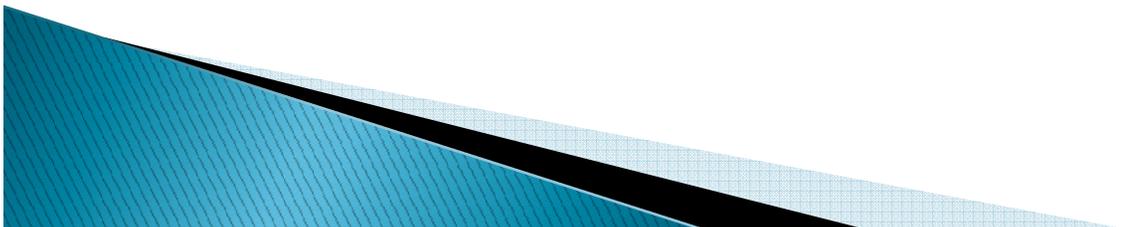


State Education Finance Study Commission

Issue Paper: 65%: Minimum Direct Classroom
Expenditures

Overview of the Issue

- ▶ **Brief History of 65%**
 - Concept advocated in the early 2000's by a political consultant;
 - Introduced in Georgia in 2006 as Senate Bill 390 and advocated by Governor Perdue;
 - “Classroom First for Georgia” bill;
 - Required at minimum, systems spend 65% of total operating expenditures in the classroom; and
 - The requirement was meant to increase money spent in the classrooms without raising taxes AND improve student outcomes.

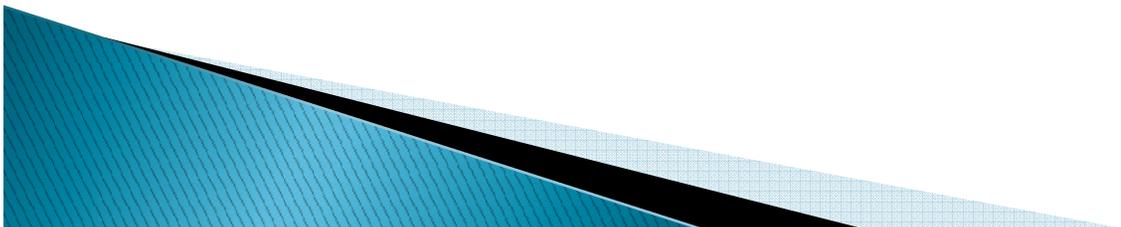


Current Practice in Georgia

- ▶ What does a Direct Expenditure include?
 - Salaries/Benefits for teachers and paraprofessionals;
 - Costs for instructional supplies and materials;
 - Costs associated with classroom activities;
 - Tuition paid to out-of-state districts; and
 - Private instruction for special needs students.

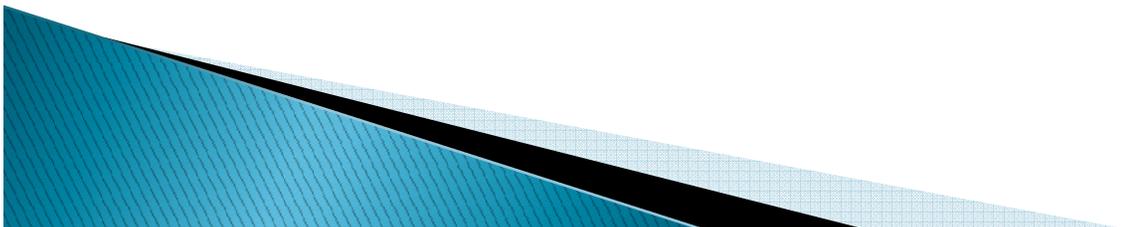
Current Practice in Georgia

- ▶ What is not considered a Direct Expenditure?
 - School Administration;
 - Plant Operation and Maintenance;
 - Food Services;
 - Transportation;
 - Student Support
 - Nurses and Guidance Counselors; and
 - Instructional Support
 - This includes media centers and teacher training.



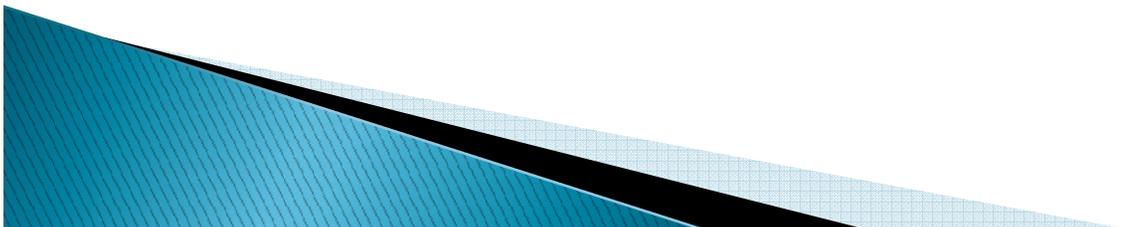
Current Practice in Georgia

- ▶ What if a system does not meet the 65% requirement?
- ▶ A system is required to increase classroom expenditures by 2% each year until it reaches the 65% benchmark.
- ▶ Georgia law allows for either a hardship or achievement waiver.



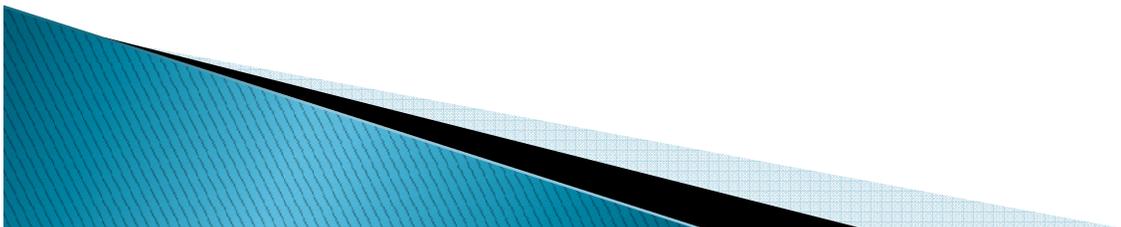
Current Practice in Georgia

- ▶ A one-year renewable achievement waiver may be granted by the State Board if a system exceeds the state average in a fiscal year in:
 - Adequate Yearly Progress (AYP);
 - Graduation Rate; or
 - Standard Achievement Test (SAT).



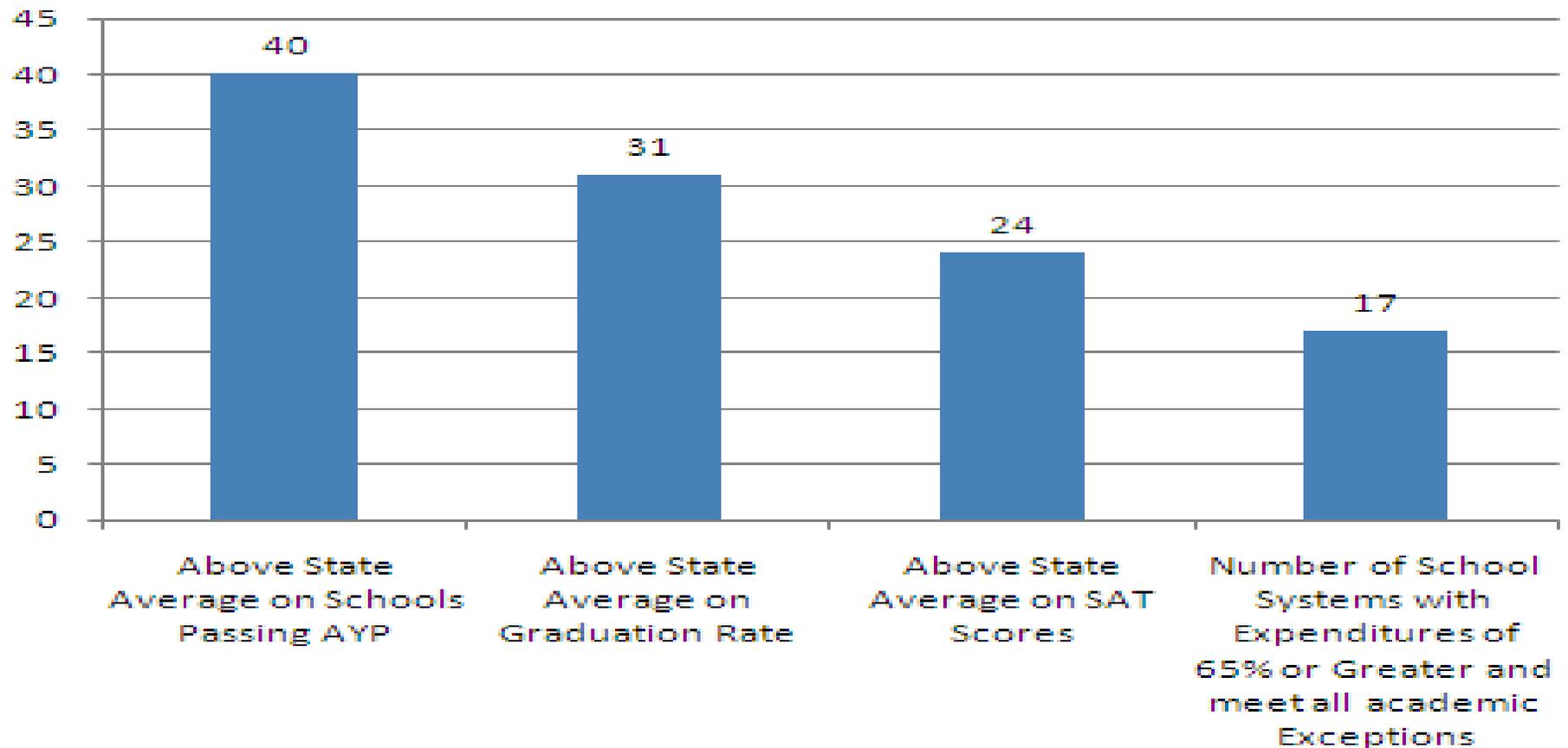
Current Practice in Georgia

- ▶ A hardship waiver may be granted by the State Board if:
 - The system has undergone an extreme situation that is solely responsible for its inability to meet the 65% requirement.
 - An extreme situation may include an Act of God or inordinate increases in energy and fuel costs.
 - A waiver must include compelling evidence that the extreme situation has limited the system's ability to meet the requirement.

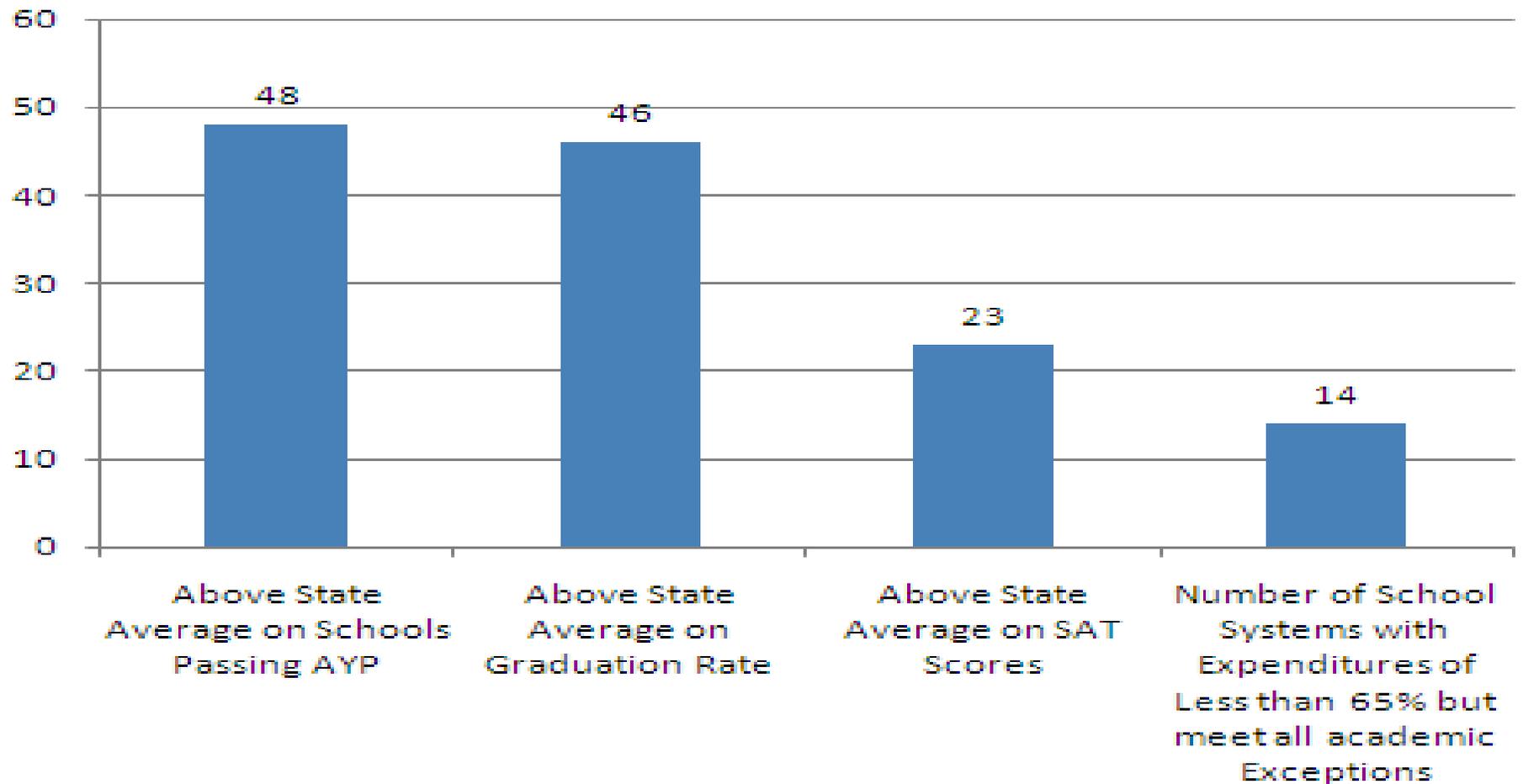


| Summary of Systems | 2007 Baseline | 2008 | 2009 | 2010 |
|--|--------------------------|-------------|-------------|-------------|
| Compliant Through 65% | 75 | 80 | 64 | 56 |
| Compliant 2% Growth | 16 | 9 | 4 | 7 |
| Compliant Through AYP | 33 | 42 | 51 | 47 |
| Compliant Through Graduation Rate | 9 | 9 | 14 | 20 |
| Compliant Through Avg. SAT Score | 1 | 0 | 0 | 4 |
| Non-Compliant | 46 | 41 | 47 | 46 |
| Total Systems | 180 | 180 | 180 | 180 |

School Systems with 65% or Greater Expenditures in Direct Instruction - 56 School Systems FY 2010

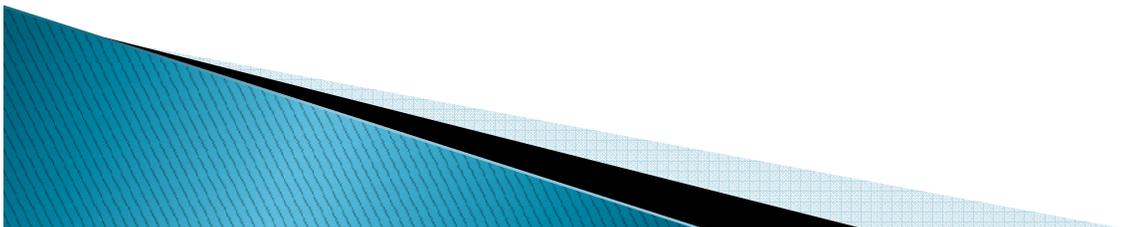


School Systems with less than 65% Expenditures in Direct Instruction - 124 School Systems FY 2010



Concerns with 65% Law

- ▶ Critics of the 65% law argue that even though maintenance and operations, transportation, counselors, and media specialists are not directly linked to the classroom, they play a vital support role in the education of a child and the 65% method does not take that into consideration.
- ▶ By viewing these costs as administrative instead of instructional support, systems may be discouraged from funding positions and functions that are necessary for school operation.



Concerns with 65% Law

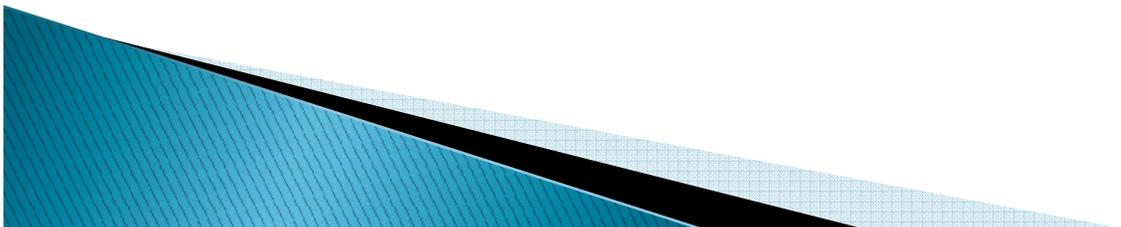
- ▶ Differences in total district spending against which any percentage figure is calculated will result in different dollar amounts spent by each district.
- ▶ For example, two districts serving students with similar needs could have different per-student operating budgets.
 - District A: Funds each student at \$7,000, with 65% equaling \$4,550;
 - District B: Funds each student at \$10,000, with 65% equaling \$6,500.
 - While the percentages are the same, the total number of instructional dollars are very different.

Other States

- ▶ Limited Support for the measure nationwide.
- ▶ Only Georgia, Kansas and Texas have enacted the 65% measure.
- ▶ The measure in Texas was enacted by an executive order from Governor Perry in 2005 and was repealed by the legislature in 2009.
- ▶ Colorado placed the issue as a constitutional amendment in 2006, which was defeated by a 52–48 percent margin.
- ▶ Virginia, Nevada, North Carolina, Maryland, Michigan, Nebraska, Ohio and California have seen the measure introduced or discussed the measure, but at this time have not implemented this policy.

Other States

- ▶ Florida placed the measure on the ballot and saw it removed before a vote by the Florida Supreme Court in 2008.
 - The state legislature included language in the amendment that expanded “voucher” authority and the Court felt the title of the amendment was misleading.



Other States

- ▶ Louisiana has a similar program that requires at least 70% of their districts' general fund go to instruction and school administration.
 - Louisiana though expands their definitions of instructional support and school administration to include:
 - Curriculum development and instructional staff training;
 - Library/Media and Instructional related technology;
 - Activities performed by principals and assistants in all operations of school, staff evaluation, school instructional activities in coordination with the school system.

- ▶ The 70% requirement is not statutory but is adopted by their State Board of Education and annually approved by the legislature in a concurrent resolution.

For Consideration

- ▶ A 2007 study by Texas A&M researchers found no evidence that requiring schools to spend a greater share of their budgets in the classroom will lead to increased efficiency.
- ▶ A study by Standard and Poor's analyzed data in nine states considering 65% and found no significant positive correlation between percentage of funds spent on instruction and the percentage of students who scored proficient or higher on state reading or math tests.
- ▶ The report noted that some of the highest performing districts spent less than 65% with some of the lowest spending more than 65%.

For Consideration

- ▶ The S&P study also identified ways in which a district can easily increase its classroom expenditures while having no impact on student achievement.
- ▶ If Georgia continues to implement the 65% law, policymakers should examine the addition of Instructional Staff Support Services in the direct classroom instruction definition.
- ▶ These services include instructional staff training, educational media (library and audiovisual), and other instructional staff support services.

For Consideration

- ▶ The definition of “operating expenditures” in the law should be examined.
- ▶ According to the S&P study, certain operating funds, such as transportation and food services, vary widely across districts.
- ▶ Districts that have different geographic boundaries and population densities may face very different transportation expenditures.
- ▶ Districts with high enrollments of disadvantaged students may provide breakfast and lunch for students while others may only provide lunch, which affects food service expenditures.

Questions to Consider

- ▶ Is the 65% rule meeting its goal of improving student achievement?
- ▶ How can we assure that systems are spending monies in the classroom to adequately educate Georgia's students?
- ▶ Would revising the definition of direct classroom expenditures allow systems flexibility in determining how to fund support services (i.e., transportation, nurses, and guidance counselors)?
- ▶ How can we address the intention behind the 65% solution and spending on administration?
- ▶ Should the 65% rule be removed and the state allow local systems to decide how classroom expenditures should be spent in their system?