

By Mark Riley, Atlanta Public Schools

I am pleased to provide a brief report to the Fulton County Taxpayers Association on the state of Atlanta Public Schools (APS). APS has a proud history dating back to 1872. We have had some rough years over the last several decades, but in this period of all doing more with less, this is a tremendously important part of our civic infrastructure and one in which we cannot afford to underinvest with our dollars or our attention. And, I am pleased to report that we are on the right track to becoming one of the country's leading urban school systems.

As a businessman who is devoting his career to working on the revitalization of intown Atlanta, I am acutely aware of the importance of an outstanding school system to continue to attract families to stay in the city and use our schools (including those who are economically able to choose where they live and where their children attend school). As a real estate developer and owner, I also understand the importance of having a reasonable and competitive tax rate in comparison to surrounding jurisdictions. I value the importance of an organized voice of the taxpayers when we make spending decisions, and the entire Board, welcomes taxpayer input from informed, constructive sources. Our goal is to be transparent and to partner with the community in reforming APS and operating it as efficiently as possible with the taxpayers' money. In fact this partnership with the broader community is the only way that our effort to overhaul the system will be successful. I want to reassure you that our Board never forgets whose money we are spending.

I am pleased to report that APS is well on its way to a total reform of the system in terms of both the quality of education product delivered and the quality of the business practices that are utilized to run the large organization necessary to deliver this product. The reform effort started in earnest in 1999 when the system recruited, with help of the business community and then Governor Roy Barnes, a person who has proven to be an outstanding educational leader, Dr. Beverly Hall, as Superintendent for APS. I, along with others, decided to join the Board six and a half years ago and commit my civic time to the reform of APS in part because of the quality of Dr. Hall's leadership, the commitment of business and civic leaders to the effort, and the importance of the work.

The Board and the Superintendent, as best practices for well-run schools recommend, adopted a shared strategy to first address the crisis in our core business ---“to get the lights on in the classroom” --by reforming the instructional program in APS schools, starting with building a base of excellence in the elementary schools. National research shows a correlation between reading on grade level by third grade with the propensity to drop out in later grades, which actually then correlates with a higher likelihood of prison time. The results of this effort are that APS elementary schools are scoring at or above state levels for the first time since test results have been kept and APS was the only urban district in the country where 100% of elementary schools met Adequate Yearly Progress under the federal No Child Left Behind Act in 2007.

With the assistance of generous grants from the Bill Gates Foundation and the GE Foundation, the reform effort is now being moved up through the middle and high schools. Already, the APS graduation rate has been raised several percentage points from the low 60's % range and continues to improve. However, these graduation rates are still unacceptable and our goal is reach a rate of 90% by 2012. To achieve this goal, all APS high schools will be reorganized into small learning communities of approximately 400 students each, where no child who wants to learn can fall through the cracks. This high school transformation effort will require a significant investment of private and public dollars.

The Board and management of APS also have a strategic plan for reforming operations. At the beginning of this decade, APS was using outdated accounting, procurement and other business practices much as they had in the 1970s and 1980s. Multiple studies and plans to implement best practices, including a \$500,000 Deloitte study in 2004 (that was partially funded by private outside sources) have led to a clearly defined plan to bring APS into the modern age. The district has implemented its first student information system, on-line recruiting, staff communications, and professional development, and basically brought the district into the 21st century in terms of business practices with the implementation of a comprehensive financial and human resource system. We are more than 60% of the way towards implementing some 100 management reforms recommended by Deloitte to make our operations more efficient. To continue these efforts we, together with the Superintendent, brought in a Chief Financial with prior experience in the public school system of the City of Chicago under Mayor Daley and in

the Los Angeles public school system. We believe he has the experience and financial acumen to oversee and effectively manage our fiscal operations for the school system's \$772 million annual operating and special revenue budgets.

Many taxpayers have questioned the District's extensive capital program and its use of Special Purpose Local Option Sales Taxes (SPLOST) for its facilities. When the first 5-year SPLOST was passed in the late 1990s, little significant work had been done on most of the District's schools for 30 years. We had facilities with no air conditioning, spaces that were inappropriate for today's teaching methods, and no technology infrastructure. No new schools had been built in the District for decades, and renovations were few and often poorly executed. Recruitment of qualified professionals was adversely impacted.

The District commissioned a complete facility plan by outside qualified consultants that studied demographics and the District's facilities. The resulting study, called Build Smart, is modified annually to reflect ever-changing growth patterns and demographic trends in the District today. APS has substantially reduced the number of traditional public school buildings, and at the end of the current SPLOST taxpayers will have invested approximately \$1.3 billion in the public school infrastructure. We are paying for decades of neglect and mismanagement, but at the end of this period in 2012, we will have rebuilt a critical part of the city's infrastructure that will benefit city residents for generations to come. The Build Smart program has touched nearly every school in every neighborhood throughout the city, and each child will attend school in a quality and safe environment. This, of course, is critical to our long range goal of continuing to recruit the best and brightest principals and teachers to lead this effort.

The current SPLOST will satisfy the District's needs for new facilities for the foreseeable future (with any new facilities needed due to population growth exceeding projections being handled from traditional revenue sources). Unlike the past, the District now has a capital plan from current revenues to maintain these learning environments in good condition. One other major benefit of SPLOST is that, as a sales (consumption) tax, all visitors to Atlanta help pay it.

Turning to our operating budget, we are often asked why the per-pupil expenditure is high relative to other metro Atlanta area districts. The Board's question has been what are comparable districts with similar demographics that are improving student achievement at high levels spending? APS has unique challenges and has made some bold commitments. I will cover some highlights:

1. Unfunded Pension Liability: APS has an unfunded pension fund liability of approximately \$450 million that we are amortizing over more than two decades at the current rate of approximately \$42 million per year or \$850 per student annually. This was the result of the City of Atlanta not fully funding teachers' pensions prior to moving teachers into the State retirement system in 1976. This is an unavoidable cost of APS doing business each year.
2. Project GRAD: APS has undertaken in its most challenged schools a program called Project GRAD, a nationally successful program that has worked in keeping economically disadvantaged children in school and preparing them for post-

secondary opportunities. This program carries an incremental budget impact of more than \$85 million that was gradually absorbed into the System's budget over the last several years after being launched and supported with funding from private sources. This program includes school counselors and social workers that help make sure the children have the opportunity to learn to their potential. This is APS' signature reform program to close the achievement gap between poor and middle class students and it is achieving dramatic results. No other district in the metro Atlanta region has this program.

3. Teacher Salaries: Based on a comprehensive study conducted by Price Waterhouse Coopers, we have moved our teachers' salaries from lagging the region to leading the region. This has meant an incremental investment of over \$75 million in teachers' salaries over a 3 year period. To attract the best and the brightest, we must pay a competitive salary package. The Board made this financial commitment with the understanding that the APS administration would be held accountable for results, and the administration is in turn holding teachers and principals to high standards. Low expectations and incompetence will not be tolerated in today's atmosphere of accountability.

These major components, coupled with District strategic initiatives as well as utility, equipment, and other cost increases we are all experiencing in our businesses and homes, have driven our costs up. During this period, because of the failure of the State to fully fund the Quality Basic Education Act, the State's share of APS revenue has fallen from 33% in 2003 to 21% in fiscal year 2009. State revenues went from

\$175 million in 2003 to \$137 million in 2009, despite significantly increasing costs. This reduction in State funding in education has been called the cause of the largest local tax increase State-wide ever in the State and has resulted in several districts throughout the State suing the State for failing to adequately fund public education as required by the Georgia Constitution.

Turning to our current budget for fiscal year 2009, APS needed \$41 million or a 6.3% increase over the prior year to balance its budget despite about \$20M in cuts and reallocations by the administration. This amount will fund increased salaries and benefits (2.5% increase or a total of \$23 million), and other various cost increases such as gas, electricity, water, sewer, professional development, and absorbing the school crossing guard program that was cut from the City budget. Despite these increased costs, the State's contribution is estimated to decrease \$5 million from last fiscal year. There is both a lawsuit and multiple appeals challenging collectability of the new commercial assessments making the tax digest and APS revenues uncertain. In this environment, the Board reduced the millage rate by 1 mill and will revisit the millage rate next year as it does every year.

What should we spend to educate our children? I would advocate a community- and State-wide conversation around this issue. Many question how we can spend as much as some private school tuitions. In considering this, note that private schools select their student bodies rather than serving all, and typically don't accept students who do not come to us with pre-school advantages, are not naturally good students, or

who do not speak English, and/or who have special needs or learning disabilities (a significant percentage of the 50,000 APS students are special education students).

How many comprehensive private schools accept such students? Today's students are showing up at APS classroom doors with very different sets of challenges from the past.

Again, our goal is to be transparent and to be good stewards of the taxpayers' funds.

I can give you assurance that we have a sound plan for reforming the System and that your money is being spent wisely as a long-term investment in the improvement of our students and our community. Could we spend less money on education in the City? Certainly but our best research indicates that the academic program and the dramatic gains in student achievement would be adversely impacted and this Board does not believe that is a wise choice. At the same time, we will continue to advocate for other sources of revenue rather than property taxes and to challenge the APS administration to invest prudently with the knowledge that they are spending precious, finite resources.