

# **Proposed Dunwoody Independent School District Financial Feasibility**

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## **Introduction and Summary of Conclusions**

This report on the financial feasibility of forming a Dunwoody Independent School District was commissioned by the City of Dunwoody, through the Dunwoody Parents Concerned about Quality Education, a community group formed in 2013 to explore opportunities to improve public education in Dunwoody.

Dunwoody's public school students (6,008<sup>2</sup> students in 2012) attend one of the seven public schools located within the city limits. All of these schools are currently under the management and supervision of the DeKalb County Public School District (97,297 students in 2012). Together, the seven Dunwoody schools comprise a relatively self-contained cluster that could conceivably be operated as an independent public school district.

The report is specifically designed to assess whether educational services provided to the recently founded City of Dunwoody by the DeKalb County School District could be provided more efficiently with a leaner organizational form. The question is whether a Dunwoody Independent School District (DISD) can potentially manage a single 'cluster' of Dunwoody schools (one high school, and 'feeder' middle school and elementary schools) and deliver the same or better district educational and management services at lower cost.

Such organizational reform may be not only financially prudent but would facilitate the classroom-centered and child-centered operations without the organizational encumbrances of a district organized to serve 98,000 children. Significant changes in information technology have substantially altered the economies of scale arguments that previously argued for larger school districts. Smaller districts are consistent with educational reform that emphasizes child-centered education.

This report assesses the financial feasibility of a smaller Dunwoody Independent School District with analysis of the most detailed and accurate available data. We reallocate the sources of revenue and allocations of cost from the current consolidated DeKalb County School District (which now supervises Dunwoody schools) to project revenue and cost allocations as if a separate and independently controlled Dunwoody School District (DSD) had existed in 2012. We also reallocate resources based on the number

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<sup>2</sup> Enrollment numbers are provided in various forms. For 2012 QBE calculations, FTE for Dunwoody schools is 6,008. In other contexts, enrollment is provided as of a particulate date, usually October 2012.

of students who would transfer into schools within the new boundaries as well as students who are expected to move from private schools into the new DISD.<sup>3</sup>

The Dunwoody schools are currently managed and controlled under the operational and financial umbrella of the DeKalb County School. If the Dunwoody 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 Dunwoody Independent School District (DISD). Other revenues would remain allocated to what we term the deconsolidated DeKalb County School District (DDCSD). The allocation of 2012 revenue to either the independent Dunwoody district or the deconsolidated DeKalb district depends on detailed and specific characteristics of the two student populations, supporting communities, and the experience and educational profile of the assigned teachers.

Likewise, the analysis reallocates the consolidated DeKalb County School District 2012 costs between an independent Dunwoody district and a deconsolidated DeKalb district. Using line-item cost detail, we calculated those operating costs of the DISD that are required for each new school, classroom, and student. These estimates of various fixed and variables costs allowed us to project cost shifts for students who would transfer to new schools across new boundaries and student currently in private schools who are projected to transfer to DISD.

This reallocation of revenues and costs (including projected costs of a new Dunwoody Independent School District central office) allows the conclusion that deconsolidation and formation of an independent school district is financially feasible for the City of Dunwoody. In fact, projected revenues for a separate Dunwoody Independent School District from local property tax allocations, state funding, and federal funding would have been \$78.7 million in 2012 (based on student and community characteristics, teachers' profiles and current laws and regulation). Costs of \$37.8 million in 2012 would no longer have accrued to a deconsolidated DeKalb County School District, but would have fallen to a new Dunwoody district. Costs for operation of a Dunwoody central office and services are projected to be \$10.3 million. On net, revenues for operations of an independent Dunwoody school district would exceed school and district operating costs by \$30.7 million annually.

Reallocation also has consequences for a deconsolidated DeKalb School District. After significant wealth-reallocation transfer by state and federal authorities, a deconsolidated DeKalb would lose \$77.3 million in revenue (out of a consolidated total of \$863.6 million) and \$50.5 million in costs. A loss in local revenues of \$57.2 million is mitigated as state and federal funding grow as a share of total funding. The net reduction in resources available to DeKalb after deconsolidation is \$26.8 million. This is the equivalent of \$293 per student per year.

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<sup>3</sup> See Appendix C for detail.

## Final Revenue and Cost Projections

	<b>Current DeKalb County School District (DCSD)</b>	<b>Dunwoody Independent School District (DISD)</b>	<b>Deconsolidated DCSD</b>
FTE <sup>4</sup>	97,297	6,237	91,427
Revenues	\$863,582,408	\$78,746,432	\$786,297,746
Costs	<u>\$916,216,645</u>	<u>\$48,049,321</u>	<u>\$865,686,903</u>
Net Revenue <sup>5</sup>	(\$52,634,237)	\$30,697,110	(\$79,389,157)
Net Revenue Gain (Loss) for DCSD			(\$26,754,920) <sup>6</sup>

## Summary

We conclude that the creation of a Dunwoody Independent School District is financially feasible. Our projected revenue estimates are based on the most detailed possible match of the Dunwoody student population demographics with funding source regulations.

Costs were aggregated to DISD based on a detailed analysis of Georgia Department of Education expenditure data for the Dunwoody schools in 2012. The schools located within the Dunwoody City limits form an educationally comprehensive and relatively self-contained K-12 system. We also adjusted the 2012 cost information to account for the relatively few children who would transfer between districts based on new boundaries and Dunwoody children transferring in from private or home schooling. We estimated the cost to operate a Dunwoody district office to be \$10.3 million, a substantial cost saving. Since few other educational operations or costs are likely to change estimates based on 2012 costs and adjustments are the best predictors of future costs.

The revenues available to operate Dunwoody's schools and a new Dunwoody district office will be more than sufficient to support the cost of current educational operations.

<sup>4</sup> The DCSD FTE is based on the QBE FTE calculation. The remaining FTE numbers are based on QBE FTE calculations plus an adjustment for student transfers discussed in Appendix C.

<sup>5</sup> The DeKalb County School District ran an operating deficit of \$52.6 million in 2012.

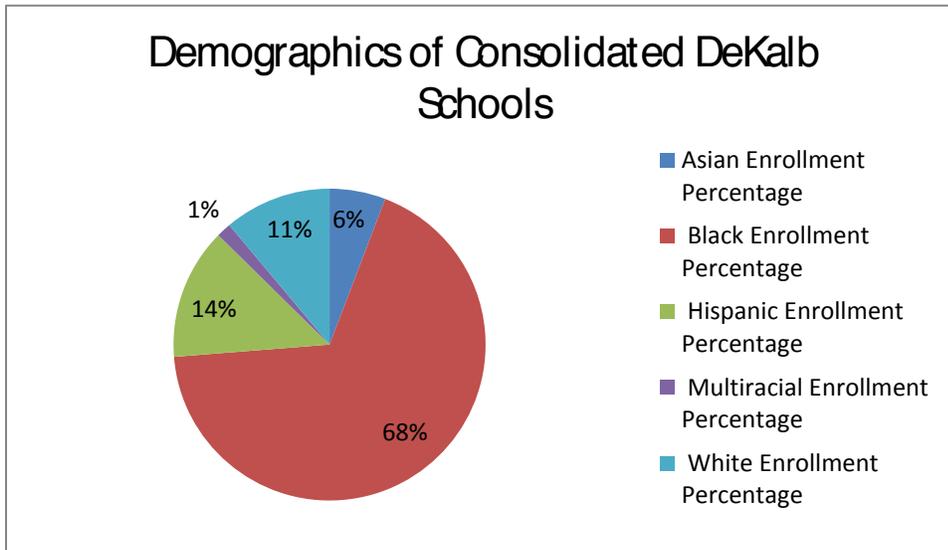
<sup>6</sup> This assumes DCSD central office costs are reduced in proportion to its loss of students.

## Background and Community Demographics

Dunwoody became a city at midnight on December 1, 2008 following a community-led movement to incorporate the City. Located in northern DeKalb County, west of Norcross and east of Sandy Springs, the City of Dunwoody is bordered to the north by Dunwoody Country Club and to the south by Interstate 285.<sup>7</sup>

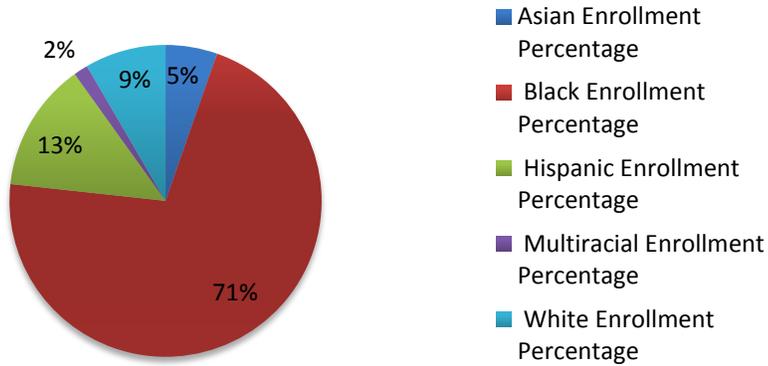
The City of Dunwoody represents 4.9 percent of the land area of DeKalb County and 6.7 percent of the general population. (Detailed demographics are provided in Appendix A.)

While the City incorporated as an independent entity, the schools within the Dunwoody City boundaries remained under the supervision of the DeKalb County School District. Just as the economies and demographics of the City of Dunwoody are different from those of DeKalb County, the two school populations are also different.

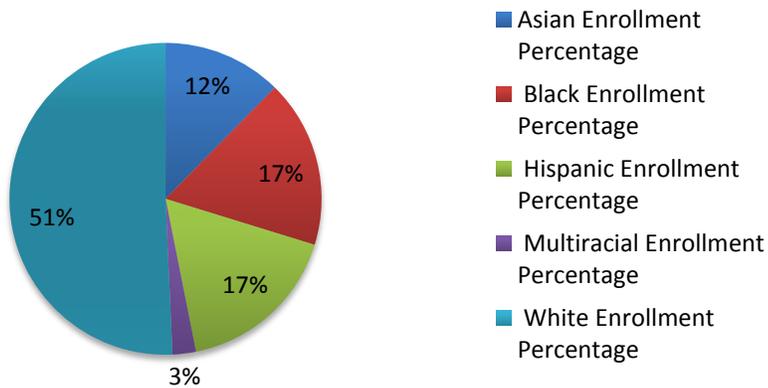


<sup>7</sup> City of Dunwoody Community Assessment, [http://dunwoodyga.gov/Libraries/Community\\_Development\\_Documents/Com\\_Assessment\\_Exc\\_5\\_21\\_09.sflb.ashx](http://dunwoodyga.gov/Libraries/Community_Development_Documents/Com_Assessment_Exc_5_21_09.sflb.ashx)

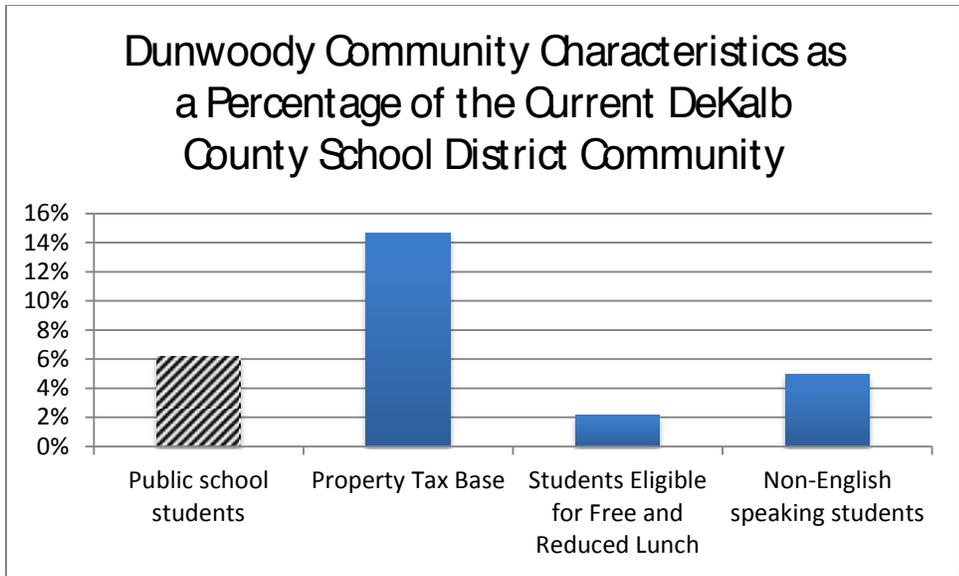
### Demographics of Deconsolidated DeKalb Schools



### Demographics of Proposed Dunwoody Independent School District



The demographics of the school populations are a reflection of the demographics of the two communities. Dunwoody is relatively more affluent with a larger property tax base relative to its proportion of public school students. Out of its share of public school students, relative fewer qualify for free or reduced lunch and fewer are native English-speaking than the DeKalb community with which it is now joined through the common school district.



**Methods and Analysis: Overview**

Financial feasibility was assessed by allocating the revenues and costs of the currently consolidated DeKalb County School District as if the Dunwoody Schools cluster had operated as an independent system in 2012. Adjustments were made for students who would transfer schools due to new system boundaries, students expected to enter DISD from private or home schooling and the cost of operating a new district central office.

Our analysis draws on different financial data sets (tax rolls, educational budgets and spending records, etc.), population and demographic information, and enrollment information, adjustments for differences in dates, etc., were required. For this reason, 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.

**Methods and Analysis: Revenue Analysis and Redistribution**

All 2012 revenues were allocated to one of the hypothetical systems (Dunwoody Independent School District and deconsolidated DeKalb County School District) based on relevant state and federal funding laws and restrictions. These funding rules depend on school location (property tax) and student and community demographics regarding number of special education students, income, level of teacher training by school, etc. The rules at the state and federal levels are intended to redistribute income from more prosperous communities and families 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.

## Final Revenue Projections

	<b>Current DeKalb County School District (DCSD)</b>	<b>Dunwoody Independent School District (DISD)</b>	<b>Deconsolidated DCSD</b>
FTE	97,297	6,237*	91,427*
Property taxes	\$385,300,075	\$56,435,178	\$328,864,897
Other local revenue <sup>8</sup>	<u>\$13,083,145</u>	<u>\$798,709</u>	<u>\$12,284,436</u>
Total local funding	\$398,383,220	\$57,233,887	\$341,149,333
State Funding	\$355,003,024	\$16,370,407	\$339,746,493
Federal Funding	\$73,953,904	\$2,818,911	\$71,346,183
Other Revenues <sup>9</sup>	<u>\$36,242,260</u>	<u>\$2,323,226</u>	<u>\$34,055,738</u>
<b>Total Revenues**</b>	<b>\$863,582,408</b>	<b>\$78,746,432</b>	<b>\$786,297,746</b>

\* These FTE counts include student transfers explained in Appendix C. Columns do not sum. Column 1 represents actual revenues. Columns 2 and 3 are hypothetical including deconsolidation, cross district transfers and additional students from private and home schools.

While Dunwoody students comprise only 6% of the 2012 consolidated total FTEs, Dunwoody contributed 14% of the consolidated total local revenues. Thus, in deconsolidation, DeKalb loses a proportionately larger share of local tax revenues and Dunwoody loses a proportionately larger share of state and federal revenues.

State and federal statutes 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 details of our revenue projections are contained in Appendix B.

The current consolidated system is funded at 46% local, 41% state, and 9% federal. After deconsolidation, DISD would be funded 73% from local sources, 21% from state sources, and 4% from federal sources. Deconsolidated DCSD would be funded at 43% local, 43% state and 9% federal.

## Final Revenue Allocation

	<b>Current DCSD</b>	<b>Dunwoody</b>	<b>Deconsolidated DCSD</b>
Local	46%	73%	43%
State	41%	21%	43%
Federal	9%	4%	9%

<sup>8</sup> See Appendix B.

<sup>9</sup> See Appendix B.

Other	4%	3%	4%
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This pattern is also seen in the change in funding per student from each source. Prior to deconsolidation, per-student funding of \$8,876 was provided by local (\$4,095), state (\$3,649) and federal (\$760) revenues. After deconsolidation, DDCSD students' funding of \$8,600 is derived from local (\$3,731), state (\$3,716), and federal (\$780). So, state funding for each student in the deconsolidated DCSD is increased by \$67 in state funding and by \$20 in federal funding.

**Final Revenue Per Student Allocation**

	<b>Current DCSD</b>	<b>Dunwoody</b>	<b>Deconsolidated DCSD</b>	<b>DCSD Change</b>
Local	\$4,095	\$9,177	\$3,731	(\$363)
State	\$3,649	\$2,625	\$3,716	\$67
Federal	\$760	\$452	\$780	\$20
Other	<u>\$372</u>	<u>\$372</u>	<u>\$372</u>	<u>\$0</u>
Total	\$8,876	\$12,626	\$8,600	(\$275)

With 6% of the students<sup>10</sup>, Dunwoody retained 5% of state funding. Since state funding is the second largest source of funding, a reduced share is significant. Dunwoody students retained only 4% of federal funding.

**Methods and Analysis: Cost Analysis and Distribution**

We also considered the detailed cost structure for the current operation of the Dunwoody 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. We estimated the cost of a separate, much smaller DISD office and added that to the projected costs of operating Dunwoody's schools and classrooms and serving its students. In essence, we replace Dunwoody's share of the cost of DeKalb County's School District office with a smaller, but at least as effective DISD office.

Costs were aggregated to DISD based on a detailed analysis of expenditures based on data provided by the Georgia Department of Education.<sup>11</sup> The seven existing schools located within the Dunwoody city limits form an educationally comprehensive and self-contained K-12 system. The five elementary schools feed into one middle school and then into one high school.

Because the proposed new district is relatively self-contained within the City of Dunwoody boundaries, costs for the new DISD system were extracted from the data set by school. Since no operating changes are planned, 2012 costs would have been the same whether the school operated under consolidated DCSD or autonomously.

<sup>10</sup> Enrollment is 6.17% of total DeKalb district before deconsolidation and 6.41% after student transfers are considered. As an independent district, DISD adds 229 students (transfers and increase from private schools) accounting for a small increase in state and federal funding.

<sup>11</sup> For the purposes of this study, it is assumed DISD will continue to contribute to the Teachers Retirement System of Georgia and provide comparable health benefits.

This is not to say the deconsolidation would result in no operational changes. In fact, a deconsolidation that facilitates more efficient resource allocation by principals should result in cost savings and improved educational results over time.

	<b>Enrollment<sup>12</sup></b>
<b>Elementary Schools</b>	
Austin Elementary School	647
Chesnut Elementary School	471
Dunwoody Elementary School	952
Kingsley Elementary School	587
Vanderlyn Elementary School	778
<b>Middle School</b>	
Peachtree Middle School	1,339
<b>High School</b>	
Dunwoody High School	1,511
<b>TOTAL ENROLLMENT</b>	<b>6,285</b>

Relatively few children would be transferred to different schools. Our estimates for the children transferring to conform to new district boundaries is included in our revenue and cost analysis. Aside from a reduction in district office size, few other educational operations or costs are likely to change. (The costs below do not account for student transfers discussed later in the report.)

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<sup>12</sup> Enrollment numbers are based on the October 2012 student count. For funding purposes, a rolling average is used for the state QBE formula, so the numbers will not match.

**Cost Allocation *Before* Adjusting for Student Transfers**

	<b>Current DeKalb County School District (DCSD)</b>	<b>Dunwoody Independent School District (DISD)</b>	<b>Deconsolidated DCSD</b>
School costs		\$9,962,838	
Classroom costs		\$26,377,519	
Student costs		<u>\$430,025</u>	
Total School, Classroom and Student Costs	\$677,510,887	\$36,770,383	\$640,740,505
District or Central Office <sup>13</sup>	<u>\$238,705,758</u>	<u>\$10,281,933</u>	<u>\$223,965,898</u>
<b>Total Costs<sup>14</sup></b>	<b>\$916,216,645</b>	<b>\$ 47,052,316</b>	<b>\$864,706,403</b>

After deconsolidation, DISD district costs are projected as if a new district office is opened and staffed. No costs are transferred from the DeKalb district office. Rather, we used Marietta City School District central office as a guideline for the operating costs attributable to a new office.

The Marietta City School District is larger and slightly more complex than DISD with nearly 35% higher enrollment, two more elementary schools and several significant, special programs; however, Marietta is the most similar Georgia urban school system in terms of demographics and size to the proposed DISD. Costs for Marietta City School District central office are reported in the DOE data (consistent with central office reporting costs for all school districts) as \$13.7 million.

DISD central office costs were estimated at 75% of Marietta central office costs. The school systems were compared on weighted differences between the average FTE in each category of school – elementary, middle (or middle + 6<sup>th</sup> grade only), and high school. All of these comparisons resulted in the ratios of 74-75% consistently. Relatively small differences in costs of office space in the two locations were not considered in the project. We consider the estimate of \$10.3 million cost for a DISD to be conservatively high. Since Marietta has several programs that would raise central office costs, it is likely that Dunwoody costs would be less than 75% of Marietta costs.

District or central office costs are segregated in the DOE data from school, program and other operating costs. The total central office cost for the consolidated DeKalb County School District was \$238,705,758 in 2012. In deconsolidation, we assumed the deconsolidated DCSD central office costs could decline by 6%, the proportionate reduction in DCSD FTE due to deconsolidation. This is just an estimate. The eventual cost reduction is dependent on decisions about district office organization and possible reorganization. The deconsolidation could be an occasion for an extensive review that may

<sup>13</sup> Assumes DCSD central office costs decline by approximately 6%, the proportionate reduction in FTE due to deconsolidation.

<sup>14</sup> Revenues and costs were not equal in 2012. The DeKalb School District ran a deficit of \$53 million in that year.

result in more substantial central office cost reductions. As an alternative, the district could elect to manage a student body at approximately 94% of former size with the same personnel and costs.

## Methods and Analysis: Other Financial Considerations

### Facility and Startup Costs

The estimates discussed throughout this report are limited to operating revenues and expenses, and do not include revenues or expenses related to capital expenditures. This would include the existing buildings, desks, computer equipment, school buses, athletic equipment, etc.

We estimate that at least \$5 million should be budgeted for startup costs to hire and pay central office staff for at least six months before the first school year begins, to pay for furniture, fixtures and equipment, rent for office space and repair and maintenance of facilities.

As with the disposition of parks and other existing assets related to the creation of the City of Dunwoody, it is assumed this will be a negotiation. The most logical funding stream for the purchase of these assets is the existing SPLOST, which will also require negotiation.

Listed below are the seven school facilities in the proposed Dunwoody district with their assessed value as obtained on the DeKalb County Tax Commissioner’s Web site.<sup>15</sup>

<u>School</u>	<u>Address</u>	<u>Assessed Value</u>
Austin Elem.	5435 Roberts Drive	\$2,881,800
Dunwoody Elem.	1923 Womack Road	\$254,300
Kingsley Elem.	2051 Brendon Drive	\$64,800
Peachtree Middle	4664 N Peachtree Road	\$6,080,500
Chesnut Elem.	4576 N Peachtree Road	\$2,499,800
Vanderlyn Elem./Dunwoody HS	1877 Vanderlyn Drive	<u>\$9,375,100</u>
		\$21,156,300

Since Austin Elementary is already scheduled to be replaced with current SPLOST revenue, the cost of “purchasing” the remaining school properties and buildings at their assessed value would be \$18,274,500. DISD would be in a position to negotiate a proportionate share of any future SPLOST reauthorizations that would be available for capital improvements.

The 2011 Comprehensive Facility Assessment Report<sup>16</sup> estimated capital improvement costs for all DeKalb schools. The total estimated costs for Dunwoody schools, excluding Austin Elementary, is \$38,421,558. This includes costs for “Deferred Maintenance,” “Educational Adequacy” and “Technology Readiness.”

<sup>15</sup> Source: <http://web.co.dekalb.ga.us/TaxCommissioner/TCDisplay.asp?ParcelStatus=Y&pin=3897277>

<sup>16</sup> 2011 Comprehensive Facility Assessment Report, [http://www.dekalb.k12.ga.us/www/documents/vision-2020/facility-report-\(2011\).pdf](http://www.dekalb.k12.ga.us/www/documents/vision-2020/facility-report-(2011).pdf)

<b>Facility Name</b>	<b>Year Built</b>	<b>Gross Square Footage</b>	<b>2011-2012 Deferred Maintenance Estimated Budget Cost</b>	<b>2011-2012 Educational Adequacy Estimated Budget Cost</b>	<b>2011-2012 Technology Readiness Estimated Budget Cost</b>	<b>Current Replacement Value</b>
Austin Elem	1975	60,581	\$4,649,209	\$3,517,000	\$28,000	\$13,219,479
Chesnut Elem	1969	52,018	\$5,007,535	\$2,051,000	\$50,000	\$11,491,572
Dunwoody Elem	2009	150,020	\$16,568	\$2,444,000	\$23,000	\$44,725,846
Kingsley Elem	1971	60,378	\$6,020,584	\$1,734,000	\$65,000	\$12,414,305
Vanderlyn Elem	1973	58,951	\$3,090,438	\$2,067,000	\$14,000	\$11,619,629
Peachtree MS	2006	147,300	\$186,524	\$1,860,000	\$114,000	\$32,643,840
Dunwoody HS	1972	<u>182,604</u>	<u>\$8,082,909</u>	<u>\$5,428,000</u>	<u>\$167,000</u>	<u>\$49,827,995</u>
		711,852	\$27,053,767	\$19,101,000	\$461,000	\$175,942,666

## **Opportunities for Improvement in Educational Programming and Outcomes and for Additional Cost Savings**

A proposed Dunwoody Independent School District is projected to have operating revenues of \$78.7 million to serve an estimated 6,237 students, which equals \$12,626 per student. Compared to all other school systems in Georgia in FY 2012, this per-student revenue would rank 9<sup>th</sup> highest. The enrollment would rank 57<sup>th</sup> largest.

The projected operating expenditures of \$48 million, or \$7,704 per student, would rank 158<sup>th</sup> highest.

Net operating income is projected to be \$30.7 million. If operating expenses rose to \$9,530, equal to the Marietta City School District (ranked 40<sup>th</sup> highest in the state), net operating income would be \$19.3 million.

DeKalb County School District has projected enrollment growth in the Dunwoody schools to average approximately 3.7% per year. Local property tax revenues, which make up more than 70% of the proposed Dunwoody revenues, is projected to grow at 3-5% per year based on interviews with City of Dunwoody officials.

Our analysis tested the financial feasibility of a DISD with programming similar to current operations. Our findings are that the proposal is not only feasible, but generates a surplus of net income. We also noted that the central purpose creating a smaller, independent district is to improve educational outcomes for our children.

There are several possible programming changes that become financially viable and may contribute to improvement in educational outcomes.

One is to increase teacher salaries. A 10% raise for every teacher would cost approximately \$1.7 million a year.<sup>17</sup>

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<sup>17</sup> Appendix E.

Another opportunity is to reduce class sizes, though academic research suggests that educational outcomes are not altered with reduced class size. Bringing the student-teacher ratio in every elementary school to 19:1 or lower adds 23 new classrooms to the system for a total cost of approximately \$2.3 million. Class sizes are already 19 or less in middle and high schools.

### **Outsourcing of Non-Instructional Services**

A newly independent system would also have the opportunity to further streamline operations and reduce costs by outsourcing non-instructional services. Cost savings from contracting out government services has been estimated as falling between 5 and 20 percent.<sup>18</sup> Using data on operating expenditures for transportation, nutrition and custodial personnel we estimate possible savings of between \$381,000 and \$1.5 million.

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<sup>18</sup> Estimate provided by Reason Foundation.

## Appendix A: Georgia, DeKalb County, and Dunwoody Geographical and Population Demographics<sup>19</sup>

	<b>Georgia</b>	<b>DeKalb County</b>	<b>Dunwoody</b>
Land area in square miles, 2010	57,513	268	13
Persons per square mile, 2010	168	2,586	3,574
Population, 2012 estimate	9,919,945	707,089	47,224
Population, percent change, April 1, 2010 to July 1, 2012	2.4%	2.2%	2.1%
Persons under 5 years, percent, 2012	7.1%	7.3%	7.3%
Persons under 18 years, percent, 2012	25.7%	23.9%	23.4%
White alone, percent, 2012	59.7%	37.4%	69.8%
Black or African American alone, percent, 2012	30.5%	54.6%	12.6%
American Indian and Alaska Native alone, percent, 2012	0.3%	0.6%	0.3%
Asian alone, percent, 2012	3.2%	5.5%	11.1%
Native Hawaiian and Other Pacific Islander alone, percent, 2012	0.1%	0.1%	0.1%
Two or More Races, percent, 2012	2.1%	2.0%	2.3%
Hispanic or Latino, percent, 2012	8.8%	9.5%	10.3%
White alone, not Hispanic or Latino, percent, 2012	55.9%	29.9%	64.1%
Living in same house 1 year & over, percent, 2007-2011	83.0%	79.8%	82.0%
Foreign born persons, percent, 2007-2011	9.7%	16.3%	22.5%
Language other than English spoken at home, percent age 5+, 2007-2011	12.9%	18.1%	25.7%
High school graduate or higher, percent of persons age 25+, 2007-	84.0%	88.3%	95.2%

<sup>19</sup> <http://quickfacts.census.gov/qfd/states/13/1324768.html>

2011			
Bachelor's degree or higher, percent of persons age 25+, 2007-2011	27.5%	39.3%	66.5%
Homeownership rate, 2007-2011	66.8%	58.2%	56.8%
Housing units in multi-unit structures, percent, 2007-2011	20.5%	36.0%	48.1%
Median value of owner-occupied housing units, 2007-2011	\$160,200	\$185,100	\$376,600
Persons per household, 2007-2011	2.68	2.54	2.39
Per capita money income in the past 12 months (2011 dollars), 2007-2011	\$25,383	\$28,843	\$44,137
Median household income, 2007-2011	\$49,736	\$51,712	\$74,411
Persons below poverty level, percent, 2007-2011	16.5%	17.1%	10.4%

## Appendix B: Revenue Redistribution

### Details, Specifics and Breakdown of Revenue Analysis

<b>DCSD FY12 Actual from FY14 budget</b>		
	<u>Revenue</u>	<u>Expenditures</u>
Property Taxes	\$ 386,347,539	
Other Local	13,083,145	
Local Total	399,430,684	
QBE	515,448,771	
Austerity	(64,446,399)	
Local 5 Mills	(108,441,680)	
Other	11,174,207	
State Total	353,734,899	
Federal	<u>231,045</u>	
General Fund Total	\$753,396,628	\$804,469,652
Other		
Special Revenue	96,285,149	110,628,371
Debt Service	91,633,970	91,633,650
Capital Outlay	104,431,993	92,875,088
Enterprise	59,181,165	58,761,334
Trust and Agency	<u>17,072,569</u>	<u>16,655,142</u>
Grant Totals	\$1,122,001,474	\$ 1,175,023,237

### Local Tax Revenues

The DeKalb County Tax Commissioner's office provided a breakdown of school taxes levied on residents of the City of Dunwoody compared to the school taxes levied countywide.<sup>20</sup> This included one report that included data on real estate,<sup>21</sup> personal property, mobile homes, heavy equipment and public utilities and another report that included motor vehicles.<sup>22</sup>

This calculation indicates that the City of Dunwoody accounts for 14.65 percent of the net assessed property tax digest of DeKalb County for school taxes.

<sup>20</sup> The Georgia Department of Revenue publishes the property tax digest of every local government in the state. Based on this data, the City of Dunwoody tax digest for M&O is 15.8 percent of the digest used in calculating school taxes for DeKalb County. However, this comparison can be inaccurate because the tax digest used to levy taxes for the City of Dunwoody does not contain some of the exemptions involved when calculating school taxes.

<sup>21</sup> Properties under appeal are temporarily taxed based on 85 percent of their value. In the calculations above, the taxes levied are based on 100 percent values.

<sup>22</sup> Georgia is in the process of shifting the way it taxes motor vehicles from an ad valorem tax to a sales tax. Based on an interview with Dunwoody Finance Director Christopher Pike, we do not plan to modify growth projections in the local tax base to account for this change.

In addition to determining the property tax revenue for the proposed Dunwoody Independent School System, this percentage will be used to allocate the Local Five Mill Share in the state QBE funding formula.

<b>FY 2012 Ad Valorem Taxes Levied for Schools</b>	
<b><u>Countywide</u></b>	<b><u>Dunwoody</u></b>
\$385,300,075.37 <sup>23</sup>	\$56,435,178.16
<b>100.0%</b>	<b>14.65%</b>

Of the remaining Local Revenues listed in the DCSS Budget, the following will be allocated on a per student basis:

- Sales Taxes: \$5.6 million
- Other Taxes: \$4.7 million
- Other Local Revenues: \$2.6 million

Other local revenue that will remain with DCSS:

- Investment Income: \$127,751
- Sale of Fixed Assets: \$20,648

Assuming the current millage rate of 23.980 mills<sup>24</sup>, the net assessed value for Dunwoody school taxes is approximately \$2,353,426,940.

Based on an interview with the City of Dunwoody Finance Director, the 2012 tax digest was the low point during the recession. He believes future growth will be in the range of 3-5 percent per year.

### **State Funding**

State funding is based on several factors:

**Weighted student counts:** Local school systems in Georgia submit student full-time equivalent (FTE) counts to the state in the Spring and Fall of each year. The state’s funding formula is based upon a formula that uses the last three FTE counts. It is necessary to allocate each FTE into one of 19 program categories that each carry a different funding weight.

**Teacher Training and Experience (T&E):** Teachers are paid in Georgia, as in most states, based on a combination of their degrees earned and their years of experience. The state uses this information in

<sup>23</sup> The amount listed under actual ad valorem taxes for 2012 in the FY2014 DeKalb County School District Budget Proposal is \$386,347,539, which is a less than 1 percent difference from the amount provided by the DeKalb County Tax Commissioner’s office.

<sup>24</sup> Millage rates for schools are capped at 20 mills, even though some systems like DeKalb are granted an exemption from this law. We have been asked to assume that the Dunwoody millage rate would not change for this analysis.

calculating its funding. We have gathered the training and experience data on all the teachers in DeKalb by school.

### Teacher Training and Experience

This chart compares the training and experience of the teachers in DCSD schools compared to the non-Dunwoody schools in the DCSD.<sup>25</sup>

Certification	Number		Percentage	
	DCSD	DISD	DCSD	DISD
T-1	11	0	0%	0%
T-2	14	0	0%	0%
BT-4	300	4	4%	1%
T-4	1,772	143	24%	33%
BT-5	112	2	1%	0%
T-5	3,517	223	47%	51%
BT-6	5	0	0%	0%
T-6	1,338	56	18%	13%
BT-7	6	1	0%	0%
T7	424	9	6%	2%

Years of Service	Number		Percentage	
	DCSD	DISD	DCSD	DISD
0, 1, 2	683	43	9%	10%
3	352	28	5%	6%
4	322	17	4%	4%
5	308	26	4%	6%
6	304	13	4%	3%
7	307	23	4%	5%
8	293	23	4%	5%
9, 10	576	32	8%	7%
11, 12	602	25	8%	6%
13, 14	561	28	7%	6%
15, 16	538	37	7%	8%
17, 18	480	23	6%	5%
19, 20	419	29	6%	7%
20+	1,754	92	23%	21%

**Local Five Mill Share:** Every school system is expected to contribute at least five mills of property tax to their schools in order to qualify for state funding. This amount is calculated and deducted from state

<sup>25</sup> The state salary schedule for FY 2012 can be viewed here:  
<http://archives.gadoe.org/DMGetDocument.aspx/FY%202012%20Annual%20State%20Salary%20Schedule.pdf?p=6CC6799F8C1371F6CC083FC5FCEF44D50764DA19750B50ACFDE1D95143AB5E01&Type=D>

funding. The portion of the DeKalb County Local Five Mill Share allocated to Dunwoody will be equal to Dunwoody's percentage of the DeKalb County property tax digest (14.65%).

**Equalization:** Equalization is intended to narrow the gap between systems in terms of property tax wealth per pupil. This program was amended by legislation passed last year, making it very unlikely that a Dunwoody school system will be eligible for funding.

### **Federal Funding**

The following describes the calculation of the Federal funding based on existing enrollment and before accounting for student transfers.

Of the \$74 million of federal funding for the DCSD, 86% comes from three programs: Title I (\$42 million), Special Education (\$17 million) and Title II (\$4 million).

Title I funding is based on children in poverty. Of all the students in DeKalb County, 2% of the students eligible for free and reduced lunch attend a school in Dunwoody, so 2% of the Title I funding is allocated to Dunwoody.

Of all the students in DeKalb County, 6.2% of the students with special needs attend a school in Dunwoody, so 6.2% of the special education funding is allocated to Dunwoody.

Title II funding is allocated based on enrollment and poverty, with poverty weighted higher. This calculation results in an allocation of 3% of the Title II funds to Dunwoody.

Title III funding is based upon the number of ESOL students, so 5% of these funds are allocated to Dunwoody.

### **Revenue Estimate**

The Finance and Business Operations department of the Georgia Department of Education provided an estimate of state QBE funding for the proposed Dunwoody System.

The "austerity" reduction of \$64,446,399 is 12.4% of the total QBE funding for DeKalb, so we used this percentage to allocate the austerity reduction to the Dunwoody School System. As mentioned above, the Local Five Mill Share was allocated based on the property tax digest of the two systems, with Dunwoody being allocated 14.65% of the \$108,441,678 reduction.

Categorical state grants were primarily funds for pupil transportation and nursing services. These grants were allocated on a per student basis.

Based on these estimates, on a per-student basis Dunwoody will receive less state and federal funding than DeKalb, but its local funding will be substantially higher. DeKalb County would see small increases in state and federal funding, but a decrease in local funding would mean a net reduction funding of \$270 per student. This is before accounting for student transfers.

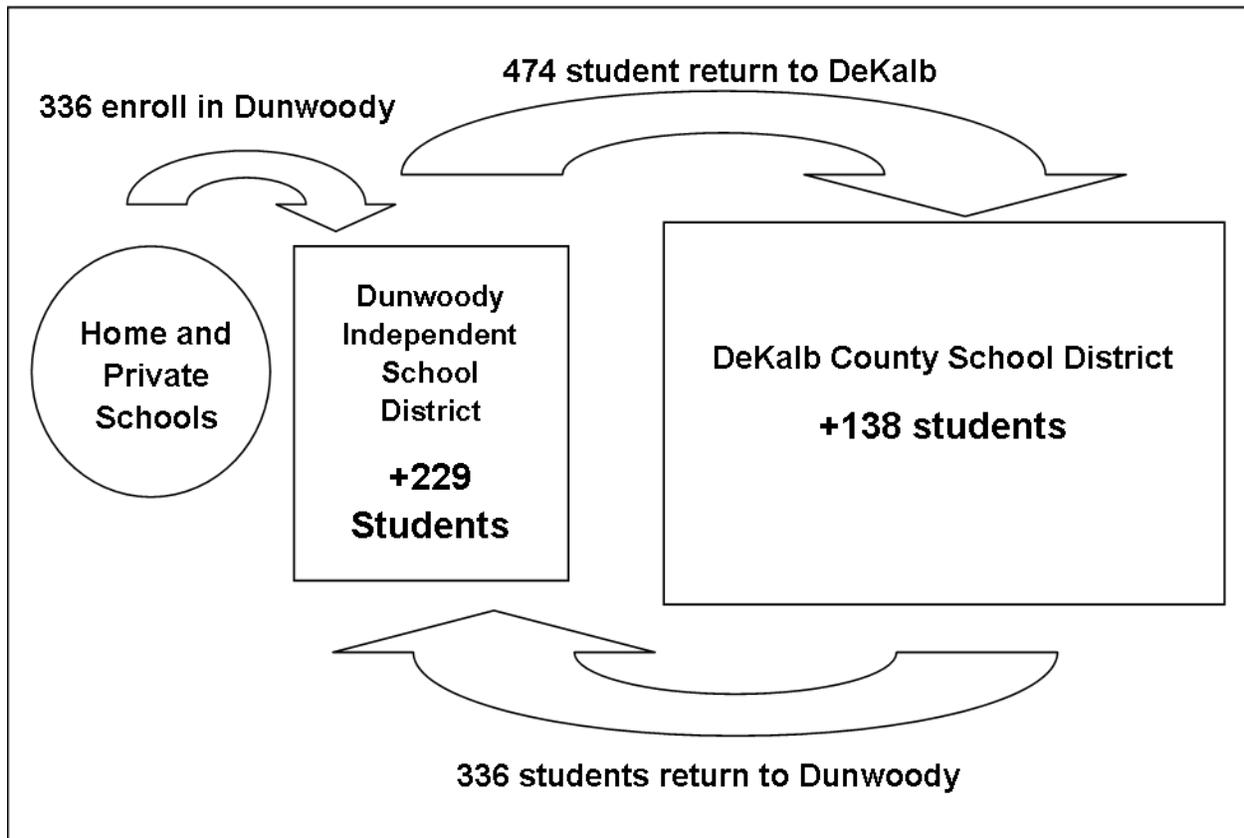
**Revenues Estimate *Before* Adjusting for Student Transfers**

	Current DCSD	Dunwoody	New DCSD	DCSD Change
FTE used for QBE calculations	97,297	6,008	91,289	
Property Taxes	\$385,300,075	\$56,435,178	\$328,864,897	
Other Local Revenue	<u>\$13,083,145</u>	<u>\$798,709</u>	<u>\$12,284,436</u>	
Local Funding Total	\$398,383,220	\$57,233,887	\$341,149,333	
Per Student	\$4,095	\$9,526	\$3,737	(\$357)
QBE Earnings	\$519,976,373	\$35,573,116	\$484,403,257	
Austerity	(\$64,446,399)	(\$4,408,968)	(\$60,037,431)	
Local 5 Mills	(\$108,441,678)	(\$15,883,530)	(\$92,558,148)	
Other State Grants	<u>7,914,728</u>	<u>\$488,727</u>	<u>\$7,426,001</u>	
State Total	\$355,003,024	\$15,769,345	\$339,233,679	
Per Student	\$3,649	\$2,625	\$3,716	\$67
Federal	\$73,953,904	\$2,715,411	\$71,238,493	
Per Student	\$760	\$452	\$780	\$20
Other Revenues	\$36,242,260	\$2,237,926	\$34,004,334	
Per Student	\$372	\$372	\$372	\$0
Grand Total	\$863,582,408	\$77,956,569	\$785,625,839	
	\$8,876	\$12,975	\$8,606	(\$270)

## Appendix C: Enrollment Adjustment and Increment

The creation of a Dunwoody Independent School District impacts students currently attending schools outside the district in which they live. Some of these students are the children of teachers who are allowed to enroll their child in a public school in which they teach even if they live outside the district. Some school systems, like the City of Decatur School District, allow students who reside outside the district to attend their schools and pay tuition. There are also students residing in Dunwoody attending DCSD schools and students residing in the DCSD district attending schools in Dunwoody.<sup>26</sup>

### Summary of Projected Enrollment Changes



#### *Private and Home School Students:*

According to the 2010 U.S. Census, there are 7,448 children aged 5-17 living in the City of Dunwoody.<sup>27</sup> In 2010, enrollment in Dunwoody public schools was 6,026. That leaves an additional 1,422 children (19 percent) living in Dunwoody who are either attending a private school or being homeschooled. Estimates

<sup>26</sup> This data is based on the “Non-Resident Attendee Matrices” reports located on the DeKalb County School District Web site at <http://www.dekalb.k12.ga.us/planning/>.

<sup>27</sup> <http://quickfacts.census.gov/qfd/states/13/1324768.html>

using data from the American Community Survey <sup>28</sup> indicate approximately 2,246 students (26 percent) living in Dunwoody who are enrolled in private schools.

We will assume that the average of the above estimates is an accurate estimate of the number of private and/or home-schooled students living in the City of Dunwoody, a total of 1,834 in FY 2012. We assume that 20 percent of these students (367) will enroll in a DISD school, although this number may increase over time.

*Hightower:*

The Hightower Elementary School attendance zone presents an interesting case since we estimate that approximately one third of the zone lies in the City of Dunwoody. The school itself sits outside the City of Dunwoody and would remain part of a deconsolidated DeKalb County School District.

Hightower’s enrollment on October 2012 for grades K-5 was 754, an average of 126 students per grade.

If the proposed DISD is created, we estimate that 251 (one third) of the students currently attending Hightower Elementary School will transfer to a Dunwoody elementary school.

In addition, Hightower is a feeder school for Peachtree Middle School and Dunwoody High School. Assuming Hightower graduates an average of 126 students per year of which 84 (two thirds) do not live in the City of Dunwoody, that equals a total of 252 middle school students and 336 students high school students who will transfer to the DeKalb County School District.

**Hightower Attendance Zone Transfers**

	<b>Dunwoody</b>	<b>Deconsolidated DCSD</b>
Elementary	+251	-251
Middle	-252	+252
High School	<u>-336</u>	<u>+336</u>
Total	-337	+337

*Impact on Dunwoody Independent School District Enrollment assuming DISD will not allow non-residents to attend DISD schools and pay tuition: 229 additional students*

- 38 students attend DISD schools, but live outside of the DCSD. We assume these are the children of teachers and assume no impact on current enrollment.
- 29 students are attending a DISD school from another DISD attendance zone, so there will be no net impact on current enrollment.
- 137 students are attending a DISD school from a DCSD attendance zone. We assume all of these students will be required to leave their respective Dunwoody schools and enroll in a DCSD school.

<sup>28</sup>[http://www.dunwoodyga.gov/Libraries/Community\\_Development\\_Documents/Comm\\_A\\_Tech\\_Appendix\\_5\\_21\\_09.sflb.ashx](http://www.dunwoodyga.gov/Libraries/Community_Development_Documents/Comm_A_Tech_Appendix_5_21_09.sflb.ashx)

- 336 students reside in the City of Dunwoody, but attend a DCSD school outside of the City of Dunwoody. We assume all of these students will be required to leave their respective DCSD schools and enroll in a DISD school.
- We assume 367 students living in the City of Dunwoody but attending a private school or home school will enroll in a DISD school.
- DISD will lose 337 students based on the analysis of the Hightower attendance zone above.

*Impact on DeKalb County School District Enrollment: 138 additional students*

- As mentioned above, the 336 students residing in the City of Dunwoody who attend a DSSD school will be required to leave those schools
- As mentioned above, the 137 students who are currently attending a school in the City of Dunwoody will enroll in a DCSD school.
- DCSD will gain 337 students based on the analysis of the Hightower attendance zone above.

The information above was provided by analyzing a DeKalb County School District spreadsheets titled “October 2012 Non Resident Attendees by School Sending and School Attending” for both elementary, middle schools and high schools.<sup>29</sup>

*Funding Impact*

Property tax funding does not change since no students are actually changing their residence. However, state and federal fund

*Cost Impact*

As a result of these cross border transfers, a net of 138 students will leave the Dunwoody Schools and transfer to DeKalb Schools. These students are distributed through elementary, middle and high school. The costs associated with these students and their classes were deducted from the estimates for DISD costs and added to DCSD costs. Further, the deconsolidation and transfers would reduce the initial DCSD FTE base by 6.31%.

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<sup>29</sup> Many of these calculations are based on the “Non-Resident Attendee Matrices” reports located on the DeKalb County School District Web site at <http://www.dekalb.k12.ga.us/planning/>.

## Appendix D: Cost Allocation Categories<sup>30</sup>

Cost Category			School-wide Expense	Classroom Expense	Student Expense
100 General Fund					
	1000-Instruction and 2100 Pupil Services 2220 Educational Media Services 2400 School Administration				
		Music Teacher 172 Elementary Counselors 163 School Nurse 165 Librarian/media specialist 130 Principal 131 Assistant Principal 142 Clerical Staff 186 Custodial Personnel	X		
		Salaries and Fringes 110, 113, 140 Teachers, Substitutes, Aides and Paraprofessionals		X	
		730 Supplies and Purchase of Equipment			X

<sup>30</sup> Allocation of costs for DISD schools in 2012 are derived from line-item DOE operating data that excludes items such as capital spending and school nutrition. District office costs before deconsolidation are also obtained from this DOE data.

## Appendix E: Other Educational Opportunities and Cost Savings

### Increasing Teachers' Salaries by 10%

We examined the actual number of full-time teachers and average salaries from the GA DOE Report Card for the FY11 year (FY12 not yet available) for every Dunwoody school. (Data for Dunwoody Elementary was not available so we estimated the number of teachers by using the average teacher-student ratio in the other four elementary schools and used the average of the salaries in the other elementary schools.)

	Full-Time Teachers	Avg. Salary	10% Raise
Austin ES	40	\$49,431	\$197,724
Chesnut ES	26	\$49,575	\$128,895
Dunwoody ES	34	\$50,241	\$170,819
Kingsley ES	22	\$53,615	\$117,953
Vanderlyn ES	33	\$48,343	\$159,532
Peachtree MS	79	\$53,104	\$419,522
Dunwoody HS	<u>91</u>	\$51,177	<u>\$465,711</u>
	325		\$1,660,156

Currently, the cost of employee benefits in the DeKalb County School District is approximately 35% of salaries. The average salary in the Dunwoody schools listed in the table above is \$51,082. With benefits, each teacher added would cost approximately \$68,960.