

Proposed Sandy Springs Independent School District (SSISD) Preliminary Report on Financial Feasibility

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Introduction and Summary of Financial Analysis

This preliminary report on the financial feasibility of forming a Sandy Springs Independent School District was commissioned by the Sandy Springs Parents Concerned about Quality Education, a community group formed in 2013 to explore opportunities to improve public education in Sandy Springs. The report is intended to provide CLASS with a reliable estimate of the revenues and costs that would accrue to a deconsolidated and independent Sandy Springs Independent School district.

This analysis and report were generated over a period of months as additional funding for a preliminary report became available. A preliminary and summary report was prepared to accommodate the limited budget of the sponsoring organization.

The economic results are presented in summary form and represent the best possible estimates. However, should the group go forward with a full deconsolidation campaign, a fuller report should be prepared that includes analysis that will impact political discussions and presentation to the media.

Sandy Springs's public school students (9,794² students in 2017) attend one of the eleven public schools located within the city limits. Sandy Springs schools and 2017 enrollments are shown in Appendix C. All of these schools are currently under the management and supervision of the Fulton County Public School District (93,984 students in 2017). Together, the eleven Sandy Springs schools (seven elementary schools, two middle schools and two high schools) comprise a relatively self-contained cluster that could conceivably be operated as an independent public school district.

The report assesses whether educational services provided to the City of Sandy Springs by the Fulton County School District could be provided more efficiently with a leaner organizational form. The question is whether a Sandy Springs Independent School District (SSISD) can potentially manage a single 'cluster' of Sandy Springs schools (two high schools,

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² Data sets provide enrollment numbers in various forms. One is to average the enrollments at three different dates. The other is to use enrollment on one date, in this case October 17, 2017.

two ‘feeder’ middle schools and elementary schools) while delivering the same or better district educational and management services at lower cost.

Such organizational reform may not only be financially prudent but would facilitate classroom-centered and child-centered operations without the organizational encumbrances of a district designed to serve nearly 94,000 children. Significant changes in information technology have substantially altered the economies of scale that previously argued for larger school districts. Smaller districts are consistent with educational reform that emphasizes child-centered education.

The Sandy Springs schools are currently managed and controlled under the operational and financial umbrella of the Fulton County School District. At present, revenues from local, state, and federal sources that support students from Sandy Springs are allocated to the Fulton County Schools system. Likewise, all expenses are paid by the Fulton County School District.

If the Sandy Springs cluster of schools were managed under a separate and independent school district, **some** current sources of revenue would follow students and schools to the new Sandy Springs Independent School District (SSISD). Other revenues and expenses would remain allocated to what we term the deconsolidated Fulton County School District (DFCSD). The allocation of 2017 revenue to either the independent Sandy Springs district or the deconsolidated Fulton district depends on detailed and specific characteristics of the two student populations, supporting communities, and the experience and educational profile of the assigned teachers. One of the major contributions of this study is an analysis of these detailed and specific characteristics and a prediction of the revenues that would reallocate to a new Sandy Springs Independent School District. This requires projection of reallocations of federal, state, and local (property tax) funding. The reallocations derive from a specific set of regulations that determine the funding amount from each source.

Likewise, the analysis reallocates the consolidated Fulton County School District 2017 costs between an independent Sandy Springs district and a deconsolidated Fulton district. Using line-item cost detail, we calculated those operating costs that would fall to an independent Sandy Springs system.³

This reallocation of revenues and costs (including projected costs of a new Sandy Springs Independent School District central office) allows the conclusion that deconsolidation and formation of an independent school district is financially feasible for the City of Sandy Springs. In fact, **projected revenues** for a separate Sandy Springs Independent School District from local, state and federal funding would have been approximately **\$163.3 million or \$16,675 per**

³ To assess the impact of student transfers into the district and enrollment into SSISD by students currently in private schools, we would be required to estimate various fixed and variable costs.

student in 2017.⁴ This is based on a detailed analysis of student and community characteristics, teachers' profiles and current laws and regulations.

In 2017, projected revenues for the deconsolidated Fulton County schools would have been \$850.5 million. This is the actual 2017 consolidated revenue of \$1,013.8 million less the reallocation of \$163.3 million revenue to a new SSISD. Please see Exhibit A for detailed revenue projections.

Projected costs of operation for the eleven Sandy Springs schools would have been \$52.2 million in 2017.⁵ These expenses would no longer accrue to a deconsolidated Fulton County School District but would fall to a new Sandy Springs district. Costs for operation of a Sandy Springs central office and services are projected to be \$13 million.⁶ Total 2017 SSISD school and district expenses are projected at \$65.2 million.

On net, revenues for operations of an independent Sandy Springs school district (\$163.3 million) would exceed school and new district operating costs by \$98.2 million annually. This surplus might be used to increase spending on students by 55 percent, from \$10,787 per student to the \$16,675 per student supported by deconsolidated total revenue. Additional education spending might fall between these amounts. Alternatively, some or all the excess revenue might be used to lower property taxes.

Reallocation also has consequences for a deconsolidated Fulton School District. After significant wealth-reallocation transfer by state and federal authorities, a deconsolidated Fulton would retain \$850.5 million in revenue (out of a consolidated total of \$1,013.8 million) and would shed the costs of \$52.2 million for operating Sandy Springs schools.⁷ A loss in **local** revenues of \$140.9 million is mitigated as state and federal funding grow as a share of total funding. The net reduction in resources available to Fulton after deconsolidation is \$111.1 million (\$163.3 million revenue loss less \$52.2 SS schools operating costs). This is the equivalent of \$1,183 per student per year.

This analysis did not cover how the transition of physical land, facilities and equipment will be handled, the financing of existing debt, or the allocation of current or future revenues designed to pay for capital expenditures. These decisions will likely be determined by negotiation between the two parties.

In summary, the creation of a Sandy Springs Independent School District is financially feasible. Our preliminary analysis of the differences in population demographics and

⁴ Details shown in Appendix A.

⁵ These costs include only operating costs and exclude food service, debt service, etc. Food service is excluded from both revenue and cost estimates.

⁶ This estimate should be further refined in future analysis, but \$13 million is based on costs of district offices for similar independent districts.

⁷ Note that student FTE will decline by 10.4% for FCSD. This may occasion a review and savings of costs in the superintendent's office.

characteristics between the Sandy Springs and the deconsolidated Fulton County district area suggest the prospective redistribution of revenues. A detailed reallocation of operating expenses between the two communities demonstrates that the projected income transferred to Sandy Springs will far exceed the transferred costs.

Background and Community Demographics

Sandy Springs was incorporated in 2005 when 94% of its residents voted to incorporate. It is the sixth largest city in Georgia and second in size only to the City of Atlanta in the metropolitan area. The governance and structure of Sandy Springs was distinguished in 2010 by its designation as a public-private partnership (PPP). All city services were assessed for privatization potential with the result that many services are now supplied by those private enterprises that can provide higher service at lower costs. In addition, “These challenges formed the basis for desiring a streamlined government physically closer to constituents and responsive to community desires.”⁸

This PPP concept might apply to the management of its educational system. A deconsolidation to focus and centralize the Sandy Springs schools may offer many additional savings, efficiencies and quality improvement. Like the city management philosophy, a smaller and streamlined management of Sandy Springs schools might become more responsive to the needs of residents, businesses, parents, teachers, and students.

As our analytics will demonstrate, the final redistribution of revenues and costs depends on the relative demographics of the Sandy Springs and Fulton economies and communities.

The City of Sandy Springs represents 27 percent of the land area of Fulton County and 6.7 percent of the general population. While the City was incorporated as an independent entity, the schools within the Sandy Springs City boundaries remained under the supervision of the Fulton County School District. The economies and demographics of the City of Sandy Springs and Fulton County are in some ways alike and in some ways different. The two school populations also display similarities and differences. Most importantly, similarities in student demographics mean that state and federally supplied funding per student will not change much in a deconsolidated situation. The distribution of local funding is determined on a per school/per city basis. School funding from local or property tax revenues “follows the child” and follows the school.

Demographics: Consolidated System, Sandy Springs, and Deconsolidated Fulton County

⁸ From City of Sandy Springs website. <http://www.sandyspringsga.gov/government/city-history-and-culture> April 14, 2019.

	Fulton County School District	Sandy Springs School District Deconsolidated	Fulton County Deconsolidated
Enrollment	93,894	9,794	84,100
Enrollment Share		10%	90%
Economically Disadvantaged	46%	52%	46%
Students with Disabilities	10%	10%	10%
Low English Proficiency	9%	21%	8%
Asian	11%	4%	11%
Black	42%	31%	44%
Hispanic	15%	34%	13%
White	29%	28%	29%
Multiracial	3%	3%	3%

*The QBE student count is 95,647 (an average of three student counts). We use 93,894 (FY 17 fall count, which matches our demographic statistics). Comparable student count for Sandy Springs schools is 9,794. Sandy Springs student count represents 10.4% of the consolidated Fulton County enrollment count.

Data, Methods and Analysis: Revenue Analysis and Redistribution

Sources for the data in this preliminary report include the Georgia Department of Education, the Governor's Office of Student Achievement, the Fulton County Board of Education, the Fulton County Tax Commissioner, and the City of Sandy Springs Tax Digest. QBE funding for a prospective Sandy Springs School District was calculated upon request by the Georgia Department of Education. In some instances, adjustments for differences in dates were required. For this reason, some numbers representing enrollment, spending, budgets, etc., may not appear consistent across tables. We have footnoted differences where possible and taken care to match dates and sources within any given analytical section. None of the differences were material to the analysis.

All 2017 revenues were allocated to one of the hypothetical systems (Sandy Springs Independent School District and deconsolidated Fulton County School District) based on relevant state and federal funding laws, rules and regulations. These funding rules depend on school location (property tax) and student and community demographics regarding number of special education students, family income, level of teacher training by school, etc. The rules at the state, and some federal programs, are intended to redistribute income from more prosperous communities to less prosperous communities. Reallocation of revenues required assessment of

community and student body characteristics and the details of the various state and federal funding regulations.

While Sandy Springs students comprise only 10.4% of the 2017 consolidated total FTEs, Sandy Springs contributed 23.7% of the locally funded FCSD revenues. In deconsolidation, Fulton loses a proportionately larger share of local tax revenues. In the consolidated formation, federal, state and other sources of revenues are in proportion to the percent enrollment. (This finding results from similarities in the student demographic profile.)

State QBE funding and many federal programs mandate a series of complex income or wealth redistribution schemes. The net result is an increase in state and federal funding that can only be projected by considering each specific funding source and the population attributes that determine funding amounts.

The current consolidated system (FCSD) is funded at 59% local, 36% state, and 5% federal. After deconsolidation, SSISD would be funded 86% from local sources, 11% from state sources, and 4% from federal sources.

Revenue Allocation and Reallocation

	Current FCSD	Sandy Springs	Deconsolidated FCSD
Local	59%	86%	53%
State	36%	11%	41%
Federal	5%	4%	6%
Other	0%	0%	0%

This pattern is also seen in the funding per student from each source. Prior to deconsolidation, per-student funding of \$10,787 was provided by local (\$6,333), state (\$3,762) and federal (\$565) revenues. After deconsolidation, DFCS students' funding of \$10,103 is derived from local (\$5,397), state (\$4,019), and federal (\$560). So, for the deconsolidated FCSD the \$937 per student loss of property tax funding and \$5 loss in federal funding is partially offset by an increase in \$258 in state funding. On net the deconsolidation will mean \$685 less in net revenue available for Fulton County students. This difference can be substantially, if not totally offset with changes in spending at the district level. A reduction in FTE by 10% may occasion a review of structure and spending at the central office.

Revenue Per Student Allocation

	Current FCSD	Sandy Springs	Deconsolidated FCSD	FCSD Change
Local	\$6,333	\$14,388	\$5,397	\$(937)

State	3,762	1,548	4,019	258
Federal	565	\$613	\$560	(5)
Total	\$10,787	\$16,675	\$10,103	\$(685)

Data, Methods and Analysis: Cost Analysis and Distribution

Costs were aggregated to SSISD based on a detailed analysis of Georgia Department of Education expenditure data for the Sandy Springs schools in 2017. Details are shown in Appendix B.

Because the proposed new district is relatively self-contained within the City of Sandy Springs boundaries, costs for the new SSISD system were extracted from the dataset by school. Since no operating changes are planned, 2017 costs would have been the same whether the school operated under consolidated FCSD or autonomously.

We considered the detailed cost structure for the current operation of the Sandy Springs cluster of schools. We segregated the costs of operating a school, a classroom, and an individual student from the cost of operating the district management apparatus. The cost of a separate, much smaller SSISD central office was estimated at \$13 million and was added that to the projected costs of operating Sandy Springs’s schools and classrooms and serving its students. We replaced Sandy Springs’s share of the cost of Fulton County’s School District office with a smaller, but at least as effective SSISD office. Since few other educational operations or costs are required to change, these estimates based on 2017 costs and adjustments are the best predictors of future costs.

In 2107, all operating costs allocated to Sandy Springs schools within Fulton County records was \$264,098,567. With a deconsolidation, many of those costs would be allocated to a deconsolidated Fulton County district. Operating costs that would ‘stay’ with Sandy Springs schools are projected to be \$52,156,201. This result represents the total expenses allocated to Sandy Springs within Fulton County accounts **less** amounts that would accrue to a deconsolidated Fulton County central office and district costs. The allocations that would remain with Fulton County total \$211,942,366.

This is not to say the deconsolidation would result in no operational changes. In fact, a deconsolidation that facilitates more efficient resource allocation by the new district superintendent and school principals should result in cost savings and improved educational results. We expect that both deconsolidated districts can reorganize for very substantial savings in central district costs. Such costs savings are consistent with Sandy Springs’ principle of privatization of various public services.

This analysis tested the financial feasibility of a SSISD with programming similar to current operations. We find that the proposal is not only feasible, but generates a surplus of net revenue of nearly \$100 million per year. We also noted that the central purpose of creating a smaller, independent district is to improve educational outcomes for students. We expect that a smaller community school district with more intensive community and parent oversight will result in better educational outcomes. Moreover, the financial analysis indicates that the community could potentially increase the expenditure on schooling per student of nearly 60%.