

FINANCING THE PUBLIC SCHOOLS OF  
ATLANTA AND FULTON COUNTY

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 per

cent of the revenue of the Atlanta City schools is derived from the district property tax as compared with 29.6 per cent in Fulton County. However, both of these percentage figures are deceiving.

Just what per cent 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 per cent of the revenue receipts of the Atlanta City board of education. This added to the 55.4 per cent derived from the district property tax makes a total of 60.7 per cent 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. This makes a total of \$2,542,892 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 per cent of the digest of Fulton County lies outside of the City of Atlanta, only approximately 19 per cent of this amount, or \$483,149, is paid on the property in Fulton County lying outside the city of Atlanta, and \$2,059,743 on the property in the City of Atlanta. This represents only approximately 3.2 per cent of the revenue receipts of the Fulton County board. It will also be noted that 8.1 per cent 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, 3.2 per cent plus 8.1 per cent added to 29.6 per cent make a total of 40.9 per cent 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 42.6 per cent of its revenue from the state Minimum Foundation Program appropriations as compared with 32.3 per cent 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 countywide 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 per cent 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 \$547.35 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 less 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 1 - 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                 | Per cent | Amount                 | Per cent |
| District Property tax for operation                         | \$29,686,415           | 55.4     | \$ 4,922,451           | 29.6     |
| County Wide Property Tax                                    |                        |          | 1,762,892              | 10.6     |
| County Commission   |                        |          | 780,000                | 4.7      |
| Intangible Taxes  |                        |          | 230,000                | 1.4      |
| State Minimum Foundation Program                            | 17,322,038             | 32.3     | 7,074,761              | 42.6     |
| Other State Funds   | 425,013                | .8       | 0                      | —        |
| Vocational Funds  | 628,449                | 1.2      | 58,000                 | .3       |
| National Defence Education Act                              | 520,781                | 1.0      | 65,400                 | .4       |
| Fulton County School District 5½ mill levy for debt service | —                      |          | 1,350,000 <sup>#</sup> | 8.1      |
| Federal Impacted Area Funds                                 | 802,366                | 1.5      | 210,000                | 1.3      |
| City Council Payments for Debt Service on Sch. Bonds        | 2,835,045 <sup>#</sup> | 5.3      |                        |          |
| Other Income  | 1,358,747              | 2.5      | 159,500                | 1.0      |
| Total Revenue Receipts                                      | 53,578,854             | 100.0    | \$ 16,613,004          | 100.0    |
| Beginning Cash Balance                                      | 532,250                | —        | 818,609                | —        |
| Sub-Total   | 54,111,104             | —        | 17,431,613             | —        |
| Federal Funds - Elem. & Sec. Act. 1965                      | 2,519,743              | —        | 461,383                | —        |
| GRAND TOTAL   | \$56,630,847           | —        | \$ 17,892,996          | —        |

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Not included in the operating budget.

Continued--

TABLE I - (Cont.)

| SOURCE                                | ATLANTA   |          | FULTON COUNTY |          |
|---------------------------------------|-----------|----------|---------------|----------|
|                                       | Amount    | Per cent | Amount        | Per cent |
| Average Daily Attendance Jan. 1, 1967 | 101,068   |          | 30,352        |          |
| Revenue Receipts Per Pupil in ADA*    | \$ 530.01 |          | \$ 547.35     |          |

\* 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 1. 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 2 an analysis of the budgeted current expenditures of the two school systems for 1966-67 is presented. Both systems expend 75 per cent 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 3.0 per cent of its current expenditures to transportation but Atlanta spends no funds for pupil transportation.

The difference between the two systems in current expenditures per pupil is negligible. Atlanta budgeted \$486.07 per pupil for 1966-67 and Fulton County \$493.34. 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<sup>#</sup>  
(BUDGETED EXPENDITURES FOR 1966-67)

| ACCOUNT<br>FUNCTION                      | ATLANTA     |          | FULTON COUNTY |          |
|--|-------------|----------|---------------|----------|
|  | Amount      | Per cent | Amount        | Per cent |
| 1. Administration                        | \$1,796,920 | 3.7      | \$ 309,784    | 2.1      |
| 2. Instruction                           | 36,977,443  | 75.3     | 12,149,333    | 81.1     |
| 3. Operation of<br>Plant                 | 4,224,543   | 8.6      | 1,228,200     | 8.2      |
| 4. Maintenance<br>of Plant               | 2,810,500   | 5.7      | 663,550       | 4.4      |
| 5. Health Services                       | 96,368      | .2       | 0             | —        |
| 6. Food Services                         | 41,209      | .1       | 9,300         | .1       |
| 7. Transportation                        | 0           | —        | 444,160       | 3.0      |
| 8. Fixed Charges                         | 2,417,800   | 4.9      | 169,368       | 1.1      |
| 9. Other                                 | 754,819*    | 1.5      | 0             | —        |
| TOTAL                                    | 49,119,602  | 100.0    | 14,973,695    | 100.0    |
| Average Daily<br>Attendance<br>Jan. 1967 | 101,068     |          | 30,352        |          |
| Current Expenditures<br>Per Pupil in ADA | \$486.07    |          | \$493.34      |          |

<sup>#</sup>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 Defence Education Act.

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 per cent 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 per cent basis was \$42,692 per pupil.

The 1966 gross digest of the Fulton County school district adjusted on a 100 per cent 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 per cent 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 per cent 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 approximation made by the County Commission which was paid on property located in the City | <u>2,059,743</u> |
| TOTAL LOCAL PROPERTY TAXES FOR SCHOOLS  | \$ 34,581,203    |

The 100 per cent 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 .008 or 8 mills on the adjusted 100 per cent 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 | 483,149          |
| 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  | \$ 6,755,600     |

The 1966 gross digest of the County school system on 100 per cent basis was \$982,348,000. The total local taxes for schools divided by the gross digest equals .006877 or approximately 6.9 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 .001123 times \$982,348,000 or \$1,103,176 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 per cent 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 in 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 per cent true valuation of property. This is a fifty per cent greater local effort than the City of Atlanta. The local tax effort for schools in the Fulton County school district is only 58 per cent of the average effort in Illinois.

#### Indebtedness

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

The bonded indebtedness of the Fulton County school district was \$22,661,000 in 1967. This was 9.1 per cent of the unadjusted gross digest of the county school district. This is close to the 10 per cent 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 per cent of true value to 40 per cent. The unadjusted 1966 gross digest for the Fulton County district was approximately \$248,000,000. Assuming that the 1966 digest was at 25 per cent of true value, the 1967 digest at 40 per cent 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 per cent of the gross digest at a 40 per cent valuation.

Another way of looking at the indebtedness of the two districts is to compute the per cent that the school indebtedness of each district is of the adjusted gross digest of each district at 100 per cent of true value. In 1966 this figure for the Atlanta city district was 1.23 per cent and for Fulton County 2.31 per cent. 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 can not 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 tax payers 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 per cent 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 per cent 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 per cent 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.

## BUSINESS ADMINISTRATION SERVICES

The primary purpose of business administration is to provide the services necessary for obtaining the maximum return per dollar invested in public education. It is not the purpose of business administration to minimize educational expenditures. Business and industry have long been aware of the fact that the investment of additional funds in an enterprise will frequently return more profits per dollar invested than a smaller investment. This same principle applies to the educational enterprise. However, wasteful or inefficient expenditure of funds cannot be justified by the returns received in either business or education.

A limited survey was made of the business administration services and policies of the Atlanta and Fulton County school systems. This survey was made first to determine the adequacy of the business administration services of each school system and second to determine whether major economies in business administration could be obtained by the consolidation of the two systems. The findings of that survey are set forth below.

### Atlanta City School System

The Atlanta City school system has a well developed program of business administration services typical of cities the size of Atlanta. Except for staff organization, business administration policies are generally consistent with the policies recommended by authorities on school business management.

Organization. The organization for school business management does not follow the pattern generally recommended by authorities in this field. Finance, including administration of the budget, is under the supervision of a comptroller appointed by the Atlanta City board of education and he is directly

responsible to the board. Legally the comptroller is not required to report to the superintendent nor is he under the supervision of the superintendent. In practice however he works closely with the superintendent. An assistant superintendent for school plant planning and construction reports directly to the superintendent. All other business administration services are under the direction of an assistant superintendent for administrative services who reports directly to the superintendent. The services under the supervision of the assistant superintendent for administrative services include the following: purchasing, school plant operation and maintenance, food services, records center, warehousing, inventory, print shop, statistical services and school detective services.

Authorities on school business management usually recommend that all business administration services should be coordinated by one assistant superintendent directly responsible to the superintendent. However, if those services are divided among two or more assistant superintendents, each of these superintendents should report directly to the superintendent. The disadvantage of this latter system as compared with the system usually recommended is that the superintendent of schools is required to coordinate the different administrative services rather than the assistant superintendent for business affairs.

The system of organization now used by Atlanta violates the principal of coordination of the activities of an organization through a single executive. Potentially this system could cause friction and lack of coordination in the administration of the Atlanta public schools. That it has not done so is a credit to the educational and business executives of the Atlanta school system.

Facilities and Equipment. Office facilities for the business administration staff are provided for in a central administrative building for the Atlanta City board of education. Another building, located approximately one block from the administrative office building, is being renovated to house records and data processing equipment. When this is done fairly adequate office space will be available for the business administration staff at present. However, the central office building is located on a limited site with inadequate parking facilities. It would be difficult and expensive to expand the present central office facilities of the Atlanta City board of education.

Sophisticated data processing equipment is in process of being installed. That equipment includes an IBM 360 computer, tape and disc system and related equipment including a 1428 document reader. When this system is in full operation, the financial accounting system, the central record system for warehouses and other record systems involving data processing can be greatly improved.

All other business administration services are housed in a newly constructed educational services building. This is an excellent building located near an expressway and it is served by a railroad siding. The site is fairly adequate. The building houses the school plant maintenance shop, warehousing for school supplies and school plant maintenance and custodial supplies, storage for school food service, the print shop and other types of educational services.

The warehousing and storage facilities of the educational services building are efficiently arranged for accessions to and withdrawals from stock. At the time this building was constructed it was thought to be adequate for all the storage and warehousing needs of the Atlanta system. However, it was soon found necessary to utilize the old abandoned city jail building to store old

school furniture and certain other types of non-rapidly moving stock. While not ideal, this building is still useful for this type of storage.

School Plant Maintenance. The Atlanta City board of education operates a city owned school plant maintenance shop. It is adequately staffed with employees of the City board of education and well equipped. Experience has shown that a properly operated school plant maintenance shop can not only save money on school plant maintenance but that it usually provides better service than when school plant maintenance is provided for by job contract. The board has developed a program for the repair and maintenance of school buildings and this policy not only extends the life of a building but it also reduces the number of hazards to pupils and school employees. Some difficulty has been experienced in obtaining employees with the desired skills.

School transportation is not provided for at public expense by the Atlanta City board of education.

Budgetary Procedures. Work on the budget starts approximately six months before the beginning of the fiscal year. The budget is not always approved prior to the beginning of the fiscal year. Best practice dictates that the budget be approved prior to the beginning of the fiscal year. However, it is reported that delays in receiving tax digests and estimates of revenue sometimes make it difficult to approve the budget in final form prior to the beginning of the fiscal year.

The comptroller has primary responsibility for preparing the budget document. However, the comptroller consults with the superintendent, the assistant superintendents and the area superintendents before he prepares the budget. The area superintendents consult with the principals. There seems to be no formal

arrangements for providing opportunities for classroom teachers or their representatives to participate in the formulation of the budget.

Certain items, including instructional supplies, library expenditures, band equipment and janitorial supplies, are budgeted by individual schools. The budget for 1966-67 is a formidable document consisting of more than 160 pages. It contains detailed financial schedules of revenues and expenditures, unit costs, and comparisons of the proposed budget with receipts and expenditures for previous years. This is a technical document and is not readily understood by laymen. The board holds public hearings but they are not well attended. The board is fiscally independent and adopts its budget without being subject to review by any other local body. It is sound public policy to make the board fiscally independent. Under this policy the public is able to fix responsibility for the school budget because the board of education is the sole responsible body. However, as taxes increase in the future and the public becomes more tax conscious, the board may need to develop better methods than it is now using to communicate the educational needs of the pupils to the public.

Financial Accounting and Auditing. The financial accounting system utilized in the Atlanta City schools conforms with the principal accounting standards and account classifications recommended by the United States Office of Education. This is important in order that the financial data for the Atlanta City school system may be comparable not only with other school systems in Georgia but also comparable with the financial data from other school systems throughout the nation. The accounting system is completely mechanized by the use of the data processing equipment already described. Accrual or encumbrance

accounting is used. This is essential for close budget control. Under accrual accounting, a budget account is encumbered as soon as an obligation is incurred against that account.

The accounts of the Atlanta City schools are audited annually by a firm of certified public accountants.

The board requires the principal of each school to keep a uniform system of account records of internal accounts. Internal accounts consist of funds collected at individual schools. These accounts are also audited annually.

The accounting and auditing procedures of the Atlanta City school system are in accord with standard practice.

Purchasing Procedures. All items of any importance used by the Atlanta City schools are centrally purchased in quantities on competitive bids. This policy undoubtedly saves large sums of money annually. The construction of central warehousing facilities and the establishment of an efficient distribution system made it practicable for the board to establish its broad policy of central purchasing.

Business Administration, School Lunch Rooms. Central supervision is provided for school lunch rooms. All school lunch rooms receive federal aid in the form of cash and commodities. From 60 to 70 percent of the pupils participate in the school lunch program. This compares very favorably with a national participation average of only 35 percent.

The board provides for central purchasing and central accounting for all school lunch rooms. The business administration policies of the board for the operation of school lunch rooms are in line with best practice.

Insurance and Bonding. School buildings are insured for 100 percent

of appraised worth on blanket fire and extended coverage policies. The board deals with one agent who represents the Association of Independent Insurance Agents. Buildings and equipment are insured at an appraised value of \$77,736,493 at an annual cost of \$53,000. Large school systems sometimes find it advisable to be self insurers. However, since the amount of money expended for fire insurance in the Atlanta City school system is relatively small, very little money could be saved by a self-insurance program.

All officials and employees who handle funds in the Atlanta City school system are bonded. The board pays the cost of the bonds.

Workman's Compensation insurance is provided for all the employees of the board. The board is self-insurer for this type of insurance.

Income Management and Depository Security. The board has been able during the past few years to keep a sufficient working balance on hand to pay all current obligations when due. Therefore the board has not been required to obtain tax anticipation loans. The board does not have the authority to borrow money. All borrowing, either on short term loans or bonds, must be done by the Atlanta City Council for the board of education. The board follows the sound policy of operating on a balanced budget and it carries over a reasonable working balance from one fiscal year into the next year.

The board wisely follows the policy of investing its idle funds in appropriate United States Government obligations. It obtained \$302,301.24 in interest earnings from this source in 1965-66.

The board requires its depository bank to escrow collateral in another bank in the amount of \$500,000 in order to protect the funds it has on deposit. The balances in the depository sometimes exceed this amount. However, the board

follows the policy of promptly investing its idle funds and this provides some protection.

Fringe Benefits for Employees. The following fringe benefits are provided for all employees of the board, both certificated and uncertificated: retirement, sick leave, medical and hospitalization insurance and a limited amount of life insurance. Both the board and the employee participate in financing most of these benefits. Boards of education must participate in making provisions for these benefits if they compete on equal terms with the private sector of the economy in obtaining needed personnel.

#### The Fulton County School System

The Fulton County board of education has provided fairly adequate business administration services for the public schools of the County. The business administration policies are basically sound. As indicated below, improvements that need to be made involve increasing the size of staff and providing for additional space and equipment rather than any change in operating policies.

Organization. The principal business administration services are under the direction of an assistant superintendent for maintenance and operation and a director of finance. Each of these officials reports directly to the superintendent. The assistant superintendent for maintenance and operations supervises school plant operation and maintenance, warehousing and storage and distribution services, school plant planning and purchasing. The director of finance and his staff keep all accounts, administer the budget and audit internal accounts. In addition, school transportation is supervised by the director of attendance and transportation and the director of the school lunch program is under the supervision of the

assistant superintendent for curriculum. This latter arrangement is a little unusual because the central services provided for the school lunch program at the county level have more relationship to finance, accounting, purchasing and storage and distribution which are business administration services, than to curriculum. It is generally considered good organization policy to organize similar types of operations in the same organizational units.

All the top officials responsible for business administration services report to the superintendent rather than directly to the board. This is sound policy because it provides for central coordination of all educational services at the county level.

It appears that the staff employed by the board for accounting, purchasing, budget administration, etc., is inadequate in size to provide for these services. The staff provided for these services is as follows: a director of finance and assistant, a purchasing agent, an administrative assistant, four bookkeepers, and three secretaries. This is a very small staff for these services in a school system with a budget exceeding sixteen million dollars annually.

Facilities and Equipment. The central staff for business management is housed in office space provided in the Fulton County Court House. This space is inadequate.

Data processing equipment is not available. Accounting machines are used for payroll purposes and account records. If Fulton County remains a separate school system, the board should investigate the possibility of installing or renting certain types of data processing equipment.

The board has constructed an excellent educational services building on a site some distance from the court house. This building is located centrally adjacent to an expressway. However, it was constructed on a very limited site with but little room for parking or expansion. It is understood that another story can be added to the present structure. However, this too would become inadequate in a few years and parking space is already inadequate. Therefore the present site should be expanded if possible.

The educational services building houses the school plant maintenance shop, warehousing for school supplies, school plant maintenance and custodial supplies and storage for school furniture, instructional materials and supplies. This is a very useful building. It makes it possible for the board to do quantity purchasing on competitive bids. This policy is not possible without adequate warehousing and a distribution system.

School Plant Maintenance. The board has established a centrally located school plant maintenance shop located in the educational services building. It is well equipped and staffed with personnel possessing the necessary skills. Reports from the State Department of Education indicate that the board has an excellent school plant maintenance program. However, it is reported that some additional employees are needed.

School Bus Maintenance. The board operates 78 county-owned buses and contracts for eight other buses. The policy of district ownership and operation of school buses almost always results in better service at a lower unit cost than contract transportation. The provision of school transportation is not a simple matter in the Fulton County school district because of its geography. The district is divided into two separate parts by the Atlanta City School

district. It is approximately 70 miles between a school in the northern part of Fulton County and a school located in the southern part of the County school district. Road and traffic conditions vary from the conditions typically found in rural Georgia to conditions usually found in a densely settled metropolitan area.

The board contracts for bus maintenance and inspection with a private garage at a cost of \$1,300 per month. Parts used in repairing buses are billed to the board at list price less 10 percent. Buses appear to be well maintained and very few road failures are experienced. The operator of the garage with whom the board contracts for its bus maintenance takes a genuine pride in maintaining school buses. He appears to have the interest and enthusiasm of a board employee.

The board has explored the possibility of constructing its own school bus repair shop and operating it. Available evidence does not indicate that the board could save money by establishing its own shop as long as it is able to contract for its bus maintenance at so favorable a rate. The contractor operates a branch shop in the northern part of the County which does light repairs and inspections. This reduces the amount of empty mileage traveled by buses.

The board buys its gasoline for school buses from filling stations. Discounts are received at only a few stations. The board has considered purchasing its own tank truck and serving its own buses. However, schools are so widely separated that this method would probably not save very much money. The board could probably save some money on its gasoline purchases if filling stations were required to bid for the board's business.

Financial Accounting and Auditing. The financial accounting system follows in general the account classification for receipts and expenditures recommended by the United States Office of Education. It also conforms to state requirements. The accounts of the Fulton County schools can readily be compared with the accounts of school systems not only in Georgia but also throughout the Nation.

As pointed out above, data processing equipment is not available for keeping financial accounts. Furthermore, the staff provided for accounting, purchasing and budget administration is insufficient in number to provide all of the services needed. For example, expenditure accounts are not kept on an accrual basis. This should be done in order to provide a more efficient method of budget control. If Fulton County is continued as a separate school system, accrual accounting should be installed along with data processing equipment.

The accounts of the board have been audited eight times during the past four years, four times by state auditors and four times by independent certified public accountants.

The board requires school principals to maintain a uniform system of accounts for all of the internal funds handled at school centers. These accounts are audited annually.

Budgetary Procedures. The director of finance is assigned the responsibility of preparing the budget document. As pointed out above, he is directly responsible to the superintendent and works under his supervision in preparing the budget. He also works with the assistant superintendents, director of instruction, principals and others in preparing the budget.

Work is started on the budget from 6 to 12 months prior to the beginning of the fiscal year but it is not always approved in final form by the beginning of the fiscal year.

The budget is a technical budget not readily understood by the lay public. Detailed schedules of anticipated receipts and proposed expenditures by function and object are presented. In addition certain unit costs and data for the previous year are included in the budget. Program accounting is not used in interpreting the budget.

Budget hearings are held but they are not well attended. The budget is advertised in the newspaper and adopted by the board at a later date as prescribed by law. The board is fiscally independent and its budget is not subject to review by any other local body. However, as school costs continue to increase and the public becomes more tax conscious, the board will undoubtedly find it advisable to develop more adequate means than are now used to communicate school needs to the public.

Purchasing Procedures. The board purchases all important items in quantity and requires competitive bids for all items costing in excess of \$150.00. This policy undoubtedly results in the saving of considerable money. Quantity buying requires storage and a distribution system. The educational services building and the distribution system established in connection with it greatly facilitates quantity purchasing.

Business Administration of the School Lunch Program. The board provides some central supervision for the school lunch program but it does not provide for central accounting and purchasing for school lunch rooms. Central accounting and central purchasing usually result in considerable savings for the

school lunch program. However as pointed out above, distribution is a problem in Fulton County because of the remoteness of many schools from a central warehouse.

The educational services building is not equipped for food storage but this deficiency could be remedied. It is believed that considerable money could be saved by central accounting and purchasing for school lunch rooms. However, these services could not be provided without expanding the business management staff.

Approximately 61 percent of the pupils enrolled participate in the school lunch program. All schools either receive federal aid in the form of cash and commodities or commodities only.

Insurance and Bonding. All employees are under a blanket position fidelity bond. Principals are also under a name bond. The board pays the cost of all bonds.

The board carries fire and extended coverage insurance under the Public and Institutional Property Plan. Under this form of insurance (available only to public institutions) the board insures a building and its contents for replacement cost rather than appraised cost. This gives the board rather complete coverage but it is a fairly expensive type of insurance. The board pays \$50,755.66 annually for carrying fire and extended coverage insurance on buildings and equipment insured at a replacement value of \$32,773,199.92. This may appear rather expensive when compared with the insurance costs of the Atlanta City system. However, insurance rates are greatly affected by the fire protection available and the City of Atlanta has far better fire protection than is available in most sections of Fulton County.

Income Management and Depository Security. The board has been able to carry a sufficient working balance to be able to pay its current obligations on time without having to resort to tax anticipation loans. This is good policy. The board has operated on a balanced budget and has carried over a reasonable working balance from one fiscal year to another.

The board wisely follows the policy of investing idle funds in United States Government securities. It realized \$199,640.39 in interest from this source during the 1965-66 fiscal year.

The board does not follow standard procedures for protecting its funds in depositories. The standard procedure is to require the board's depository bank to protect the board's deposits by escrowing in another bank, government securities in an amount equal to the maximum balance carried by the board. In lieu of this policy the Fulton County board of education keeps its funds in 10 bank accounts and attempts to invest funds not needed during a given month as quickly as possible. During the period of heavy tax collections, the board may receive as much as \$2,000,000 in a single remittance. While these funds are invested in United States Government obligations promptly, nevertheless the board should have some protection for its funds in depositories in the form of escrowed collateral.

Fringe Benefits for Employees. The board provides the following fringe benefits for all of its employees both certificated and non-certificated: retirement, sick leave, medical and hospitalization insurance and a limited amount of life insurance. The employer and the employee share in financing the costs of most of these benefits. These are the same types of benefits provided by the Atlanta City board of education for its employees.

Summary

The business administration policies of the Atlanta City school system and the Fulton County school system are both basically sound. The available evidence indicates that no great amount of money could be saved by consolidating the business administration operations of the two systems. Few if any business administration personnel could be eliminated by the consolidation of the two systems. It might be necessary and desirable to change a few titles and to do some reorganization but the services of all of the present employees would be needed.

Both educational services buildings would still be needed because of the shortage of warehousing and storage space. The consolidation of the two systems would not eliminate the great distances between schools which cause distribution problems.

If the two systems were consolidated and public transportation provided for qualifying pupils who now live in the city of Atlanta, different arrangements for the maintenance and operation of school buses would have to be made. Those arrangements would probably involve the construction of two school bus repair shops, one located in the northern half of the reorganized district and the other in the southern half.

From the standpoint of business administration, the chief saving in consolidating the two school districts would be the elimination of the cost of one data processing system. The newly installed data processing system for the Atlanta City schools has sufficient capacity to serve both school systems.

All other business administration savings would have to be obtained

from increases in efficiency derived from economy of scale. For example, consolidation of the two systems would result in increasing the volume of specific items submitted for bid. The increased volume might result in lower unit costs for some items.

Some financial savings could probably be obtained by eliminating certain duplicating educational programs or the provision for better coordination of existing educational programs if the two districts were consolidated. Since this section of this report is concerned only with business administration policies, no attempt is made to estimate the amount of savings on the operation of educational programs that could be obtained through consolidation.