



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 5, 2021

Honorable Donna McLeod
State Representative
509-C Coverdell Legislative Office Bldg.
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 49 0310)

Dear Representative McLeod:

The bill would establish a pilot program to implement student-based funding recommendations of the 2015 Education Reform Commission (Commission). The funding formula is based on enrollment with additional weighted amounts allocated for certain identifiable student characteristics such as economically disadvantaged students. Up to six school systems would receive funding over a four-year period, beginning by the 2022-2023 school year. Additionally, the bill mandates pre-kindergarten and kindergarten for all children prior to entering first grade.

The actual cost of the bill will be dependent on the school systems chosen in a pilot program. We provide an overview of the percentage increases that the Commission found would occur for the change to K-12 funding, with an illustration for six systems of varying sizes. For the mandatory Pre-K component of the bill, we calculated the percentage increase in state funding that would be required in those same systems' jurisdictions.

K-12 Earnings Related to New Weighted Amounts

Under the bill, each kindergarten through grade 12 student receives a base weighted amount, plus a supplemental amount for various student characteristics. These characteristics includes grade levels (other than grade 6-8, which is the base off which other categories are calculated), career/technical/agricultural education, students with disabilities, intellectually gifted, economically disadvantaged, and English as a Second Language (ESOL). A student may have multiple characteristics that result insupplements over the base weighted amount. For example, a student enrolled in grade 1 and an ESOL program would receive a base amount of \$2,800, a gradeK-3 weighted amount equal to 0.2872 of the base (\$799), and an ESOL weighted amount equal to 0.1937 (\$539).

The Commission found that school systems would experience varying earning increases (between 0.15% and 36.35%). Many would see increases between 3.00% and 6.75%. Generally, percentage increases for systems earnings would be higher for school systems with lower enrollment compared to other school systems. For illustrative purposes, we selected six school systems to determine the additional costs that would have occurred in FY20 had the funding formula been in place (Table 1).¹ It is likely that the percentage difference between the two funding formulas would change over time due to the strategic waiver flexibility and changing characteristics of systems, but it is assumed that these percentages are still reasonable for purposes of the fiscal note.

Table 1: Illustration of Potential Additional Costs (\$ in millions)

School System	% Change - Commission	Mid-Term 2020 Enrollment	Earnings – Current Law	Earnings Under Pilot	Additional Costs
Gwinnett	5.51%	187,095	\$1,084.7	\$1,144.5	\$59.8
Clayton	5.76%	54,720	\$346.8	\$366.8	\$20.0
Oconee	5.14%	8,188	\$44.2	\$46.5	\$2.3
Fannin	5.85%	2,849	\$15.4	\$16.3	\$0.9
Meriwether	3.69%	2,310	\$16.9	\$17.5	\$0.6
Taliaferro	33.65%	162	\$2.0	\$2.6	\$0.7

Mandatory Pre-Kindergarten Costs

The bill mandates pre-kindergarten and kindergarten for all children prior to entering first grade. Students currently enrolled in public school pre-kindergarten are not funded by GaDOE but by either federal funds or lottery funds provided by the Department of Early Care and Learning (DECAL). It should be noted that our review did not find that a significant increase in kindergarten enrollment would be likely. In some systems, kindergarten full-time equivalent (FTE) enrollment exceeds grade 1 FTE enrollment, suggesting that few additional costs would be incurred due to mandatory kindergarten.

We calculated the costs of mandatory pre-kindergarten within these systems using the base amount provided by GaDOE and weights identified in the bill. We used the number of students in first grade to estimate the number of pre-kindergarten students to be served. From this additional GaDOE funding owed to school systems, we subtracted current DECAL spending for pre-kindergarten within the system’s jurisdiction to obtain the additional cost to the state.²

As shown in Table 2, the bill would have increased Pre-K spending in the six jurisdictions by 92.3%. For the 17,334 students, new GaDOE student formula costs would have been \$62.2 million. However, DECAL already provides funding of \$32.3 million to pre-kindergarten providers within the systems’ jurisdictions. If that funding is shifted to GaDOE, the additional costs to the state of mandating pre-kindergarten enrollment would be \$29.8 million.

¹ October 2019 student counts were used for the pre-kindergarten analysis to determine likely enrollment. For that reason, funding for the same fiscal year was used.

² The General Assembly would determine if the pre-kindergarten increase mandated by the bill will be funded with Lottery or state general fund dollars. If general fund dollars, lottery fund spending would decline or be shifted to other counties that are not part of the pilot program.

Table 2: Pre-K Estimated State Expenditures, October 2019 Student Counts¹

School System	Estimated Number of Pre-K Students	Current Pre-K Lottery Funding	Pre-K Earnings Under Bill	Additional State Costs	Percent Change
Gwinnett	12,391	\$20,999,776	\$44,397,247	\$23,397,471	111.4%
Clayton	4,000	\$8,975,008	\$14,332,095	\$5,357,087	59.7%
Oconee	572	\$1,394,176	\$2,049,490	\$655,314	47.0%
Fannin	207	\$174,272	\$741,686	\$567,414	325.6%
Meriwether	156	\$697,088	\$558,952	(\$138,136)	-19.8%
Taliaferro	8	\$87,136	\$78,827	(\$8,309)	-9.5%
Total	17,334	\$32,327,456	\$62,158,295	\$29,830,839	92.3%

¹Totals may not sum due to rounding

Additional pre-kindergarten costs do not include possible capital expenses associated with additional classroom space to accommodate pre-kindergarten students. Such costs could vary significantly and will depend upon available facilities in the school systems ultimately selected for the pilot project. The bill allows school systems to partner with current DECAL providers for service delivery but would require the submission of a plan by the end of year two for the “timely transition of pre-kindergarten programs to the local school system’s educational facilities.”

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget