



# DOAA

Georgia Department  
of Audits & Accounts

Greg S. Griffin  
State Auditor

January 20, 2022

Honorable Viola Davis  
State Representative  
404-D Coverdell Legislative Office Building  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 60 (LC 49 0460S)

Dear Representative Davis:

This bill would establish personalized education plan accounts (PEPAs) for eligible students to use for qualified education expenses. Students must meet one of the five qualifications listed below to be eligible. If the number of applications exceeds the available slots, priority is given to students meeting one of the first four conditions.

1. Family income of below 200% of the federal poverty line and currently enrolled in a Georgia public school
2. Adopted from foster care and was enrolled in a Georgia public school prior to adoption
3. Active-duty military parent stationed in Georgia within the previous year and currently enrolled in a Georgia public school
4. Individualized Education Program (IEP) or Section 504 Plan with eligible disability and currently enrolled in a Georgia public school
5. Spent the previous year enrolled in a public school which did not offer a full time in-person instruction option for at least one semester

Qualified educational expenses include tuition and fees at private or post-secondary schools<sup>1</sup>, tutoring services, curriculum, nonpublic online learning programs, services from a physician or therapist, and account management fees. In the first year, the number of accounts would be limited to 0.25% of public school enrollment. The cap would increase 0.25% each year to a maximum 2.5%.

The Georgia Student Finance Commission (GSFC) may withhold up to 3% of PEPA account funds to administer the program. While the bill states that it would be effective beginning in the 2021-2022 school year, we assumed the 2022-2023 as the initial school year for analysis purposes.

## Funding of Personalized Education Plan Accounts

The PEPAs are unlikely to require the expenditure of significant additional state funds because recipients are assumed to have been in a public school in the absence of the account. Most eligibility provisions require that recipients be enrolled in a public school, with the exception being the fifth. However, there are likely enough eligible students in the first four categories to use all available accounts, at least in the initial years.<sup>2</sup> The state funds for the accounts would equal the QBE funding that would otherwise have been provided to the enrolled school system.

<sup>1</sup> Funds remaining after finishing high school can be used for post-secondary education expenses.

<sup>2</sup> We do not have a distinct count of eligible students because they may be eligible in more than one category. Nearly 60% of students in public schools qualify for free or reduced lunch, indicating many may qualify under the first provision. Nearly 130,000 students are in Categories I-V for special education funding and more than 50,000 have a 504 plan. These eligibility categories alone may result in enough students to meet the annual PEPA cap.

Data from GaDOE and GSFC indicates that PEPAs would require state funding of approximately \$19.6 million in FY 2023 (**Table 1**). This amount will increase by approximately \$20 million to \$25 million annually until FY 2032 when the 2.5% student cap is reached. These estimates are based on an average FY 2022 Quality Basic Education (QBE) allotment of \$4,496. To project future contributions, we assumed an annual increase of 1% in the average QBE amount and 0.5% growth in the FTE population on which the number of PEPAs would be based. Funding will be higher if an above average portion of students enrolled in the program have IEPs or are in highly weighted categories such as early grade early intervention programs.

**Table 1: Education Plan Accounts and Dollars**

Fiscal Year	PEPA Maximum (% of FTEs)	Projected FTEs Statewide	Average Funds / FTE Statewide	Number of PEPA Accounts	Total PEPA Funds (in millions)
2023	0.25%	1,728,584	\$4,541	4,321	\$19.6
2024	0.50%	1,737,227	\$4,587	8,686	\$39.8
2025	0.75%	1,745,913	\$4,633	13,094	\$60.7
2026	1.00%	1,754,643	\$4,679	17,546	\$82.1
2027	1.25%	1,763,416	\$4,726	22,043	\$104.2
2028	1.50%	1,772,233	\$4,773	26,583	\$126.9
2029	1.75%	1,781,094	\$4,821	31,169	\$150.3
2030	2.00%	1,789,999	\$4,869	35,800	\$174.3
2031	2.25%	1,798,949	\$4,918	40,476	\$199.1
2032	2.50%	1,807,944	\$4,967	45,199	\$224.5

Previous fiscal notes for similar bills have noted the uncertainty regarding school systems’ potential loss of training and experience (T&E) funding. GaDOE has determined that those funds would not be allocated to PEPAs under this bill. The Georgia Special Needs Scholarship (O.C.G.A. 20-2-2116) has similar statutory language setting the award amounts, and GaDOE does not include T&E funds in those awards.

**Administrative Costs**

The bill would result in additional costs for GSFC and the Department of Audits and Accounts.

*GSFC Costs*

Data from GSFC indicates that the 3% withheld from PEPAs would not be sufficient to cover the administrative costs, as shown in **Table 2**. State funding of approximately \$2.9 million would be required in the first year. As annual contributions grow, the 3% would cover a larger portion of costs. However, state funding of approximately \$156,000 would be required in FY2032, when the program reaches the maximum percentage of accounts (2.5%). If average account funding is higher as described above, administrative revenue would increase and additional funding needed would decrease by the same amount.

**Table 2: GSFC Administrative Revenue and Expenses**

Fiscal Year	Administrative Revenue (3% of PEPAS)	GSFC Expenses			Additional Funding Needed
		Personal Services	Operating	Total	
2023	\$588,770	\$2,033,100	\$1,419,155	\$3,452,255	\$2,863,485
2024	\$1,195,263	\$2,219,400	\$986,730	\$3,206,130	\$2,010,867
2025	\$1,819,877	\$2,470,500	\$1,134,170	\$3,604,670	\$1,784,793
2026	\$2,463,022	\$2,656,800	\$1,384,030	\$4,040,830	\$1,577,808
2027	\$3,125,113	\$2,899,800	\$1,631,365	\$4,531,165	\$1,406,052
2028	\$3,806,575	\$3,086,100	\$1,886,065	\$4,972,165	\$1,165,590
2029	\$4,507,842	\$3,337,200	\$2,143,295	\$5,480,495	\$972,653
2030	\$5,229,354	\$3,523,500	\$2,403,000	\$5,926,500	\$697,146
2031	\$5,971,563	\$3,709,800	\$2,665,180	\$6,374,980	\$403,417
2032	\$6,734,927	\$3,960,900	\$2,929,945	\$6,890,845	\$155,918

GSFC administrative costs are estimated at approximately \$3.5 million in FY 2023, increasing to \$6.9 million by FY 2032. The administrative costs include program personnel and operating expenses.

- *Personnel Expenses* – Based on information provided by GSFC, we assumed 14 permanent staff, as well as implementation specialists and call center staff that would increase as the number of PEPAs increased. Permanent staff include a program vice president, manager, staff attorney, six IT positions, two accounting/finance positions, a staff attorney, a research and evaluation specialist, a data collection and reporting specialist, and a human resources position.

In addition, one implementation specialist was estimated to be needed for every 2,000 PEPAs, and one call center position for every 4,000 accounts. If these ratios are necessary to provide adequate customer service, they would result in 23 implementation specialists and 11 call center positions by FY 2032.

- *Operating Expenses* – Based on information provided by GSFC, we assumed operating costs including a contract with a financial management firm, data system development, and potential legal fees. Assuming a financial management vendor to manage PEPAs and process claims at a cost of \$55 per account, contracts costs would range from \$237,655 in FY 2023 to approximately \$2.5 million in FY 2032. Data system costs include program development, data center services, hardware/software, and an annual IT audit. In addition, GSFC estimated \$5,000 in legal fees for every 5,000 accounts for possible legal disputes.

The cost estimate does not include additional equipment or office space that would eventually be needed for increased GSFC staff.

GSFC noted the need for sufficient lead time to hire new personnel and build system infrastructure, as well as to develop regulations, participation agreements, applications and carry out other required duties. A portion of the first-year expenses in the table above would be required before GSFC would be able to accept applications (i.e., before GSFC receives the 3% administrative fee).

*Department of Audits and Accounts Costs*

The bill would also require additional costs for an annual audit of the program. The Department of Audits and Accounts would need two additional staff at an annual cost of \$165,000 to conduct the audit.

Respectfully,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget