



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 9, 2021

Honorable Chuck Payne
Chairman, Senate Education and Youth
320-A CLOB
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill (LC 49 0349)

Dear Chairman Payne:

The bill adjusts the supplement calculation and maximum amount for charter systems and provides the supplement to local charter schools. The bill also allows existing charter schools that did not previously elect to participate in the State Health Benefit Plan (SHBP) to join the plan upon renewal of their charter. Finally, the bill mandates that local boards of education provide local charter schools with educational facilities or a stipend to offset costs.

The bill would result in state fiscal impacts related to the supplement and SHBP provisions; however, no state costs would be incurred related to the provision related to educational facilities for local charter schools. We found that the modification to the charter school system supplement would have reduced state expenditures by \$3.9 million in FY 2022. Additional expenditures for SHBP eligibility are difficult to project given the prevalence of health plans in charter schools and the uncertainty of the participation by schools and their employees. Details are below.

GaDOE Funding for Charter System/School Supplement

The bill would provide each charter system or local charter school with 3.00% of the base amount for each full-time equivalent student, not to exceed a total of \$3.5 million. Under current law, a 3.785% supplement is available only to charter systems and is capped at \$4.5 million a year. As shown in Table 1, using a base amount of approximately \$2,800 and FTE counts used in FY 2022 allocations, the bill would reduce state expenditures by approximately \$3.9 million.

Table 1. GaDOE Charter System/Local Charter Supplement

<i>(in Millions)</i>	Current Law	LC 49 0310	Difference
Charter Systems	\$31.4	\$24.8	-\$6.6
Local Charter Schools	<u>\$0</u>	<u>\$2.8</u>	<u>\$2.8</u>
Total	\$31.4	\$27.5	-\$3.9

Note: Numbers do not sum due to rounding

As shown in the table, the reduced supplement rate would reduce payments to charter systems by more than \$6 million while local charter schools would receive an additional \$2.8 million. These calculations assume that the \$3.5 million maximum allowance applies to charter school systems and individual local charter schools separately. For example, if Fulton County is allocated \$3.5 million, Fulton Academy of Science and Technology would still receive its \$51,500 allocation as determined by the formula in the bill. However, if the cap applies to the charter system and local charter schools within it as a single group, supplemental funds would be reduced by \$1.3 million from the amounts in the table.

GaDOE Funding for SHBP Coverage

The bill extends an opportunity to participate in SHBP to existing charter schools for eligible (certified, full-time, permanent) teachers and employees. This proposed change would only impact charter schools that did not opt into SHBP during their first year of operation and are scheduled for renewal beginning in fiscal year 2023.¹ Actual costs will depend on the number of eligible schools which choose coverage and the number of employees who elect to participate. This can be impacted by factors such as appeal of insurance benefits offered by the plan or if the employee has viable alternatives such as coverage under spousal health insurance.

As shown in Table 2, 66 charter schools are expected to renew their charter between fiscal years 2023 and 2026. Twenty-six of these already offer SHBP coverage to employees. Of the 40 schools that will have the opportunity to participate in SHBP, 38 already provide employees with health plans subsidized with state funds provided through GaDOE. Approximately 1,700 employees have opted for this coverage at a state cost of \$18.8 million.

While we cannot determine how many schools will opt into SHBP, a school’s decision to opt in to SHBP will not change GaDOE costs unless additional employees sign up for coverage. This is because the subsidy for SHBP and local health plans is the same amount—\$11,340 in FY 2022. A review of traditional charter schools that already offer SHBP found a reasonable estimate of 80% employee participation. If each school elects SHBP and has at least 80% of employees obtain SHBP coverage, this would result in additional state costs of \$2.9 million in FY 2023. (Virtually the entire cost in FY 2023 would be related to a single school with nearly 300 employees that currently does not provide any state-subsidized health insurance. If that school does not opt in, the cost would be negligible.) The costs for any cohort in Table 2 would be incurred in subsequent years.

Table 2: FY 2023 - FY2026 Estimated State Expenditures: SHBP Charter School Expansion¹

Fiscal Year Cohort	Potential Opt-In Schools	Opt-In Schools with Local Plan	Current State Costs for Local Plan	Additional Covered Employees to Reach 80% Participation	Annual Costs per Cohort at 80% Participation
2023	9	8	\$4,059,720	255	\$2,896,236
2024	9	9	\$7,926,660	125	\$1,417,500
2025	16	15	\$4,774,140	11	\$127,008
2026	6	6	\$2,029,860	19	\$210,924

¹ According to GaDOE information, 58 of 116 charter schools already participate in SHBP. All but two schools offer local health plans to at least some employees, and GaDOE provides state funds for those covered employees at the same level as those covered by SHBP.

In addition to GaDOE funding, the Department of Community Health noted a fiscal impact to SHBP. Health benefits paid for certified teachers and non-certified staff exceed premiums by \$24 and \$264, respectively, for each plan member (employee, spouse, child). As noted above, there are almost 1,700 employees in the existing schools eligible to opt in to SHBP with local health plan coverage and more than 400 that we estimated would add SHBP coverage if provided the opportunity. DCH estimated that an additional 2,000 school members would add approximately \$228,000 to the plan deficit.²

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget

GSG/ab

² Covered dependents were taken into consideration when calculating the total number of members for both certified and non-certified school staff.