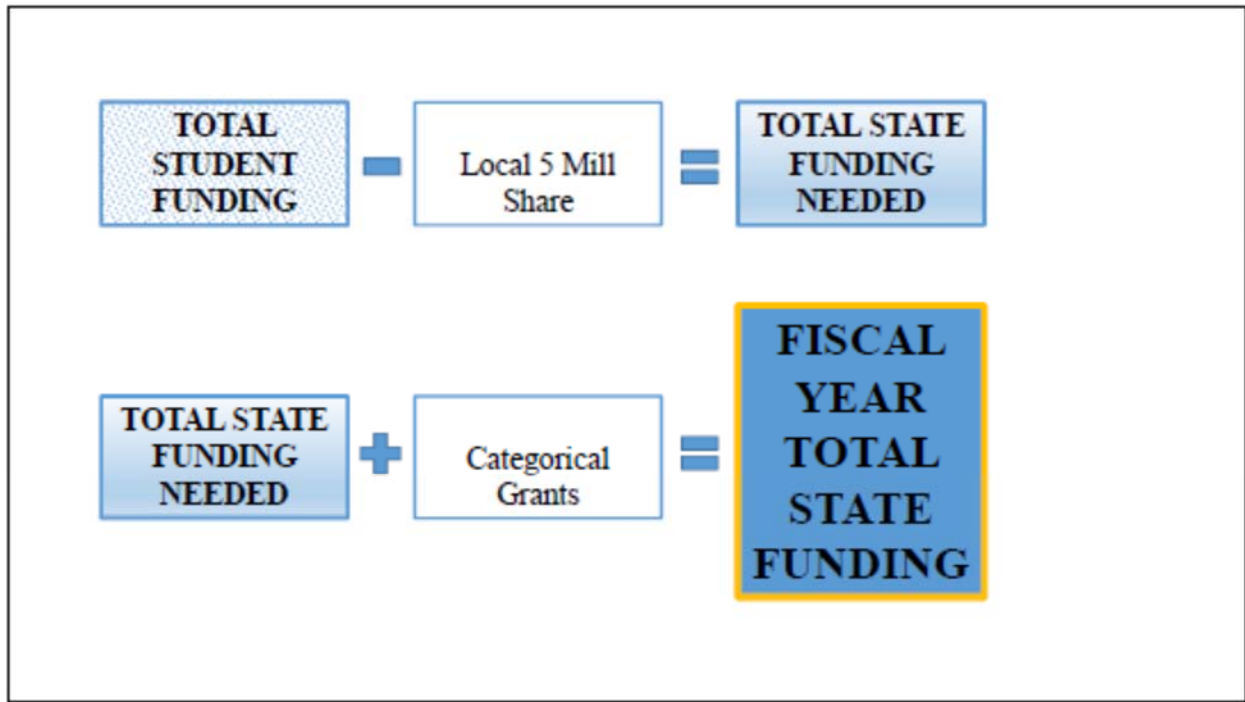
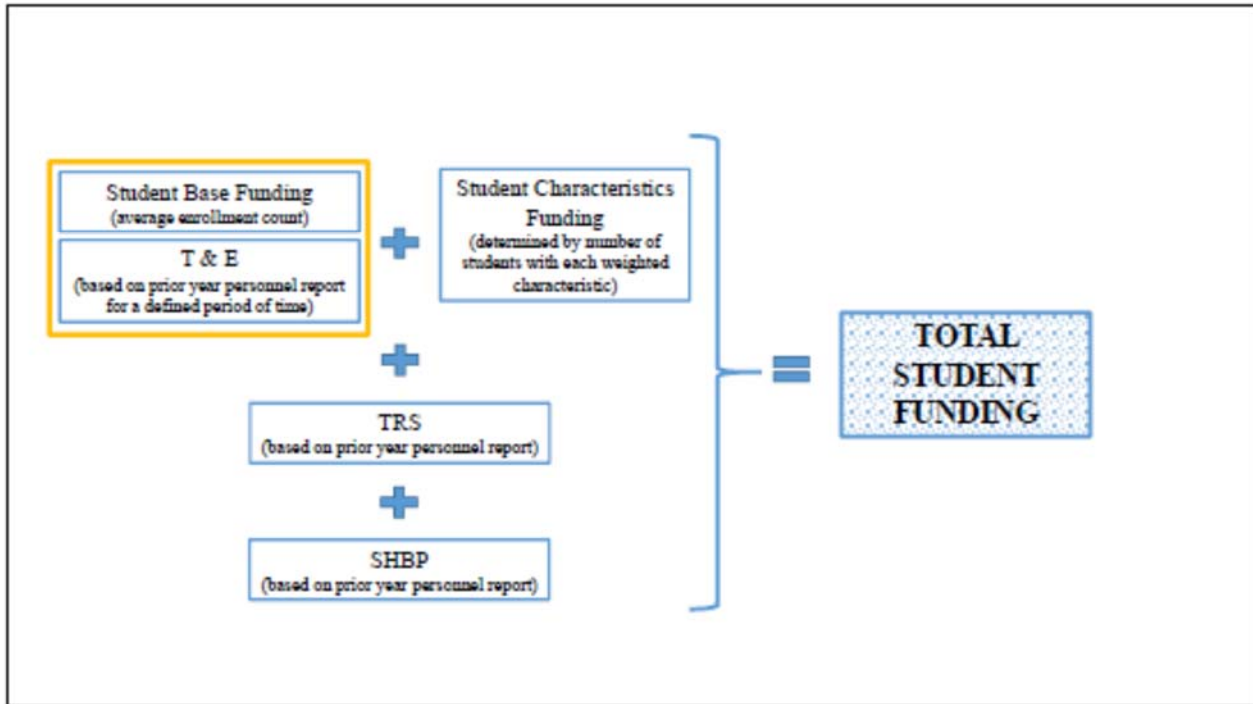


**Education Reform Commission**

These graphics illustrate the calculation of the fiscal year state funding discussed in the following text.



### **Training and Experience (T&E) – consideration for inclusion in the base (with a time-limited separate hold-harmless calculation)**

The General Assembly's obligation in current law (O.C.G.A. § 20-2-212. Salary schedules) is to annually appropriate funds to implement a salary schedule for certificated professional personnel in school districts. The law provides for a minimum base salary and provides for incremental increases above the base for advanced degrees and years of experience. A teacher who receives an unsatisfactory or ineffective annual summative performance evaluation or two consecutive annual summative "needs development" ratings does not receive creditable experience for that year(s). Although the General Assembly is responsible for appropriating the funds for the salary schedule, the responsibility for developing and adopting an annual salary schedule is delegated to the State Board of Education.

An advanced degree is required to move horizontally to the next certificate level on the salary schedule. Degrees are equated to certificates, i.e.; T-4: Bachelor's Degree; T-5: Master's Degree; T-6: Specialist Degree; T-7: Doctorate Degree. Salary increases (known as step increases) for years of experience are provided in the schedule for every two years of service, with teachers reaching the top of the salary schedule in their 20<sup>th</sup> year of service. Traditionally, the salary schedule has been enhanced annually by cost-of-living increases appropriated by the General Assembly.

It is important to note that neither experience nor advanced degrees are closely associated with student learning.<sup>1</sup> However, this traditional, lock-step system is fully embedded in the culture of Georgia's schools. Districts may request to waive, or opt-out of, the use of the state salary schedule by including this provision in their IE2 or Charter System contracts or through the charters of the state commissioned charter schools.

Because of the institutional longevity of this salary schedule it will be challenging to abruptly move away from this system toward a more flexible approach to teacher compensation. It will be necessary to continue the calculation of training and experience (T & E) for districts for a period of time, of a length to be determined by the committee, to allow districts to develop and implement a compensation system in which teachers are paid based on effectiveness, priority of position need, and/or the basis of duties, rather than degrees and years of experience. Having the flexibility to determine the salaries of personnel within their districts will allow school systems to develop compensation models that rely on innovative and transformational use of time and human capital, rather than years of service and advanced degrees. Districts may also choose to link compensation to Tiered Certification, as recently approved by the Professional Standards Commission.

Local school districts complete a Certified Personnel Inventory report for the State Department of Education three times during each year. The collection of this data would continue, allowing the Office of Planning and Budget and the Department of Education to calculate T & E, based on the prior year's personnel report, for the length of time recommended by the committee, giving districts time to transition to new salary determinations of their own design. After the student based funding has been determined for each district, the calculated T & E factor can be added to that amount, and presented as part of the base funding, to ensure that districts receive the correct amount of money annually to fund the current salary schedule while transitioning to new strategic compensation models.

Marietta City Schools and Fulton County Schools, both charter systems, are developing compensation models that will include salaries based on teacher effectiveness, the duties of the teachers, recruitment to hard-to-staff or struggling schools, and one-time reimbursement of tuition for advanced degrees aligned with and based on

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<sup>1</sup> Ozdemir, M. and Stevenson, W. (2010). "The Impact of Teachers' Advanced Degrees on Student Learning." Human Capital in Boston Public Schools: Rethinking How to Attract, Develop and Retain Effective Teachers. Washington, D C: National Council on Teaching Quality.

student needs within the district. The work of these districts could be used as models for other systems to review as possible implementation models.

**State Health Benefit Plan (SHBP) – consideration for an addition to the base and student characteristic funds:**

The state’s contribution to local school districts for health insurance is a fixed cost - a per member, per month calculation. This cost would always be calculated based on the prior year’s personnel report and then added to the base amount, in the same manner as T & E, to ensure that districts continue to receive the funding necessary to meet the required annual employer contributions.

**TRS – consideration for an addition to the base and student characteristic funds:**

Teacher Retirement System contributions are another calculation completed through the data provided in the CPI reporting. Contributions are calculated and the amounts are always based on teacher salaries from the prior year’s personnel report, with TRS requiring a certain percentage be contributed by both the employee and the employer each year. Similarly to the health insurance calculation, the employer cost would be added to the base amount so that districts receive the necessary funding to meet the annual required employer contribution.

**Sparsity – consideration for a categorical grant:**

Districts that are considered for sparsity grants are those that have low overall enrollment, not meeting the base school size as defined in current law, and are unable to offer their students educational programs and services comparable to those which are typically being offered in base size districts. These districts spend more per pupil on overhead than other districts due to their sparse student populations. Districts qualifying for sparsity have smaller school sizes, even though they tend to operate with only one school per level (i.e., elementary, middle, and high school). The need to provide expensive career and technical education programs and other electives can be an important cost driver in sparse districts.

In a study conducted by Educational Resources Services in December, 2013, it was determined that Georgia districts with less than 350 students per school spend 47% more to operate those schools than to operate median-sized schools. Sparse districts are encouraged to, and many are able to, cooperate with adjacent districts on specific initiatives in order to share or reduce costs. However, their overhead costs continue to be disproportionate to other districts.

**Transportation – consideration for a categorical grant:**

Transportation grants are additional funds currently provided to school districts above the QBE formula earnings. Georgia school districts vary in geographic size, population density, levels of rurality, and transportation infrastructure. These variations necessitate a discussion prior to the committee’s determination of whether to place the funding in the base or keep this as a categorical grant.

The formula for determining how much money a district receives for transportation includes number of students transported, miles driven, and number of buses in the district. A time factor, to ensure students are transported on buses for the shortest reasonable amount of time, is also considered. Because of the diversity of characteristics of districts throughout the state as it relates to transportation, this is a strong candidate to remain a categorical grant.

### **Equalization – consideration for a categorical grant:**

Equalization grants are additional funds currently provided to school systems above the QBE formula earnings. The purpose of equalization grants is to provide equity in education funding throughout the state relative to property tax wealth per pupil. There are two key components to equalization.

- Property tax wealth rankings per weighted FTE
- Earnings each system receives based on their taxing effort

Based on these components, systems are ranked from highest to lowest based on the amount of money their local tax digest generates per weighted FTE. School districts that fall below the 75<sup>th</sup> percentile are eligible for an equalization grant.

In recent years, the amount of funds that equalization has earned, according to the current formula, has exceeded the state's ability to pay for the full grant earned, which has resulted in a fiscal cap being placed on the earnings. The challenges of the current formula merit an examination. However, the state will need to continue efforts to provide equity across districts in the new funding formula. To ensure that equity of funding continues to be addressed in a manner that is transparent, the equalization grant is a strong candidate to remain a categorical grant.

### **Hold Harmless – consideration for time-limited categorical grant**

As Georgia transitions to a student-based funding formula and away from the current QBE formula, there will be districts that earn more money due to the changes and districts that will earn less money due to the changes. After several years of declining revenue due to a struggling economy, local school districts are beginning the recovery from the Great Recession with the Governor's recent reductions in austerity cuts. Districts must be confident that there is no intent, explicit or implicit, that the process for developing a new funding formula will result in any school district experiencing a sudden decrease in state funding. To provide a safety net for those districts that will earn less money in a student-based educational funding environment as opposed to QBE, there should be a defined period of time in which they are held harmless at their current level of funding. The committee should discuss and recommend the length of time during which districts will receive hold harmless funding to allow local districts to appropriately adjust to the new formula allocations.