

Education Reform and School Funding

An Analysis of the Georgian Experience

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Abstract

Alteration of the direct state funding system and transition to a voucher system commenced in 2005. Establishment of a voucher funding system for secondary schools aimed at ensuring more transparency and conscientiousness of allocating the sums for schools, as well as effective expenditure of money. Voucher funding has had to ensure financial viability of schools according to their *type* and *volume*. The purpose of this study was to analyze the ongoing reform process that is related to the implementation of the Law on General Education and the Government's resolutions.

We have examined materials of State Department for Statistics of Georgia, Ministry of Education and Science of Georgia and data gathered directly from schools. Research targets were all schools of Georgia and research period comprised 2005-2009 years.

It is notable that the existence of deficit schools was envisaged in the Law from the very beginning (schools with low enrolment would receive additional funds), but in the first years of a voucher system adoption, it turned out that there were too many deficit schools and consequently, additional sums they require were extremely large. Additional funds were almost 5.75% of voucher funding in 2006 and 12% in 2009. Despite the fact that the growth of voucher value occurred 5 times during the mentioned period for city and 4 times for rural and mountainous regions, the average of deficit schools comprised 35% and 56% of all public schools.

Examination of the data of school expenditures revealed that the reasons of continually increased demand for additional funds were larger increase of teachers' salaries compared to voucher value and a considerable growth of heating costs in recent years. Besides, we should take into account a wasteful attitude of school governing bodies to their money regarding utility costs.

We may conclude that the adoption of a voucher funding system couldn't ensure its main goal. School governing bodies still continue to require additional funds from the Ministry of Education and Science not for implementing their educational programs, but to cover the costs of staff, and other technical needs.

In order to improve school financial state (to reduce the number of deficit schools), the Government should increase voucher values for rural and mountain schools with low enrolment larger than for city schools. It is important, that the growth of voucher values precede the growth of teacher's salaries.

Introduction

During the twentieth century Georgian educational and cultural values have at least two times undergone radical changes. The first occurred under the rule of Bolsheviks in 20-ies. The second change in values was observed after the restoration of the independence of Georgia. During the whole decade it was not followed with any substantial results in any field. The epoch of radical reforms in Georgia began since 2004-2005. Education and Scientific Reform represents one of the priorities in the reform process of our country. The specific task of the reform is to achieve education accessibility, quality, transparency and objectivity, as well as formation of market-oriented system, increased public involvement, achievement of compliance among education levels and support to lifelong education.

The post-reform period was signified by the increase of the state budget expenses allocated for education. In 2009 state budget was increased 3, 7 times, which was followed by the 7,75 times increased expenses on education and 36 times increased costs spent on school education. If in 2004 education comprised 4, 3% of the state budget, and school education share was 0, 66%, by 2009 education share in state budget was 9%, and school education comprised 6, 5% (National Statistics Office of Georgia www.geostat.ge)

Adoption of a voucher system

One of the priorities of the Law on General Education was an alteration of the direct state funding system and transition to a voucher funding system. A School voucher is a paper issued by the government that parents can use as a payment for their child's tuition at a school of their choice.

School voucher system is not a new one. A number of countries are familiar with this system and it has supporters as well as opponents. Milton Friedman in his 1962 book *Capitalism and Freedom* advocated education vouchers. According to Milton's program: (1) minimum level of education should be determined in every state, (2) parents should be provided with vouchers that they can use for the education of their children at a school of their choice, (3) Parents pay voluntarily additional sums above the voucher. (Milton Friedman. *Capitalism and Freedom*. 1982). Marta M.McCarty described the voucher system as a form of funding "that enables parents to use government funding for their children's education at a public or private schools."

(Martha M. McCarthy, What Is the Verdict on School Vouchers? Phi Delta Kappa, Inc. 2000. 371p).

Advantages of the voucher system are the following: school vouchers give parents a wide choice for their children, and the competition between schools fosters their performance. Since public schools have a monopoly in an educational world they sluggishly respond to criticism and demands of a society, while private schools fiercely meet the needs and wishes of students, as they greatly depend on public opinion. School choice is not the only advantage of this system; it is an important strategy for the development of public education. Shifting on a new system stimulates schools to prepare new optional programs that will be interesting for students as well as help them guarantee their future success.

Schools in Georgia shifted on a voucher funding system in 2005. Establishment of this system aimed at ensuring more transparency and conscientiousness of allocating the sums for schools, as well as effective expenditure of money. “The government covers the costs of the educational programs at primary, basic and secondary schools. The government allocates money on a base of a per-pupil - voucher funding in case public and private schools have obtained accreditation... or are newly established general education institutions” (Georgian Law on General Education. Chapter 3, article 22-3). Voucher funding has had to ensure schools’ financial support on the base of their type. According to the Georgian Government Resolution 2005, October 14 about the “Determination of a Per-pupil Funding Standard and the Corresponding Voucher Value” (# 182) was defined differentiated voucher value for city, rural and mountainous region schools, correspondingly voucher values comprised 220, 330 and 396 GEL per-pupil.

The goal of our study was to analyze the implementation of the abovementioned resolutions. We have examined materials of State Department for Statistics of Georgia, Ministry of Education and Science of Georgia and data gathered directly from schools. Research targets were all schools of Georgia and research period comprised 2005-2009 years.

In the very first years of a voucher system introduction, it turned out that there were too many deficit schools. It is notable that the existence of deficit schools was envisaged in the Law from the very beginning, as considering its relief there are many schools with low number of pupils in Georgia. According to the statistics at 336 out of 2179 schools in Georgia are enrolled less than 50 pupils, and at 391 schools below a hundred pupils. It is underlined in the law on General Education that secondary schools with low enrolment, where educational costs for implementing

National curriculum are higher than the amount of the voucher are enable under the decision of the Ministry of Education and Science of Georgia, to get additional increased funding from the state budget in the form of voucher or within the corresponding Target Programs approved by the Ministry of Education and Science of Georgia (Georgian Law on General Education. Chapter 3, article 22-3). But additional sums required by those deficit schools were extremely high and in 2006 it comprised almost 5.75% of voucher funding.

Schools with a small number of pupils are typical not only for Georgia. There are a number of countries with this kind of schools and all of them encounter problems concerning a lack of financial support. Schools are not able to use their funds effectively, because the whole money they own is necessary to cover salaries and sometimes it is not enough even for this. It is worthwhile to note here that it is a common practice when governments allocate additional funds to schools with a small number of pupils. Gerald Bass considers that small rural schools suffer from a number of problems concerning the lack of highly qualified teachers, their professional development, and others, but the most crucial problems are related to income and spending issues. Small schools in case they offer the same program as others will have high per-pupil costs because of low enrolment, low pupil-teacher ratio, higher heating, electricity and other costs and farther inadvertent factors (Gerald Bass, Isolation/Sparsity, Journal of Education Finance. 1990.p180).

Thus, as it was anticipated, rural, mountain, and city schools with low enrollment became deficit schools. In order to solve the problem, the growth of voucher value occurred 5 times for city and 4 times for rural and mountainous regions for the years 2005-2009. In 2007 the growth of voucher value occurred two times. (Table 1, Table 2).

Furthermore, in order to ensure financial support for schools with low enrolment in 2008 the Government issued two types of vouchers on the base of pupils' enrolment: (1) voucher value for pupils who are enrolled at a school less than 400 pupils was GEL 345, while (2) at a school with more than 400 pupils the amount of voucher was GEL 325. Appropriately, voucher value for rural schools with less than 200 pupils was GEL 475, and with more than 200 pupils – GEL 450. In 2009 these differentiation were maintained and were increased its' value one more time for city as well as rural schools.

Table 1 illustrates the growth of voucher value. More apparently it is shown in the table 2, where the growth is given in percentages.

Growth of voucher value in 2005-2009 in Georgia

(in GEL)

Table 1

	2005	2006	2007	2007	2008	2009
City	220	235	250	300	345 / 325	415 / 380
Rural region	330	350	350	420	475 / 450	545 / 505
Mountainous region	396	425	425	510	565	635

Source: Ministry of Education and Science of Georgia <http://www.mes.gov.ge>

Percentage growth of voucher value in 2005-2009 Georgia

(% comparing 2005)

Table 2

years data	2005	2006	2007	2007	2008	2009
City	100	6,8	13,6	36,4	56,8 / 47,7 (average 52,3)	88,6 / 72,7 (average 80,6)
Rural region	100	6,1	-	27,3	44 / 36,4 (average 40,2)	65,2 / 53,0 (average 59,1)
Mountainous region	100	7,3	-	28,8	42,7	57,8

Source: Author's calculation

As the table 2 illustrates in 2009 comparing 2005 the growth made on average 80, 6% for the city (compared to 2005), for villages – 59, 1% and for mountain schools 57, 8%. Just comparing 2009 and 2008, voucher values allocated for schools with low number of pupils were increased by 20, 2%, for schools with high number of pupils by almost 17 %. These indexes for village schools were increased only by 14, 7% and 11, 2%, and for mountain schools by 11, 2%, such

an increase of vouchers for city schools raises a question: why did voucher value allocated for city schools increase more than those for rural and mountain schools?

Initially the definition of voucher value included a difference, according to which rural pupil's voucher exceeded city pupil's one by 50%, and voucher allotted for mountain dwellers was by 80% more and it was done thus because there had always been and still are great differences among the numbers of pupils in city, rural and mountain schools. In fact, there are very few rural schools, where the number of pupils exceeds 200 and in mountain schools - exceeds 100-120 pupils, while there are very few ones among city schools, where less than 300 pupils are enrolled (there are only 52 city schools in Georgia where study pupils of special educational needs who need additional funding).

Considering the mentioned data, a number of questions arouse: what changes were occurred during the following years? How did the rural and mountain schools improve? Apparently, reduction of the number of pupils in the country during the following years has greatly affected on rural and mountain schools. We believe that there hadn't been any reasons for such a disproportionate increase of voucher values, which inflicted more and more losses to rural and mountain schools which were already in grave financial conditions. We should presume that the voucher value increase in this manner contributed to the increase of the number of deficit schools on the one hand and had taken away stimuli from school administration to use restricted (sometimes not too restricted) financial resources effectively. The schools were encouraged to act in this manner by a fact, that during the last years school expenses (including salaries) increased much faster, than revenues. Thus, some schools really faced problems. They asked for additional funding in the very first year of voucher funding, and other schools joined them after salary boosted and increased heating system expenses. But even in the conditions of such increased expenses, schools with 450-500 pupils under the effective management can do without deficits, while schools with 600-700 and in some cases with 800 pupils demand additional sums for heating system expenses in the very beginning of winter.

So, School governing bodies still continue to require additional funds from the Ministry of Education and Science not for implementing their educational programs, but to cover the costs of staff, heating, utility and other technical needs. Would such a school and a principal executing its vision and mission think about other, much more important and necessary targets? Or maybe it would continue its tiresome life with old programs, teachers who are not keen to improve their qualifications, and with a number of other old problems? Numerous schools are functioning in

this format and the majority of them do not even bother themselves by thinking about other sources to get additional amount for their development.

School Funding and Deficit Schools

Table 3 illustrates voucher funds allotted to schools and additional funds they require from the Ministry of Education and Science.

School Funding in Georgia (2006-2009)

Table 3

№	years data	2006	2007	2008	2009
1.	Total school funds	187 396 528	201 295 254	268 615 342	300 257 501
Out of them:					
1.1	Voucher funds	177 221 416	189 546 842	224 221 738	268 348 068
1.2	Additional funds	10 175 112	11 748 411	44 393 693	31 909 433

Source: Ministry of Education and Science of Georgia <http://www.mes.gov.ge>

In 2006 additional funding was 5.75% of voucher funding, in 2007 – 6.2%, in 2008 – 19.8% and in 2009 – 12%. In spite of the growth of voucher value in 2008-2009, the demand for the additional funds still increased. In 2006 additional funds comprised GEL 10,175,112 , in 2008 comparing 2006 it was increased 4,4 times, and in 2009 3,1 times.

Considerable growth in additional funding was the result of the Russian-Georgian war in August of 2008, when internally displaced people were sheltered at schools. Schools were forced to spend extra money on electricity, heating and other costs. But Russian-Georgian war and Russia’s intervention in Georgia were not the only reasons of the growth of deficit schools. Demands from schools on additional funds are still growing continually.

According to the data for three years (2007, 2008 and 2009) the number of deficit schools comprised 703 schools. Here are the statistics of deficit schools in regions: 10 schools (out of 191) in Tbilisi, 58 (out of 235) in Adjara, 39 (out of 94) in Guria, 124 (out of 382) in Imereti, 49 (out of 193) in Kakheti, 48 (out of 86) in Mtskheta-Mtianeti, 58 (out of 69) in Racha-Lechkhumi,

93 (out of 254) in Samegrelo-Zemo svaneti, 89 (out of 207) in Samtskhe-Javakheti, 80 (out of 273) in Kvemo Kartli and 35 (out of 166) in Shida Kartli.

Deficit Schools

Table 4

№	years	2006	2007	2008	2009
	average				
1	City	49	48	164	137
2	Rural region	380	372	621	627
3	Mountain region	326	334	467	459
	Total	755	754	1252	1223

Source: Author's calculation

Table 4 illustrates the average of deficit schools for mentioned years. The number of this kind of schools increases from autumn till late spring (when schools ought to cover heating costs) and diminishes in summer.

Population's increasing mobility also results in increased school costs. As families move, they leave behind partially occupied school buildings and reduced pupil-teacher ratios. They frequently find that the places to which they move have overcrowded classrooms and high pupil-teacher ratios and greater difference between revenues and expenditures. The same situation could be found at city schools, but in this case population's mobility through city regions doesn't play a decisive role, the thing is that parents and pupils are keen to study at central city schools that results in increased school costs as well.

According to statistics, enrolment at mountain schools in 2009-2010 comparing to 2006-2007 decreased by 6936 pupils (10%), while at rural schools diminished by 9198 pupils (5,3%). This could be considered logical if we take into consideration that the whole number of pupils for this period in the country diminished by 11,452 pupils (1,8%), but it should be noted here that enrolment at city schools increased by 4682 pupils (1.33%).

Low pupil enrolment is one of the reasons of considerable growth of deficit schools especially in rural and mountainous regions and in city (mainly in suburbs). Decrease of a number of pupils results in reduced revenues. (At schools where only one parallel class is represented, regardless

decrease of pupil enrolment, the number of classes remains the same with the same number of teachers.)

Conclusions and Implications

The findings of the financial analysis of the schools in Georgia after shifting on a voucher system are the following:

- The occurrence of deficit schools was envisaged in the school voucher system from the very beginning and correspondingly, there is an indication in the Law on General Education that schools with small number of pupils (which are not so few in Georgia) will get additional funds. But actually the additional funding were required not only from schools with small number of pupils, we have examples, when a school with 450 pupils managed to establish a teachers' professional development fund, while the schools with 600 and more number of pupils required additional sums from the Ministry of Education and Science.
- The permanent increase of deficit schools and the necessity of additional funds has completely declined the very aim of the Voucher system – improved Transparency of funds allocation and effective use of resources at schools.
- Schools are overwhelmed with administration and support staff that increases the salaries and consequently boosts the number of deficit schools. There are not standarts to regulate the mentioned problem.
- We should assume that besides the wasteful attitude of school governing bodies to their own money, rapid growth of teacher salaries, rather than the growth of voucher value, became the reason of increasing the number of deficit schools. As we have noted, voucher value and correspondingly the allotted sums during the last five years were increased 1, 5 times, while the salaries two times and more.

In order to advance school financial state (to reduce the number of deficit schools): organizational aspects of school operation should be improved (1); voucher values for rural and mountain schools with low enrolment should be increased larger than for city schools (2); it is important, that the growth of voucher values precede the growth of teacher's salaries.

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