



Rural Task Force

2020 Rural Report

FUNDING

School Funding Matters

When states increase their investment in public schools, students do better.¹ This is the conclusion of researchers who have dug into the question of whether the amount invested in public education affects student outcomes. Benefits of greater funding include improvements in high school graduation rates, higher adult earnings, and decreased likelihood of being poor in adulthood.² Low-income children are most likely to experience these benefits. Additional funds allow districts to invest in higher and more competitive teacher wages, smaller class sizes, early childhood programs and instructional materials. The added benefits of investments in these areas vary by district and state, but their overall impact is positive.³

The importance of adequate investment in public schools was demonstrated by student learning declines that followed the deep cuts in state funding for public schools as well as the drop in local dollars during the Great Recession. Test scores and college-going rates fell, with larger drops among children in low-income communities.⁴

Current Context: Georgia's Investment in Public Schools

Georgia's public schools have two primary funding sources for operating expenses: state appropriations and local tax revenue. State funds make up about 53 percent of districts' revenue on average. That number is higher for rural districts—on average 60 percent of their funds comes from the state. Most state funding is distributed to districts through the state's K-12 funding formula, the Quality Basic Education formula, or QBE. The General Assembly approved the QBE in 1985. Since then, it has revised selected components of the formula but has not undertaken a comprehensive update of it.

The formula was considered funded in full through Fiscal Year 2002, although cuts had been made within the formula. Between 2003 and 2018, the state cut districts' formula funding, including five consecutive years when the shortfall topped \$1 billion annually. The steep cuts were spurred by the Great Recession when state revenues dropped significantly. No state agency was spared during this period. With their greater reliance on state funds, the cuts hit rural districts hard.

With the resurgence of the economy, the legislature fully funded the QBE formula in 2019 and 2020. In addition, it approved a two percent salary increase for teachers in 2018 and a \$3,000 pay hike in 2020.

The state also sends money to districts through targeted grant programs. The largest is the equalization program, which provides supplemental funds to districts with limited ability to raise local funds due to low property wealth. The legislature revised the equalization program in 2012 to cap its growth. The equalization program has shrunk the funding gap between high- and low-wealth districts, providing critical dollars to schools.⁵

Extra state dollars also go to small schools in rural communities through sparsity grants. These schools cannot reach the economies of scale that schools of average or large size attain and incur high per student costs. Sparsity grants help offset these greater costs. The grants, which went to 55 rural schools in 2020, were funded at 27 percent that year.

Most local funding is generated through property taxes. The QBE formula requires each district to contribute an amount equal to the revenue that would be raised by five mills levied on its property tax base. Most districts set higher millage rates, a decision driven in part by requirements of the equalization program. Districts must have a millage rate of 14 to qualify for an equalization grant. Many districts exceed this rate, however, and set their rates at 15 or higher to generate greater levels of local funding.

Property values plunged in many districts during the Great Recession, leading to a drop in local revenue. The steepest declines were in metro Atlanta and other urban areas, but rural districts also saw property values fall. Many rural districts raised their millage rates, which partially offset the decrease in property values.⁶ The lost local revenue worsened the financial squeeze districts faced with state funding cuts.

A third revenue source that districts can draw on is the Special Purpose Local Option Sales Tax for Education or ESPLOST. With voter approval, districts can levy a one cent sales tax for capital expenditures including constructing new buildings or renovating existing ones, technology-related equipment, and new buses. ESPLOST funds cannot be used for operating expenses such as teacher salaries or student materials.

These funds are a vital resource for districts, but there are large disparities between them in the amount that the ESPLOST generates. Districts in areas with significant retail activity, such as those in metropolitan areas or adjacent to major highways, receive more ESPLOST revenue than those without it.⁷ They pull in revenue from their own residents as well as those in neighboring districts with limited retail, who cross county boundaries to shop. Districts in cities and suburbs collect more—often hundreds of dollars more per student—than those in towns and rural communities, especially in south Georgia.⁸ Districts in the top five percent of per student ESPLOST funds garner five times as much as those in the bottom five percent.⁹

Rural Needs in the Spotlight

Transportation and sick leave pay are two of rural districts' funding challenges. Persistent state underfunding of both have squeezed districts' budgets, spurring them to allocate a growing portion of local money to these expenses. Technology has emerged as another focus area for rural districts.

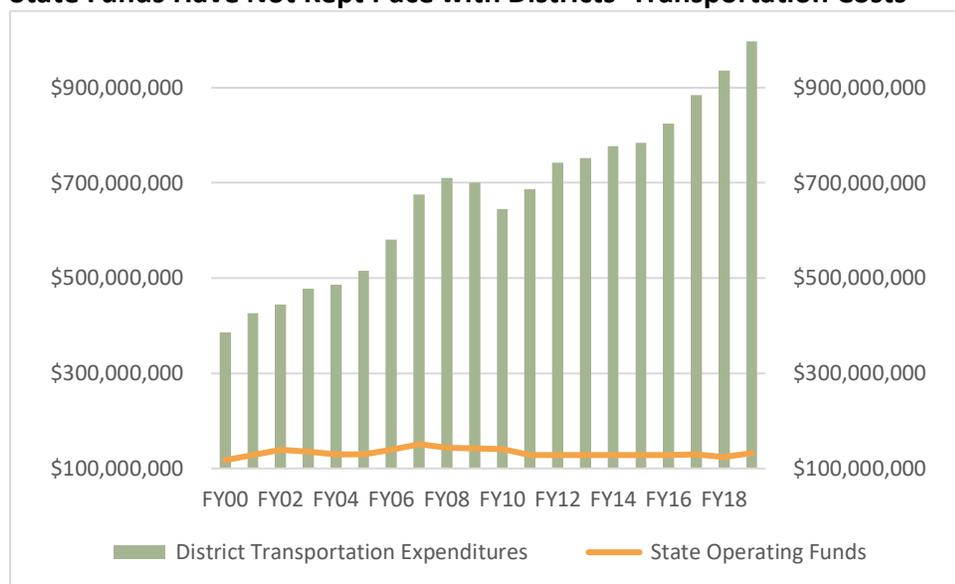
Transportation

Student transportation expenses fall into two main categories: operating costs and bus replacement costs. The state provides funding for both expenditures, but these dollars have not

kept up with the rising costs of either. These gaps place pressure on districts' transportation budgets.

The state requires districts to provide transportation to all special needs students as well as all other students who live 1.5 miles or more from their assigned school. Despite requiring the service, the state invests little in it. Districts' transportation operating costs have climbed, but state funding remains stuck at outdated levels. In 2019, districts spent \$944 million on student transportation, and the state contributed approximately \$133 million, about 13 percent. In 1991, the state covered 54 percent of districts' costs to get students to and from school safely.¹⁰ Districts spend local funds to fill in the gap left by shrinking state funding.

State Funds Have Not Kept Pace with Districts' Transportation Costs



Source: Georgia Department of Education, State Allotment Sheet, Mid-term, FY 2000-FY 2019; Georgia Department of Education, School System Expenditure Reports, FY 2000-FY 2019

While student enrollment growth is a key factor in districts' rising transportation costs, another is health insurance. For many years, the state and districts shared the cost of providing health insurance for bus drivers and other non-certified staff. The state eliminated its portion of this investment in 2012, shifting the full cost to districts. Districts' monthly cost for providing health insurance for each of these employees climbed from \$246 to \$945. With this hike, districts now spend \$11,340 annually on health insurance for each bus driver.

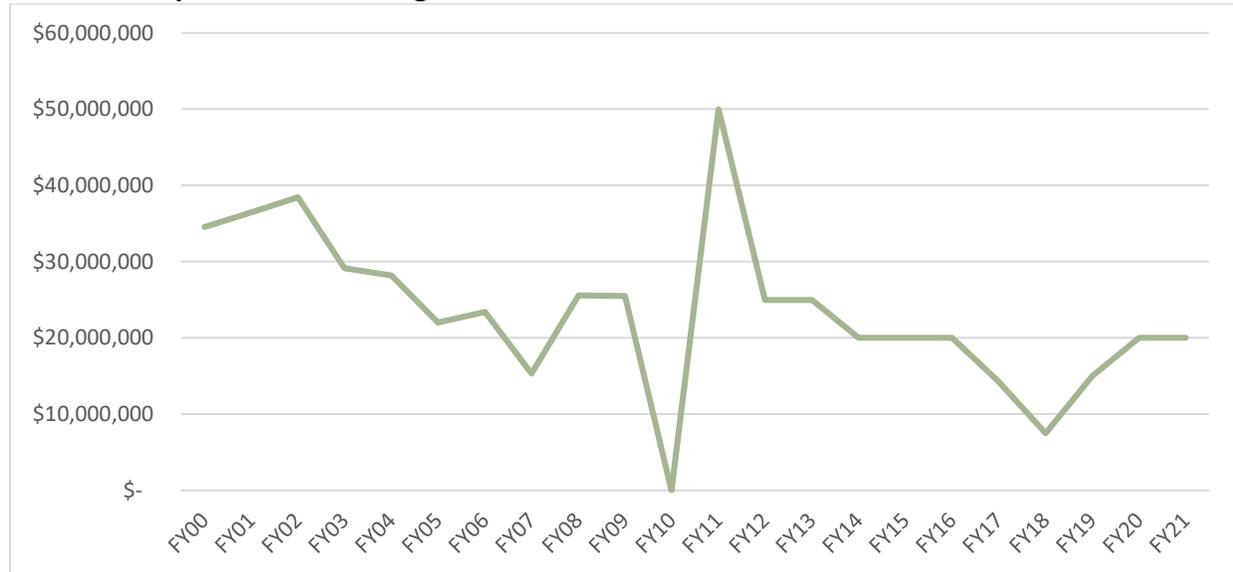
Transportation costs add up quickly for rural districts. With fewer students spread over longer distances, rural districts pay more per student than non-rural districts in transportation costs, approximately \$645 per student in FY 2019 compared to about \$561 for non-rural students.

Replacing old buses is another challenge for school districts. In 2017, 4,718 school buses used daily across Georgia exceeded their replacement cycle, a number that grows each year.¹¹ Old

buses do not have current safety features and are more likely to have mechanical problems. The price tag for a new school bus without any extras, such as air conditioning, is \$77,220.¹²

State funding for new buses has not kept pace with need and is lower in FY 2021 than in FY 2000.

State Bus Replacement Funding Trends Downward¹³



Source: Georgia Department of Education, State Allotment Sheets, Mid-term, FY00-FY09; Georgia Department of Education, Pupil Transportation Division Legislative Report, 2017; State Budget, FY19-21

Sick Leave Pay

Covering teachers’ absences is a steep but often overlooked cost for districts. State law requires districts to provide educators with 1.25 days of leave for each completed month of work under their contract, or a total of 12.5 days each school year. Under the QBE funding formula, the state provides districts with \$150 to cover eight days of sick leave for each educator. This is \$18.75 per day—\$2.34 per hour—well below daily rate of \$66 to \$89 that districts often pay substitutes.

The cumulative cost of substitutes quickly soars. A district that has 250 teachers who use on average six sick leave days per year and that has a daily substitute pay rate of \$75 will spend \$75,000 in local funds to pay substitutes. A district with 1,000 teachers with the same use of sick leave days and substitute pay rate will spend \$300,000 in local funds on substitutes. These are funds that could be invested in key staff positions, including reading specialists and school counselors, mentoring for new teachers, extended learning for struggling students, instructional technologies and other strategic initiatives.

The current sick leave rate in the QBE formula is a holdover from 1985, when the General Assembly approved the formula. If sick leave pay was inflation-adjusted, districts would receive

approximately \$46 per day, or \$368 for eight days. Districts would continue to shoulder a significant portion of sick leave costs, but the expense would be more equitably shared with the state.

Technology

Technology has become an important instructional tool inside the classroom and out, particularly during the COVID-19 pandemic. Districts' use of technology depends in part on their ability to provide devices to students and students' access to broadband outside of school. The QBE formula does not provide funding directly for technology, but the instructional materials category includes technology as well as textbooks. The amount provided by the state varies by student category, ranging from \$21.49 for students in remedial education to \$55.65 for high school students and \$57.65 for students in special education I. This funding is not adjusted for inflation and has not been updated since 2014.

In collaboration with the University System of Georgia, the Georgia Department of Education has extended internet access to all districts. Outside the schoolhouse, however, students' internet access varies considerably. A recently completed mapping [project](#) by the Georgia Department of Community Affairs shows that residents in many counties across the state do not have broadband access. Lack of broadband access is particularly common in rural counties, where 30 percent or more of locations do not have it.¹⁴ This constrains learning activities outside of school and limits how educators provide instruction during emergency school closures.

COVID-19 and School Funding: Budget Squeeze Ahead

The COVID-19 pandemic and subsequent economic shutdown was a key factor in the steep revenue decline projected for Georgia in 2021. This decline led lawmakers to implement a 10 percent cut to the QBE formula, a loss of \$950 million for school districts. Lawmakers funded the equalization program in full and did not cut transportation. State dollars for most other programs funded through the Georgia Department of Education are also reduced by 10 percent. With their heavier reliance on state funding, rural districts may face greater challenges in coping with the budget cuts.

The effects of the cuts will likely be exacerbated by additional costs generated by the pandemic. To meet students' academic and developmental needs as well as to respond to health and safety concerns, districts face extra expenses in many areas including remedial supports for at-risk students, providing devices to students for digital learning, additional facility and equipment cleaning, professional learning for teachers on digital instruction and other student support issues, personal protective equipment, and more. These extra expenses will be partially offset by the \$411 million Georgia districts received through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. CARES act funds can also be used to plug budget holes caused by state funding cuts.

Paying substitutes is another area where districts may see costs surge. Higher employee absenteeism rates in the 2020-2021 school year are possible, particularly among staff who are at high-risk for complications of the COVID-19 virus or who have family members who are.

Increased technology costs are also likely. Many districts provided digital devices to students who did not have them during the school closures of the 2019-2020 school year and are taking steps to ensure that students have them should schools close again due to the pandemic. Districts can tap their CARES Act funds to help cover this cost. The Georgia Department of Education distributed \$21 million in federal school improvement dollars to districts to supply devices to schools identified for Comprehensive Support and Improvement or Targeted Support and Improvement.

Best Practices

Transportation

In 2000, a Georgia State Senate committee recommended changing the 1.5 miles requirement, noting that most districts provide bus service to students who live within 1.5 miles due to safety concerns. Including these students in the transportation formula would boost state funding. The committee's report stated, "The Committee thinks it extremely important that ways be found to lessen the tremendous burden that local systems are now carrying in trying to provide adequate transportation for their students."¹⁵

Twelve years later, lawmakers turned their attention to student transportation as part of the State Education Finance Study Commission, which looked at multiple aspects of school funding. After tracing the state's declining support for student transportation, the commission recommended that the state fund half of the transportation formula and increase bus replacement funding to \$45 million annually.¹⁶

In 2015, the Education Reform Commission, a group of legislators, superintendents and other experts convened by then-Governor Nathan Deal, proposed reconfiguring the sparsity grant program to provide financial aid to districts with low enrollment and low density. Under the ERC's proposal, the revised grant program would provide an additional \$225 per student to districts that met criteria for designation as low enrollment or low density. Eligibility would be restricted to districts that were not in the top quintile of tax digest per student unless they met criteria for both low enrollment and low density. As outlined by the commission, funding for the low enrollment-low density grants would have been about \$40 million, a boost of nearly \$35 million over the amount then allotted to sparsity grants.

The General Assembly did not act on the recommendations of either commission or the senate committee. In 2019, it took a step in addressing the significant transportation funding gap. The legislature added a per-student allotment to transportation funding for districts with rising student enrollment. In 2020, this totaled \$927,142.

In a recent innovation, lawmakers set aside bond funds to incentivize districts to purchase alternative fuel buses. These buses are more expensive than traditional diesel buses, but they have a longer life cycle. State bond funds cover half of the additional cost of the alternative fuel buses. Approximately \$1.2 million is directed to this initiative in the 2021 budget. California has a similar effort underway, the Rural School Bus Pilot Project, which replaces districts' old diesel buses with low-emission ones. A key objective of the program is reducing students' exposure to diesel exhaust, which has been linked to respiratory problems for students with asthma and similar conditions.

Sick Leave

Districts can help contain the cost of substitute teachers by reducing teacher absences. Lancaster County District in South Carolina created an incentive program that includes paying teachers \$50 for every unused leave day.¹⁷ Researchers have identified other effective strategies to reduce teacher absenteeism including more support from school leaders, cultivating teacher well-being such as implementing mindfulness programs, more substantive reporting on teacher absences, and more consistent and clear expectations of teacher attendance from leaders.¹⁸

Technology

During the pandemic-spurred school closure, Madrid-Waddington Central School District, a small rural district in New York, created the Neighbor-to-Neighbor Network to provide internet access to students who do not have the option of fiber or cell service at home. Working with a local internet service provider, the district installed hardware on homes that have access, which sends a signal up to five miles to those without access. "Host" homes provide 22MB/s service to students who otherwise would lack internet access and the opportunity to learn at home.¹⁹

In 2010, the Federal Communications Commission released a [National Broadband Plan](#), which laid out steps to reach six goals including bringing broadband to every citizen in the country. While progress has been made, the plans' goals have not been fully met. Broadband—and the educational and economic opportunities it brings—remain out of reach for many Americans, particularly those in rural communities. The Benton Institute for Broadband and Society revisited the plan in 2019 and [outlined strategies](#) states and the federal government can take to bring broadband to unserved and underserved communities.

Recommendations

School District Recommendation

- **The GSBA Rural Task Force recommends that districts explore providing wi-fi capabilities on buses, which could serve as “hotspots” for the community and enable internet connectivity in areas that currently lack it.**

Providing wi-fi capabilities on school buses allows students to complete homework or other learning activities while riding to and from school. This maximizes time and learning for rural students who may spend up to two hours on a bus. The buses can also provide internet access in communities that do not have it, which is particularly critical during emergency school closures.

Legislative Recommendations

- **The GSBA Rural Task Force recommends updating the pupil transportation formula to reflect school districts’ varied costs.**

Updating the formula to reflect student enrollment and needs as well as changes in operations and cost would address a long-standing challenge for districts. It would also allow more local funds to be directed to the classroom to support instruction. Previous legislative reviews lay out options for revising the transportation formula.

- **The GSBA Rural Task Force recommends reviewing and phasing in an increase in QBE funding for sick leave that reflects districts’ current costs. At a minimum, the existing allocation should be adjusted for inflation to the 2020 equivalent, which is \$368 for eight days.**

Set over 30 years ago, current state funding for educator sick leave is well below districts’ cost for this expense. If state funds for substitute pay moved with inflation, districts would be able to direct more local funding to strategic investments that improve student learning.

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End Notes

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