 116.48

The following explains the Subject Specialist computation:

1. Subject specialist cost is the cost of a T-4 teacher salary plus benefits. Worksheet with details is located at https://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 (press Ctrl and click). Select QBE Allotments. Select the fiscal year. Under Select a Report, choose QBE001, Weights for Funding Formula (6 pages). Amounts are listed on page 5, under Base Instruction Salary.
2. Salary is divided by 345. The Weights for FTE Funding Formula, page 1, under the Primary, Upper Elementary, and Middle School program sections indicate a subject specialist will be provided for every 345 students (see ratio in column 1) under program.

Health Insurance

Health Insurance is funded for certificated personnel on a per member / per month basis as determined by the Board of the Georgia Department of Community Health, and annually funded in QBE in the Appropriations Act. The number of eligible certificated personnel is collected from the annual October Certified Personnel Information submitted.

Program Weights

Since different programs vary in cost of operation, each of the 18 instructional programs is assigned a different program weight. These weights reflect the costs of teachers, aides and other instructional personnel; instructional materials; facility maintenance and operations; media center personnel and materials; school and central office administration and staff development.

As previously indicated, the "Grades 9 - 12" program is defined as the base program for the purpose of determining relative program costs. The costs of each component of this program are totaled and the result is given a weight of one. The other 17 programs are assigned weights that reflect their cost relative to that of the "Grades 9 - 12" program.

FY 2018 Program Weights

Program	Weight
Kindergarten	1.6532
Kindergarten - Early Intervention	2.0382
Primary Grades 1-3	1.2859
Primary Grades 1-3 - Early Intervention	1.7955
Upper Elementary 4-5	1.0358
Upper Elementary 4-5- Early Intervention	1.7892
Middle Grades 6-8	1.1317
Grades 9-12 (Base)	1.0000
Vocational Labs Grades 9-12	1.1907
Special Education Category I	2.3828
Special Education Category II	2.7933
Special Education Category III	3.5559
Special Education Category IV	5.7624
Special Education Category V	2.4532
Special Education Category VI	1.6609
Remedial Education	1.3099
Alternative Education	1.4727
English Speakers of Other Languages	2.5096

For example, the 2017 weight for grades 1-3 is determined by dividing the cost of this program or \$3,167.66 by the base program cost (i.e., grades 9-12) of \$2,463.78 resulting in a weighting of 1.2859.

For purposes of computing the annual allotment to each LUA, program weights are carried out to four decimal places.

Note – the weights may be adjusted to support the mandated increase in the teacher salary schedule. These adjusted weights are reflected in the Weights for FTE Funding Formula spreadsheet.

FTE Counts

The initial enrollment count should be made after October 1 but before November 17. The final enrollment count should take place after March 1 but prior to May 1. To calculate the FTE for each program, count the number of 1/6 segments of the school day for each student enrolled in qualifying programs. Then divide the total number of segments for each program by six. This results in the FTE for each state recognized program. Failure to provide counts in the manner and by the dates required will render the school system ineligible for recalculation adjustments (GA Code Section 20-2-162(a)).

To calculate FTE to use for funding purposes, the second enrollment will be projected. The projection is based on the following –

1. Divide the first FTE count for the current fiscal year by the first FTE count for the immediately preceding fiscal year.
2. Percentage from step 1 is then multiplied by the second FTE count for the preceding fiscal year. This will be the projected second FTE count for the current fiscal year.
3. Then, divide the average of the local school system's two most recent full-time equivalent program counts by the average of the two most recent total full-time equivalent counts.
4. Multiply the quotient obtained in step 3 by the product obtained in step 2 to calculate the second full-time equivalent count for the current fiscal year.

The average of the first full-time equivalent program count, weighted two parts, and the projected full-time equivalent program count, weighted one part, shall be used to initially determine funding for the ensuing fiscal year. See code section 20-2-160 for detailed information.

QBE Allotment Sheet

In the Spring of each year after the General Assembly has completed its annual session, the allotment sheet for the subsequent fiscal year is provided to all LUAs. This allotment sheet indicates the amount of QBE state funding that is forthcoming prior to any mid-term adjustment. The data from the allotment sheet initially is calculated by taking the average of the FTE counts times the base cost per FTE times the program weights, adjusted for both direct and indirect costs and adjusted for the teacher training and experience.

The total earnings for QBE are reduced by the current year local fair share. The local fair share is the amount of the total cost of QBE for an LUA that must be supported with local funds (e.g. property taxes). The local fair share for each LUA is an amount equal to the amount that can be raised by the LUA levying five mills on the 40 percent equalized property tax digest. For fiscal year 2018, the local fair share equates to five effective mills of property tax based upon the most recent equalized adjusted school property tax digest according to requirements in code section 20-2-164(a)(1)(A) less adjustments for homestead exemptions listed in paragraph (g).

An example follows:

Net 100% tax digest	<u>\$ 5,824,447,821</u>
Gross 40% equalized digest	\$ 2,329,779,128
Less total eligible exemption amount	<u>\$ (184,357,587)</u>
Net 40% tax digest \$	\$ 2,145,421,541
Five mills	<u>.00500</u>
Local fair share	<u>\$ 10,727,108</u>

In the event that the combined local fair share for all school systems exceeds 20 percent of the sum of the statewide QBE formula earnings, then the local fair share is reduced by district in a prorata fashion such that the combined Local Fair Share amount statewide does not exceed 20 percent of the QBE formula earnings.

Mid-term Adjustment

Since the QBE formula is based upon FTE counts which are taken from the previous school year, there is a need to adjust the QBE earnings as more current FTE counts become available. After preparing the recalculation, if the total amount needed by the local school system is greater than the amount originally allotted, the school's allotment will be increased. If the recalculation results in a reduction in funds, the initial funds allotted will not be reduced. A mid-term adjustment for the school's five mill share will be made if the following occurs -

The most recent property tax digest for maintenance and operations of a local school, as approved by the Department of Revenue, is less than the actual property tax digest for maintenance and operations used to calculate the system's five mill share if the reduction is due to more accurate assessments or actual loss in tangible property (20-2-162-(b)(1) and the most recent equalized adjusted school property tax digest for the local school system is less than the equalized adjusted school property tax digest for the year used initially to calculate the system's local five mill share (20-2-162(b)(2)).

Allowable Expenditures

Most instructional costs relating to a QBE program are allowable costs. The following link, http://archives.doe.k12.ga.us/fbo_financial.aspx?PageReq=FBOFinRevCOACR, LUA Chart of Accounts, under the code relationships view, lists the object codes allowed for each function and program.

Georgia code section 20-2-167(a)(1) states that each local school system shall spend a minimum of 90 percent of funds designated for direct instructional costs on such costs of such program at the school site in which the funds were earned except for special education programs which shall be summed for purpose of expenditure control. One hundred percent

of funds earned for direct instructional salaries shall be expended for salaries of direct instructional personnel and aides. The total number of positions earned due to FTE counts shall be used to provide services. If QBE funds allocated for direct instructional costs remain unexpended, they must be returned to the State. (20-2-167(a)(1)), unless granted a waiver by the state Board of Education.

Media center costs for personnel and materials must be expended 100%, 90% of which must be spent at the school site for which the funds were earned (20-2-167(a)(2)), unless granted a waiver by the state Board of Education.

Amounts allotted for staff development must be spent 100% for these costs. If FTE counts are below amounts originally estimated and staff development costs savings are returned to the State the 100% for staff development shall be reduced by this amount, (20-2-167(a)(3)), unless granted a waiver by the state Board of Education.

All funds earned must be used for the operation of educational programs as authorized under article 6, chapter 2 of Title 20, unless granted a waiver by the state Board of Education.

Refer to the information included on the Financial Review website, http://archives.doe.k12.ga.us/fbo_financial.aspx?PageReq=FBOFinRevCOAR&fy=18, in the program descriptions

Salary and Benefit Proration

Since salaries and benefits consist of the majority of an LUAs instructional costs, it is important that these salaries and benefits be charged to the correct QBE program. The GA DOE provides some alternatives for charging salaries and benefits to the correct QBE program.

Prorating regular salaries and benefits. If an employee works 100 percent of his or her time in a single QBE program, 100 percent of his or her salary and employee benefits should be charged to that program. If an employee works in more than one QBE program, the salary and benefits should be prorated according to the percentage of time worked in each program. The GA DOE has established certain rules regarding proration of salaries as follows:

1. Homeroom periods, assigned planning periods, breaks and lunch periods are ignored in prorating salaries.
2. Assigned activities assume a six period workday with 50 minute periods.

The proration formula is a follows:

$$\frac{\text{Periods worked in program A}}{\text{Total periods worked}} = \text{Proration Percentage}$$

Some examples illustrating this formula follow:

1. A teacher works six periods - four in program A, two in program B and no planning period.

Program A	$\frac{4 \text{ Periods}}{6 \text{ Periods}} = 66.7\%$
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Program B	$\frac{2 \text{ Periods}}{6 \text{ Periods}} = 33.3\%$
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In this example, all six periods are considered in the proration since 100 percent of the teacher's time is spent in QBE programs.

2. A teacher works six periods - four in program A, one in program B, and one planning period.

Program A	$\frac{4 \text{ Periods}}{5 \text{ Periods}} = 80\%$
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Program B	$\frac{1 \text{ Period}}{5 \text{ Periods}} = 20\%$
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In this example, only five periods are considered since planning periods are ignored in prorating salaries and benefits.

3. A teacher works six periods - three in program A, two in program B, and one non-instructional period.

Program A	$\frac{3 \text{ Periods}}{6 \text{ Periods}} = 50.0\%$
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Program B	$\frac{2 \text{ Periods}}{6 \text{ Periods}} = 33.3\%$
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Undistributed	$\frac{1 \text{ Period}}{6 \text{ Periods}} = 16.7\%$
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In this example, all six periods are considered in the proration. However, the non-instructional period cannot be charged to a QBE program. It is charged to the undistributed, non-basic program.

4. A teacher works six periods - three in program A, one in program B, one non-instructional, and one planning period.

Program A	$\frac{3 \text{ Periods}}{5 \text{ Periods}} = 60.0\%$
Program B	$\frac{1 \text{ Period}}{5 \text{ Periods}} = 20.0\%$
Undistributed	$\frac{1 \text{ Period}}{5 \text{ Periods}} = 20.0\%$

In this example, only five periods are used in the proration (i.e., the planning period is ignored) and the non-instructional is charged to the undistributed program.

Prorating Substitute Teachers' Salaries. The proration of substitute teachers' salaries can be very complex since substitute teachers may teach in a large number of QBE programs in a given payroll period. The GA DOE suggests three options for prorating substitute teachers salaries as follows:

1. Charge the substitute teacher's salary to the QBE Programs in the same proration as the teacher for which they are substituting. This option is the most accurate, but can be difficult to calculate.
2. Charge the substitute teacher's salary to the QBE program or other program based upon the major program to which the teacher being substituted for is charged. For example, if the regular teacher is being charged 60 percent to program A and 40 percent to program B, the substitute could be charged 100 percent to program A.
3. When the regular teacher teaches 50 percent in each of two QBE programs, the substitute salary may be charged 100 percent to either of the two programs.

Some LUAs, that have no trouble meeting the 90 percent spending requirements, accumulate the substitute costs in a single undistributed account during the year and then allocate them at year-end. This method is not recommended since there is a risk that the 90 percent spending requirements will not be met and budget control is somewhat reduced (i.e., substitute teacher costs are budgeted by QBE program, but not charged against the program until year end).

Instructional Material Allocations

Since the cost of instructional materials is a major portion of non-salary and benefit QBE program costs, the allocation to QBE programs should be as accurate as possible. The GA DOE suggests two options:

1. Specific identification which charges these costs to the actual QBE Program in which the materials will be used. However, this option often is difficult to implement. Usually, the orders for instructional materials are placed in June for the upcoming school year. For example, it may be difficult to determine which program will be using construction paper, even though the school principal may have a good idea of the total amount needed.

Use of this method can work best if the LUA has some type of central warehouse facility where all deliveries can be made and the inventory can be stored until drawn from inventory for use. Usually at time of withdrawal, the user has more knowledge of the actual intended use of the inventory. The LUA might use an internal service fund to account for this activity (see Chapter I-20 for discussion of internal service funds).

2. Allocate the cost of instructional materials on the same ratio as the percentage of full-time equivalent (FTE) count. Usually, the proration is based upon the projected FTE for the upcoming school year (i.e., from the allotment sheet). However, if possible, this allocation should be adjusted to actual FTE counts as they become known during the school year.

$$\frac{\text{FTE - Specific program}}{\text{FTE - All QBE Programs}} = \text{Proration Percentage}$$

ANNUAL QBE FINANCIAL REPORT

The annual QBE financial report provides information to the GaDOE for monitoring compliance with expenditure requirements for the 18 QBE Programs. This information is due to the GaDOE no later than the last working day of September. The school superintendent must verify the report.

The data presented must be reconcilable to the LUAs accounting records. As LUAs provide this information and see a need to make some additional allocations, these allocations should be made on the accounting records through journal entries. In addition, any errors discovered should be corrected in the accounting records.

EXPENDITURE CONTROLS

Official Code of Georgia Annotated Section 20-2-167 sets forth expenditure controls for the QBE direct instructional program allotments, as well as the professional development, nursing, and 20 additional days instruction. The expenditure controls are waived for all charter systems, and those systems that have the approved waiver as part of the strategic waivers school system flexibility contract. If a school district has elected to remain a Title 20/No Waiver school system or has not met the accountability requirements of their flexibility

contract, the expenditure controls as set forth in the Code Section will apply. While austerity reductions are still in effect, the ability to reduce the allotment per category based on the austerity will be available to districts when determining whether the district met the expenditure controls. The QBE Expenditure Tests must be performed during the review of financial data for fiscal year end electronic submission.

CURRENT EXPENDITURE TESTS

QBE Formula Funds Tests

TEST 3:

(a) (1) The State Board of Education shall annually compute, based upon the initial allotment of funds to each local school system, the total funds needed for direct instructional costs for each program identified in Code Section 20-2-161, specifying the number of positions earned and salaries and operational costs portions. "Direct instructional costs" is defined as those components of the program weights which are specified in subsections (a) through (g) of Code Section 20-2-182. In computing the total funds needed for direct instructional costs for each program, the state board shall apply the percentage that these costs represent of the total costs used in developing the program weights. The direct instructional costs for the five instructional programs for disabled students shall be summed into one amount for special education. Following the midterm adjustment, the state board shall issue allotment sheets for each local school system and each school reflecting the total amount of earnings, initial earnings, and midterm adjustment, if any, for each program authorized by Code Section 20-2-161. For each such program, each local school system shall spend a minimum of 90 percent of funds designated for direct instructional costs on the direct instructional costs of such program at the school site in which the funds were earned, except that funds earned for special education programs shall be summed for the purposes of this expenditure control. For the purposes of this expenditure control, funds earned for counselors and technology specialists shall each be summed to the school level. Only the state salary amounts resulting from the amount earned on the state-wide salary schedule as approved by the State Board of Education pursuant to Code Section 20-2-212 plus associated benefits funded by the state and the salaries and any state earned benefits or comparable state earned benefits of technology specialists and classroom aides may be applied to the salary cost components for the purpose of meeting this expenditure control. Except as otherwise provided by law or rule and regulation of the state board, local school systems may decide whether direct instructional funds shall be used for teacher salaries, aide salaries, instructional material or equipment, or any other appropriate direct instructional expense; provided, however, that 100 percent of funds earned for direct instructional salaries shall be expended for salaries of direct instructional personnel and classroom aides. The total number of positions earned for direct instruction as specified in Code Section 20-2-182, adjusted for maximum class size, shall be employed for the delivery of services for which the funds were earned. This position control shall be for the kindergarten program, the kindergarten early intervention program, the

primary grades program, and the primary grades early intervention program combined and the combined total for all other programs; provided, however, that positions earned for art, music, foreign language, and physical education, technology specialists, and counselors shall be totaled for all programs. Fractional amounts may be combined and used for any direct instructional position. Funds earned for any fractional amounts may be used for any direct instructional expense. **Quality Basic Education Formula funds in excess of the amount required by this paragraph to be expended by a local school system for the direct instructional costs of an instructional program specified by Code Section 20-2-161 which are not expended for direct instructional costs must be returned to the state treasury.**”

The above relates to **TEST 3**: 100% of the Direct Instruction QBE Earnings and 90% of the Program Earnings, both Salaries and Operations, must be expended for the direct instruction at the system level and site level. This test is applicable to the following program codes:

1011 – Kindergarten
1061 – Kindergarten EIP
1021 – Grades 1-3
1071 – Grades 1-3 EIP
1051 – Grades 4-5
1091 – Grades 4-5 EIP
1081 – Middle School Program 6-8
1041 – High School 9-12
3011 – Vocational Lab 9-12
2011 – Special Education Programs
2021 – Special Education Category I
2031 – Special Education Category II
2041 – Special Education Category III
2051 – Special Education Category IV
2061 – Special Education Category V
2111 - Gifted
2211 – Remedial Education
5071 – Alternative Education Program
1351 – English for Speakers of Other Languages
1460 – Mid-Term Hold Harmless

Key Points with **TEST 3**:

1. Only salary and benefit expenditures associated with the state salary can be considered when determining if meeting this test. Any salary expenditures based on the locally approved supplement or other contractual arrangement cannot be used to meet the 100% test at the system level. Because of this, **any school districts that must adhere to the expenditure controls should report salary and benefits associated with the local supplement to the local program codes.** The local program codes are as follows: 1013, 1023, 1033, 1043, 1053, 1063, 1073, 1083, and 1093. These program codes are included in the LUA Chart of Accounts.

2. This test calculates the allotments for all 18 direct instructional programs (including the mid-term hold harmless) combined. However, the total allotments by program, separated by salaries and operations, are provided. The allotment for salaries covers both salaries and benefits. So the comparison report compares the allotted amount for salaries to the total expenditures for salaries, plus benefits, plus contracted services (in lieu of salaries). The allotment for operating costs is compared to the total expenditures charged to objects 300, and 331-890.
3. Currently, site level allotment sheets are not available. Therefore, the test that 90% of direct instructional funds awarded to the site level are spent will not be performed (TEST 1). However, each district should ensure the provisions of State Board Rule 160-5-2-.21 are met, which include reporting the expenditures by school code.
4. The Hold Harmless revenue earnings, which are recorded to program code 1460, must be expended in one of the program codes above. Do not code expenditures to program code 1460. This test, **Test 7**, is combined with Test 3 to include the total Hold Harmless revenue earnings with the total direct instructional programs.
5. Middle Grades, Program Code 1031, was not appropriated. All related FTEs were calculated using the Middle School formula. No expenditures should be coded to program code 1031 in current period.
6. Austerity can be applied to each of the program categories above.

TEST 4:

O.C.G.A. §20-2-167 (a)(2) states, in part, “...Each local school system shall spend 100 percent of the funds designated for media center costs for such costs, and a minimum of 90 percent of such funds shall be spent at the school site in which such funds were earned.”

The above relates to the **TEST 4**: 100% of the funds designated for Media Center Costs at the System Level. The program code tested for media center is 1310. Media materials are defined as those instructional materials including print, non-print, periodicals, online databases, supplies, and equipment that are critical to the support and enhancement of the school library media center program. These materials are housed in and circulated through the library media center for use by the entire learning community of the school.

Key points with TEST 4:

1. All media center program expenditures should be expensed to function 2220.
2. Local supplements **are allowable** for meeting the media expenditure control test. Also allowable are salaries for media aides.
3. Austerity reductions can be applied to this program category.

TEST 5:

O.C.G.A. §20-2-167 (a)(3) states, in part, “...Each local school system shall spend 100 percent of the funds designated for staff and professional development costs, as allowed by State Board of Education policy, for such costs.”

Additionally, O.C.G.A. §20-2-167 (a)(3) includes, “...The State Board of Education, in consultation with the Professional Standards Commission, shall establish category-level expenditure controls to ensure that the staff development funds allotted pursuant to this paragraph are utilized in such a manner as to help align professional learning with results in improved achievement. Such category-level expenditure controls shall be established no later than July 1, 2015, and shall reflect the revised certification renewal rules established by the Professional Standards Commission pursuant to paragraph (4.1) of subsection (b) of Code Section 20-2-200 regarding the impact of professional learning on student achievement.”

The above relates to **TEST 5**. 100% of Staff and Professional Development Earnings must be expended for Staff and Professional Development costs at the system level. This test combines the Staff and Professional Development, program code 1210, and the Principal Professional Development, program code 1211, allotments.

Key points with **TEST 5**:

1. State Board Rule 160-3-3-.04 sets forth the uses of the professional development allotment. Each district and charter shall have a plan in place for how the funds will be spent. The districts are required to submit a budget for the professional development funds in conjunction with the consolidated application.
2. Professional development funds are drawn down monthly and a completion report is required at the end of the fiscal year.
3. Professional development expenditures should be expensed to function 2210.

TEST 8:

O.C.G.A. §20-2-184.1 states, in part, “Each local school system shall spend 100 percent of the funds designated for additional days of instruction for such costs at the system level, which may include transportation costs incurred for transporting students who are attending additional classes funded by those designated funds.”

The above relates to **TEST 8**. 100% of 20 Additional Day funds must be expended, up to 15% of earnings are allowed to be expended for transportation expenditures. Expenditures related to the 20 Additional Days of instruction should be expensed to program code 1100.

Key points related to **TEST 8**:

1. The Code section further states, “shall reflect sufficient funds to pay the beginning salaries for instructors needed to provide 20 additional days of instruction for 10 percent of the full-time equivalent count of the respective program. Such funds shall be used for addressing the academic needs of low-performing students with programs including, but not limited to, instructional opportunities for students beyond

the regular school day, Saturday classes, intersession classes, summer school classes, and additional instructional programs during the regular school day. Each local school system shall spend 100 percent of the funds designated for additional days of instruction for such costs at the system level, which may include transportation costs incurred for transporting students who are attending additional classes funded by these designated funds.”

2. The expenditure controls are set to ensure that not more than 15% of the allotment is coded to function 2700 for allowable transportation expenditures.

Categorical Grants Expenditure Tests

TEST 10:

O.C.G.A. §20-2-186 (5) states, in part, “Each local school system shall expend 100 percent of the funds earned pursuant to this paragraph for salaries and benefits for school nurses.”

The above relates to **TEST 10**. 100% of Nursing Services must be expended for nursing services and recorded to program code 1500.

Key points related to TEST 10:

1. OCGA 20-2-186(5) states, “Each local system shall earn funding for one nurse for every 750 full-time equivalent students at the elementary school level and one nurse for every 1,500 full-time equivalent students at the middle and high school levels. Such funding shall have a ratio of one registered professional nurse to five licensed practical nurses. Such funding shall be based on a contract length of 180 days and shall be sufficient to pay 50 percent of the average salary and benefits, as determined by the Department of Education, for a registered professional nurse or for a licensed practical nurse;Local school systems shall not be required to provide any local matching funds for school nurses to receive funds pursuant to this paragraph. Local school systems that do not meet the minimum full-time equivalent student counts set out in this paragraph shall receive a base amount of funding.”
2. Only salaries and benefits for nursing services shall be recorded to program code 1500.

There are several tests that will not be tested in FY 2016:

1. Site level allotment sheets are not available for FY 2016, therefore the following tests will not be tested:
 - a. TEST 1 – 90% of the Direct Instruction Funds Earned, Salaries and Operations, Must Be Expended on the Program and at the Site Where Earned.
 - b. TEST 2 – 100% of Direct Instruction Salary Earnings Must Be Expended for Salaries in Direct Instruction in the System. **(Please note: While this test is not tested separately, TEST 3 above does detail the salary and operations**

allotments separately so the district can compare the salary earnings by system to the total salaries allotment by system. When testing the salaries allotment and earnings, the total salaries allotment for Kindergarten (1011), Kindergarten EIP (1061), Primary Grades (1021), Primary Grades EIP (1071), Upper Elementary Grades (1051), and Upper Elementary Grades EIP (1091) are combined. All other categories are combined for testing. One consideration to keep in mind is that the Training and Experience is allocated proportionately to each category. The actual test for salaries would require site level earnings to determine actual salaries earned per program.)

- c. TEST 4 – 90% of Media Earnings, Salary and Operating, Must Be Expended on Media Costs at the Site Where Earned. (Test 4 currently is only testing at system level.)
2. The following test is combined with TEST 3:
 - a. TEST 7 – 100% of “Hold Harmless” Earnings Must Be Expended in QBE Formula Categories in the System (Test 3 includes the allotment for Hold Harmless.)
3. The following tests are not performed because there were no appropriations in current period:
 - a. TEST 6 – 100% of Earnings for Principal Supplements Must Be Expended for Principal Supplements at the Site Where Earned
 - b. TEST 9 – 100% of Alternative Programs Sparsity Grants Must Be Expended for Alternative Programs Salaries and Benefits
 - c. TEST 11 – 100% of Migrant Services must be spend on Migrant Program
 - d. TEST 12 – 100% of Bus Replacement must be spent on Bus Replacement – Unspent Funds must be reserved.