

Local Five Mill Share

All school districts electing to receive Quality Basic Education funding from the state are required to levy the equivalent of at least five mills in property taxes as a basic local commitment to educating their students. The “Local Five Mill Share” in the QBE formula refers to the portion of the direct and indirect Instructional Costs that the state expects local systems to pay with locally raised funds.

Currently, the state requires local systems to pay an amount equal to 5 Mills of property tax generated within their taxing authority. By law, the amount of money represented by the 5 Mills statewide cannot exceed 20 percent of the total QBE formula earnings (direct and indirect instructional costs). Funds that are raised through locally levied property taxes, which included the minimally required five mill share, do not leave the school system. These funds remain with the district/taxing authority, and are not directly remitted to the state. This is consistent with the practice of locally raised bonds and SPLOSTS remaining within the local school system. The Local Five Mill Share represents each system’s “obligation” toward educating their students in order to participate in the state funding model (QBE).

Code Section

OCGA § 20-2-164. Local five mill share funds

Methodology

- Take the most recent 100% equalized school property tax digest
- Reduce this amount account for constitutionally authorized homestead and age (65+) exemptions
- Calculate five mills (.005) of the remaining digest
- “Deduct” this amount from the QBE earnings at the state level

FY 2016 Appropriation

(\$1,664,572,225) – This is a reduction of the state’s portion of QBE earnings, representing approximately 15.9% of total QBE earnings.

Should We Consider . . .

A combined measure for Local Five Mill Share and Equalization?

An adjustment of the level of the local obligation?

Other ideas?

Equalization

Georgia attempts to equalize the disparities in property wealth per student that exist in the state. The intent of this funding is to provide additional resources to low-wealth school districts by calculating the difference for each system as compared to the statewide average.

QBE earnings are intended to provide for an adequate education. Equalization is an attempt to address equity. The state recognizes the disparity in a tax authority's ability to generate varying levels of revenue. The value of a mill is not constant, and rises or falls in accordance with the total value of the property tax digest. The state provides additional funding to counties with lower property tax digests through a formula comparing the relative property tax wealth of all counties in the state. Systems are "equalized" so that their per pupil funding meets the statewide average for all systems, less the five percent of systems at the highest per pupil digest values, as well as the lowest five percent of systems.

Similarly to the Local Five Mill Share, school systems are required to demonstrate their commitment to education funding by levying at least 12.5 effective mills (after accounting for the district's five mill share). The number of effective mills has changed over time. In 1987, systems were required to levy at least 3 effective mills. In 1990, this was changed to 3.25 mills. In 2012, the law was changed to increase the effective mills over a period of time. Beginning FY16, at least 12 mills must be levied by districts and the law includes a provision for that rate to increase by 0.5 mills each year resulting in the threshold rising to 14 effective mills by FY 20

The original calculation for equalization was determined by ranking school systems by dollars of assessed valuation per weighted full-time equivalent count. The districts which ranked below the 90th percentile received equalization funding. In 2000, this was changed to provide equalization for the districts ranking below the 75th percentile. In 2012, a new calculation was legislated. This change removed the top and bottom 5% of districts and averaged the assessed valuation per weighted FTE of the remaining districts. In 2013, those districts who earned less due to the new calculation were provided with a one-time appropriation adjustment. In 2014, the new formula was fully implemented and districts received the amount of funds determined by the calculation.

Though the current equalization methodology relies on a system's tax digest to describe the district's relative wealth, there are other potential means by which these rankings and relative economic needs could be determined. These data could include, but are not limited to the following:

- Unemployment rates
- Per capita income
- Median household income
- Percentage of residents below the poverty line

Code Section

OCGA § 20-2-165. Equalization grants; annual calculation; amounts

Methodology

- Take the most recent 100% equalized school property tax digest
- Reduce this amount to account for constitutionally authorized exemptions, including agricultural and timber land
- Take the most recent weighted FTE count for each system
- Divide the adjusted digest by the weighted FTE count to determine a “per pupil” tax digest amount
- Rank these amounts from highest to lowest
- Calculate the statewide average, excluding outliers in the top five percent and bottom five percent (total of 18 systems)
- Determine whether the system is eligible to receive equalization funding due to millage rate criteria
- Multiply the difference between the system’s per pupil tax digest amount and the statewide average by the number of weighted FTEs in that system

FY 2016 Appropriation

\$498,225,928 – Equalization grants were provided to 116 local school systems.

Should we consider

A combined measure for Local Five Mill Share and Equalization?

Additional or multiple measures?

An index or tiers taking into account some combination of two or more of the following?

- Property wealth
- Per capita income
- Median household income
- Percentage of students living below the poverty line
- Unemployment rates

An adjustment of the Five Mill requirement to a sliding scale based on some of the factors listed above?

Other ideas?

Sparsity

Sparsity grants are allocated to qualified school systems who do not earn sufficient funds through the QBE formula to provide a comparable educational program because their FTE counts are less than established base sizes at any of the grade levels:

- Elementary schools: 450
- Middle schools: 450
- Middle/High schools: 485
- High schools: 485
- K12 schools: 935

These grants are intended to recognize the fundamental administrative and other overhead costs associated with the day-to-day operating of a school building for those systems with exceptionally low enrollments.

The current implementation of the sparsity grant program includes recent changes to the manner in which the grants are allocated. Previously, grants were awarded to a defined list of schools which were deemed eligible as a result of their relative enrollments, similar to current program rules; however, the list of eligible schools was not regularly reviewed or updated. The current program requires these schools to be reevaluated in comparison to the established enrollment thresholds on an annual basis, and the amount for each grant to be recalculated based on the most recent year's enrollment data. Sparsity grants are currently determined by the difference between the base school size and the number of FTEs enrolled in the school. The allocation to districts is prorated based on the amount of the appropriation.

Code Section

OCGA § 20-2-292. Sparsity grants

Methodology

- Identify all schools with enrollment counts lower than the established thresholds
- Calculate the base teacher salary with fringes, and divide by the 9-12 class size ratio (23)
- Calculate the difference between the school's enrollment and the threshold
- Multiply this result by the per student base teacher salary with fringes
- Multiply the sum of all grants by a prorated amount (currently 27%)

FY 2016 Appropriation

\$5,411,224 – Some 55 schools qualified for sparsity grants, providing increased funding to 43 separate school systems.

Should we consider

Geographic density (students per square mile)?

National Center for Educational Statistics (NCES) or some other designation of rural and urban areas?

Percentage of households in areas designated by the Census as rural or urban?

Other ideas?