

FINANCING THE PUBLIC SCHOOLS OF  
ATLANTA AND FULTON COUNTY

A STUDY CONDUCTED FOR  
THE LOCAL EDUCATION COMMISSION

BY

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A comprehensive approach to a study of the financing of the public schools in Atlanta and Fulton County would involve an appraisal of the future policies of the State of Georgia and the federal government for school financing as well as a study of local school financing. Since such an appraisal is beyond the scope of this study, this section of the report will deal primarily with problems of local school financing in the two districts. However, most authorities on school financing anticipate that in the future there will be further increases in school financial support from the federal government and state governments as well as from local school districts. Although the public schools will no doubt receive increased funds in the future from both state and federal sources, strong local financial support of the public schools will have to be maintained by all districts that desire something better than a mediocre quality level of education for their children.

The following matters are treated in this section of the report: revenue receipts, current expenditures, taxpaying ability and local effort to support education, indebtedness, equalization that would result from consolidation, non-property local taxes and financial arrangements that would need to be made if the two districts were consolidated.

Revenue Receipts

Table I shows the budgeted revenue receipts of the Atlanta and Fulton County school systems. It will be noted from this Table that 55.4 percent of the revenue of the Atlanta City schools is derived from the district property tax as compared with 28.4 percent in Fulton County. However, both of these percentage figures are deceiving.

Just what percent of the revenue receipts of each school system is provided by property taxes levied on property located in each district? It will be noted that the Atlanta City Council paid \$2,835,045 in 1966 for the debt service on bonds the City issued to construct school buildings. This amounts to 5.3 percent of the revenue receipts of the Atlanta City Board of Education. This added to the 55.4 percent derived from the district property tax makes a total of 60.7 percent of the revenue receipts of the Atlanta City schools derived from property taxes in 1966-67.

It will be noted that Fulton County receives \$1,762,892 from the county-wide tax ( $1\frac{1}{2}$  mills) and \$780,000 from a direct appropriation from the County Commission and \$720,000 from the County Commission for Teacher Retirement. This makes a total of \$3,262,892 from these two sources. If it is assumed that the appropriation from the County Commission is also derived from property taxes, what part of this total is paid on property located in Fulton County but outside of the City of Atlanta? Since only about 19 percent of the digest of Fulton County lies outside of the City of Atlanta, only approximately 19 percent of this amount, or \$619,949, is paid on the property in Fulton County lying outside the City of Atlanta, and \$2,642,943 on the property in the City of Atlanta. This represents only approximately 3.6 percent of the revenue receipts of the Fulton County Board. It will also be noted that 7.8 percent of the revenue receipts of the Fulton County district is derived from the  $5\frac{1}{2}$  mill levy for debt service. These two amounts, that is, 3.6 percent plus 7.8 percent added to 28.4 percent make a total of 39.8 percent of the revenue receipts of the Fulton County Board of Education obtained from property taxes paid on property located in Fulton County outside of the City of Atlanta.

The Fulton County Board of Education receives 40.8 percent of its revenue from the state Minimum Foundation Program appropriations as compared with 32.3 percent for the City of Atlanta. The Minimum Foundation Program law was designed

to equalize educational opportunities among school districts that vary greatly in wealth. The  $1\frac{1}{2}$  mill county-wide tax levied in all of Fulton County but allocated exclusively to the Fulton County Board also provides for considerable financial equalization at the local level. The equalization of educational opportunity is sound public policy. Later in this report, it is shown that the adjusted gross digest is 32 percent greater per pupil in the City of Atlanta than in Fulton County. Table I shows the revenue receipts of the Atlanta Schools totaled \$530.01 per pupil in 1966-67 as compared with \$571.07 in Fulton County. This means that the State Minimum Foundation Program Law together with the  $1\frac{1}{2}$  mill county-wide levy and the direct appropriation from the County Commission have gone a long way toward equalizing the financial support of the two systems. It should not be inferred from this comment, however, that educational opportunities are equal in the two school systems. The Atlanta City school system provides kindergartens which are not provided in the Fulton County system. If Fulton County provided kindergartens, the revenue receipts per pupil in that school system would probably be no more than the revenue receipts per pupil in the Atlanta system.

Both systems will benefit substantially in 1967-68 from increases from the Minimum Foundation Program Appropriation provided by the 1967 Legislature. It is estimated that the City of Atlanta will receive an increase of approximately \$1,863,000 from this source and Fulton County approximately \$1,075,000.

TABLE I - SOURCES OF REVENUE OF ATLANTA AND FULTON COUNTY  
SCHOOL SYSTEMS 1966-67 (BUDGETED REVENUES 1966-67,  
DATA FURNISHED BY CITY AND COUNTY SCHOOL OFFICIALS)

SOURCE	ATLANTA		FULTON COUNTY	
	Amount	Percent	Amount	Percent
District Property tax for operation	\$29,686,415	55.4	\$ 4,922,451	28.4
County Wide Property Tax			1,762,892	10.2
County Commission (for General Expenses)			780,000	4.5
Intangible Taxes			230,000	1.3
County Commission (for Teacher Retirement)			720,000 #	4.2
State Minimum Foundation Program	17,322,038	32.3	7,074,761	40.8
Other State Funds	425,013	.8	0	--
Vocational Funds	628,449	1.2	58,000	.3
National Defense Education Act	520,781	1.0	65,400	.4
Fulton County School District 5½ mill levy for debt service	--		1,350,000 #	7.8
Federal Impacted Area Funds	802,366	1.5	210,000	1.2
City Council Payments for Debt Service on Sch. Bonds	2,835,045 #	5.3		
Other Income	1,358,747	2.5	159,500	.9
Total Revenue Receipts	\$53,578,854	100.0	\$17,333,004	100.0
Beginning Cash Balance	532,250	--	818,609	--
Sub-Total	54,111,104	--	18,151,613	--
Federal Funds- Elem. & Sec. Act. 1965	2,519,743	--	461,383	--
GRAND TOTAL	\$56,630,847	--	\$18,612,996	--

# Not Included in the operating budget.

continued--

TABLE I - (Cont.)

SOURCE	ATLANTA		FULTON COUNTY	
	Amount	Percent	Amount	Percent
Average Daily Attendance Jan. 1, 1967	101,068		30,352	
Revenue Receipts Per Pupil in ADA *	\$530.01		\$571.07	

\* Excludes federal funds received under the Elementary and Secondary Act of 1965 which cannot be used for the regular school program.

The federal revenues received from the Elementary and Secondary Education Act of 1965 are also shown in Table I. These revenues are shown separately because they are all earmarked for special purposes by the federal government and cannot be expended for the regular school program. Practically all of these revenues must be expended for compensatory education for the children of the disadvantaged.

#### Current Expenditures

In Table II an analysis of the budgeted current expenditures of the two school systems for 1966-67 is presented. Both systems expend 75 percent or more of total current expenditures for instruction. This is typical practice in large school systems.

Caution should be exercised in comparing the different percentage allocations given to the same expenditure functions in the two systems. These systems differ considerably in their bases of financial support, the spread of population and other factors. For example, Fulton County allocates 2.8 percent of its current expenditures to transportation but Atlanta spends no funds for pupil transportation.

Atlanta expended approximately \$486.07 per pupil for 1966-67 and Fulton County \$517.07 for current operating expenses. The Research Division of the National Education Association estimated that the average current expenditure per pupil in average daily attendance for the 50 states and the District of Columbia was \$564 in 1966-67. Therefore, the current expenditures per pupil in both the Atlanta and Fulton County School systems are very low when compared with the national average.

TABLE II

CURRENT EXPENDITURES OF ATLANTA AND FULTON COUNTY SCHOOL SYSTEMS 1966-67 #  
(BUDGETED EXPENDITURES FOR 1966-67)

ACCOUNT FUNCTION	ATLANTA		FULTON COUNTY	
	Amount	Percent	Amount	Percent
1. Administration	\$1,796,920	3.7	\$ 309,784	2.0
2. Instruction	36,977,443	75.3	12,149,333	77.4
3. Operation of Plant	4,224,543	8.6	1,228,200	7.8
4. Maintenance of Plant	2,810,500	5.7	663,550	4.2
5. Health Services	96,368	.2	0	--
6. Food Services	41,209	.1	9,300	.1
7. Transportation	0	--	444,160	2.8
8. Fixed Charges	2,417,800	4.9	889,368**	5.7
9. Other	754,819*	1.5	0	--
TOTAL	49,119,602	100.0	15,693,695	100.0
Average Daily Attendance January 1967	101,068		30,352	
Current Expenditures Per Pupil in ADA	\$486.07		\$517.06	

#Data furnished by county and city school officials. Expenditure accounts do not include expenditures from federal funds received from the Elementary and Secondary Act of 1965.

\*This account consists principally of undistributed expenditures made from federal funds received under the National Defense Education Act.

\*\*Includes \$720,000 employees' contribution to teachers' retirement paid by the County Commission.



Financial Ability

The best measure of the relative local taxpaying ability of the Atlanta and Fulton County school systems is the gross property digest per pupil in average daily attendance computed on the basis of 100 percent valuation. This is due to the fact that most local school revenue is derived from property taxes.

Following is the adjusted 100 percent gross digest for 1966 of the Atlanta City School district estimated by the State Revenue Department:

Atlanta City in Fulton County	\$4,141,663,000
Atlanta City in DeKalb County	<u>173,149,000</u>
Total	\$4,314,812,000

The average daily attendance of the Atlanta City schools was 101,068 in January, 1967. Therefore, the gross digest of the Atlanta City school district adjusted on a 100 percent basis was \$42,692 per pupil.

The 1966 gross digest of the Fulton County school district adjusted on a 100 percent basis was \$982,348,000 according to data furnished by the State Revenue Department. The gross digest includes the valuation of homesteads even though homesteads up to a valuation of \$2,000 are exempted from County operating levies for schools. It is necessary to include the valuation of homesteads in order to compute an accurate measure of the relative wealth of the two districts. The ADA of the Fulton County schools in January was 30,352. The gross digest per pupil in ADA was \$32,365. Therefore, the Atlanta City school system has a gross digest approximately 32 percent greater than the Fulton County school system. However, each of these school systems has considerably more wealth per pupil than the average school district in the United States.

Local Financial Effort to Support Education

A valid measure of local tax effort to support schools can be obtained by dividing the taxes paid on the property located in each school district by the adjusted 100 percent gross digest of that district.

It is difficult to compute exactly the local tax effort of the Atlanta City District because a part of that district is in DeKalb County. However, the following is a fairly close approximation for 1966-67.

1. District property tax	\$29,686,415
2. Payments of City Council for debt service on school bonds	2,835,045
3. The portion of the $1\frac{1}{2}$ mill county-wide tax and the portion of the appropriations made by the County Commission which was paid on property located in the City	<u>2,642,943</u>
TOTAL LOCAL PROPERTY TAXES FOR SCHOOLS	\$35,164,403

The 100 percent gross digest of the Atlanta school district for 1966 was \$4,314,812,000. The total local taxes for schools divided by the gross digest equals .00815 or approximately 8.2 mills on the adjusted 100 percent gross digest or true value of property.

The local taxes for schools in the Fulton County school district in 1966-67 were as follows:

1. District property tax	\$ 4,922,451
2. The portion of the $1\frac{1}{2}$ mill county-wide tax and the appropriation made by the County Commission which was paid on property located in the county district	619,949
3. Fulton County district levy of $5\frac{1}{2}$ mills for debt service	<u>1,350,000</u>
TOTAL LOCAL PROPERTY TAXES FOR SCHOOLS	\$ 6,892,400

The 1966 gross digest of the County school system on 100 percent basis was \$982,348,000. The total local taxes for schools divided by the gross digest equals .007016 or approximately 7 mills on the gross digest on true valuation of property.

It is evident that the Atlanta City school district made a greater local tax effort in proportion to its ability to support schools than Fulton County. If the Fulton County school district had made as great a tax effort in proportion to its ability as the Atlanta school district in 1966-67, it would have raised .001134 times \$982,348,000 or \$1,113,983 in additional local revenue in 1966-67.

Special attention is directed to the fact that Fulton County could not legally have made this extra local effort in 1966-67. The District levied 25 mills of operating taxes which was the legal limit it could levy. Furthermore, property was assessed at less than 25 percent of true value. However, the limitations on the taxing power of the Fulton County Board of Education will be eased somewhat in the future because of the ruling of the court in the McLennon vs State Revenue Commission case. The court ruled that all property must be assessed at a uniform percent of true value regardless of the class of property or where it was located. Upon the ruling, the Revenue Commissioner ordered that all county digests be based on assessing all property at 40 percent of true value. This will make it possible to increase considerably the local revenues of the Fulton County school district beginning with the 1967-68 fiscal year.

There are no legal limits on the amount of mills which the Atlanta City Board of Education may levy for the operation of the public schools of the city. Therefore, there are no legal barriers to increasing local school support for schools in Atlanta.

Actually the local taxes for schools are extremely low both in Atlanta and Fulton County when compared with the school taxes levied in other sections of the nation. Recently one of the members of the staff making this survey

participated in a study of school financing in all school districts of 20,000 population or more in Illinois. It was found that the average school district in Illinois levied local property taxes for schools equivalent to 12 mills on the 100 percent true valuation of property. This is almost fifty percent greater local effort than the City of Atlanta and 71 percent greater local tax effort for schools than in the Fulton County school district.

#### Indebtedness

The bonded indebtedness of the Atlanta City Council for schools totaled \$52,905,000 in 1967. This was less than 3.8 percent of the unadjusted gross digest.

The bonded indebtedness of the Fulton County school district was \$22,661,000 in 1967. This was 9.1 percent of the unadjusted gross digest of the county school district. This is close to the 10 percent constitutional limit on school indebtedness for the Fulton County district. However, the bonded indebtedness margin of Fulton County will be greatly increased when the property digest is raised from an estimated 25 percent of true value to 40 percent. The unadjusted 1966 gross digest for the Fulton County district was approximately \$248,000,000. Assuming that the 1966 digest was at 25 percent of true value, the 1967 digest at 40 percent of true value should be approximately \$400,000,000 allowing for a reasonable amount of growth. The present county school indebtedness would be less than 5.7 percent of the gross digest at a 40 percent valuation.

Another way of looking at the indebtedness of the two districts is to compute the percent that the school indebtedness of each district is of the adjusted gross digest of each district at 100 percent of true value. In 1966 this figure for the Atlanta city district was 1.23 percent and for Fulton County 2.31 percent. If the two districts were consolidated, it is assumed that the territory that originally issued the bonds would continue to be responsible for the debt service

on the bonds that it had issued. It does not appear that this would work any great hardship on either district because the indebtedness of neither district is excessive.

#### Non-Property Local Taxes

Some school districts in the United States have obtained legal authority to levy non-property local taxes for schools. There are arguments both for and against this practice. Following are some arguments against the levy of local non-property taxes for schools:

1. Usually only urban or metropolitan school districts are able to derive substantial funds from this source.

2. The state can collect most types of local non-property taxes more efficiently than local units of government

3. Local non-property taxes for schools place cities in competition with each other for industries.

4. If the larger urban districts are able to levy local non-property taxes for schools, they may not support a state financing program which helps the less fortunate school districts.

5. Some types of local non-property taxes make it possible for wealthy districts to shift a part of the incidence of their taxes on the residents of less wealthy districts.

Some arguments for the levy of local non-property taxes for schools are as follows:

1. The property tax is a regressive tax and public resistance to it is growing. If we maintain the vigor of local school support, many believe that a source of local revenue more nearly related to ability to pay than the property tax must be found.

2. The more progressive areas of a state desire a better quality program than the legislature is usually willing to provide from non-property state taxes.

Those areas should be given the authority to provide this higher quality program from some local source other than the property tax.

3. It is possible to select types of local non-property taxes the burden of which cannot be shifted to the taxpayers of less wealthy areas.

4. The cost of administering local non-property taxes can be held to a reasonable level by using the state's tax collection machinery or by levying local non-property taxes by metropolitan areas rather than by individual school districts.

5. The taxpayer should be given the choice of what type or types of local taxes he will levy for schools in order to broaden the base of local taxation.

As has been pointed out above, local property taxes for schools are very low both in Atlanta and in Fulton County. There is considerable leeway in both districts for increasing local property taxes for schools without those taxes becoming burdensome. Therefore, there is no immediate urgency for the consideration of obtaining the authority to levy local non-property taxes for schools.

If the Atlanta and Fulton County school authorities decide to study the possibility of levying local non-property taxes, it is recommended that consideration be given to the following:

1. That any local non-property taxes that are levied for schools in the Atlanta area be levied over the entire metropolitan area of Atlanta including all school districts in the following counties: Fulton, DeKalb, Clayton, Cobb, and Gwinnett.

2. That a metropolitan school taxing authority be established with the sole responsibility for collecting any local non-property taxes for schools authorized by law and for apportioning such taxes among the several school districts in the five counties named above in proportion to the average daily attendance of pupils.

3. That only those types of non-property local taxes be levied, the burden of which cannot be shifted to taxpayers residing outside of the Atlanta metropolitan area.

#### Financing Education in a Reorganized District

A number of reports have been presented to the people of the Fulton County and Atlanta school districts in which arguments for and against the consolidation of the two districts have been set forth. It is not the purpose of this report to review those arguments. Therefore, the discussions of school finance presented in this study have been focused primarily on the financing of schools in each district rather than on the financing of schools in a consolidated district. Certain suggestions particularly concerning the level of school financing have already been presented. Those suggestions are as applicable to the financing of education in Atlanta and Fulton County as separate school districts as they would be applicable to the financing of education in a consolidated district.

It would no doubt be possible to provide reasonably adequate school financing in each of the two districts operating as separate districts. However, if the two districts were consolidated, it would be possible to establish a more equitable and more efficient financing plan. It has already been pointed out that the 1966 gross digest adjusted at 100 percent in the City of Atlanta was \$42,692 per pupil in ADA and in the Fulton County district \$32,365. If the two districts were consolidated, the gross digest at 100 percent valuation for the consolidated district would be \$40,307 per pupil. It has also been pointed out that the taxpayers in the Fulton County school district are making a lower tax effort to support schools in proportion to ability than the taxpayers in the Atlanta City district. Therefore, consolidation of the two districts would equalize the wealth back of each child and it would also equalize the tax effort to support schools in the Atlanta-Fulton County consolidated district. Consolidation would also simplify local financing because there would no longer be a need for the special  $1\frac{1}{2}$  mill county

equalizing levy or direct appropriations from the County Commission.

It has been suggested in other studies presented to the Local Education Commission of Atlanta and Fulton County that the consolidation of the two districts might result in the loss of some state school funds under present methods of state apportionment. If there is anything in present state laws that would place a penalty on desirable reorganization of school districts, the laws should be amended and the penalties eliminated. This should not be a difficult undertaking.

As has already been pointed out, improvements in school financing should be made in the Atlanta and Fulton County school districts regardless of whether they are consolidated. If the two districts are consolidated, consideration should be given to the following financial recommendations:

1. The Board of the consolidated district should be given the same power for levying taxes for school operation as that now possessed by the Atlanta City Board of Education and it should be fiscally independent of any other local body.

2. The Board should be given the power to issue bonds for capital outlay purposes up to a reasonable percent of the gross digest. The Board should also be given the power to obtain tax anticipation loans to be repaid within the fiscal year.

3. Homestead exemption from school taxes should be abolished in the reorganized district.

4. Present outstanding bonds should be retired in accordance with the commitments made at the time of issuance but all new bonds should be issued on a district-wide basis and retired from taxes levied throughout the consolidated district.



Estimated Local Tax Levy Needed for Financing Schools in the Reorganized District

It is difficult to make an accurate estimate of the local tax levy needed for financing schools in the reorganized district for a number of reasons. The local tax levy for schools in the combined Atlanta-Fulton County School District will depend upon a number of factors including the following: the per cent of true value at which property is assessed, the quality and quantity of education provided, the economic growth rate of Atlanta and Fulton County and the additional amounts of revenue to be received in the future from state and federal sources. Assumptions must be made with respect to all of these items in order to estimate the probable tax levy in the combined district.

In Table III, the estimates of the gross digest of the combined Atlanta and Fulton County School District for the years 1966-69 are presented. It will be noted that estimates at 100 per cent of true value and at 40 per cent of true value are both presented.

YEAR	GROSS DIGEST AT 100 PER CENT TRUE VALUE	GROSS DIGEST AT 40 PER CENT TRUE VALUE
1966*	\$5,297,160,000	\$2,118,864,000
1967	5,519,641,000	2,207,856,000
1968	5,751,466,000	2,300,586,000
1969	5,993,027,000	2,397,211,000

\*Actual data reported by the State Revenue Department

The 40 per cent estimate is used for computing the estimated tax levy because of the order of the Revenue Commissioner that property be assessed uniformly throughout the state at 40 per cent of true value. It was

estimated that the gross digest would increase at the rate of 4.2 per cent annually. That was the approximate growth rate used in the estimates presented on p. 15 of District Reorganization For Better Schools in Atlanta and Fulton County Report of the Local Education Commission of Atlanta and Fulton County, Georgia, February 1966.

In Table IV, estimates are presented of anticipated revenues of the reorganized district from non-local sources, estimated budget requirements, estimated local tax revenue needed and estimated local school tax levy needed for school operation. These estimates are for operation only and do not include revenues and expenditures needed for capital outlay and debt service. The methods used in making the estimates are set forth in the footnotes to Table IV. It will be noted that the average estimated tax rate for the two districts operating as separate districts in 1967-68 is 18.3 mills but that the estimated tax rate for the first year of operation as a combined district is 21.4 mills. This is due to the fact that it will take a considerable increase in school revenue to provide kindergartens for the Fulton County children and to increase the general level of educational opportunity provided in the reorganized system. It will also be observed that the estimated local tax levy for 1969-70 is 23.2 mills. This is probably an over estimate because it is based on the assumption that the 1969 State Legislature will not make any increase in the Foundation Program allotment per teacher. If the 1969 legislature would make the same proportionate increase in the per teacher allotment in the Foundation Program that it made in 1967, the estimated local tax levy for schools in the reorganized district would be only approximately 22.0 mills.

Attention is particularly directed to the fact that these estimated tax levies are based on a tax digest at 40 per cent of true value. A tax levy of 23.2 mills on a tax digest at 40 per cent of true value is equivalent to a tax levy of only 9.28 mills on a tax digest at 100 per cent true value. This is not a high local tax levy for schools when compared with school taxes levied in leading school systems in other sections of the country.

TABLE IV

ESTIMATED OPERATING REVENUES FOR  
ATLANTA AND FULTON COUNTY DISTRICTS  
COMBINED AND ESTIMATED LOCAL OPERATING TAX LEVY  
NEEDED FOR SCHOOLS BASED ON A GROSS DIGEST AT 40 PER CENT  
OF TRUE VALUE 1967-1969

SOURCE OF REVENUE	1967-68 (Estimated as separate dis- tricts)	1968-69 (Estimated as combined district)	1969-70 (Estimated as combined district)
STATE FUNDS	\$27,759,812	\$28,509,327	\$29,279,079
Vocational Funds	704,983	724,018	743,566
National Defense Education Act	602,008	618,262	634,955
Federal Impacted Area Funds	1,039,700	1,067,772	1,096,602
Other Income	1,559,240	1,601,339	1,644,575
Estimated income excluding income from local taxes#	31,665,743	32,520,718	33,398,777
Estimated Operating Budget Requirements*	72,110,626	81,832,188	89,111,499
Estimated Local Tax Funds Needed	40,444,883	49,311,470	55,712,722
Gross Digest Estimated at 40 per cent true value	2,207,856,000	2,300,586,000	2,397,211,000
Estimated Tax Levy for Schools Opera- tion in mills	18.3	21.4	23.2

#State funds for 1967-68 were estimated by adding \$2,938,000 to the state funds received by the two systems for 1966-67. This is the estimated additional state revenue provided for the two systems by the 1967 Legislature. The estimated state funds for subsequent years was increased 2.7 per cent annually which is about the estimated annual increase in attendance of the combined systems. The estimates for other non-local sources of revenue were also increased 2.7 per cent annually for the same reason. This method may overestimate some sources and underestimate other sources.

\*Data taken from P. 21 of District Reorganization for Better Schools in Atlanta and Fulton County. Report of the Local Education Commission of Atlanta and Fulton County, Georgia, February 1966.