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Georgia Department  
of Audits & Accounts

Greg S. Griffin  
State Auditor

February 23, 2023

Honorable Shaw Blackmon  
Chairman, House Ways and Means  
133 State Capitol  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill 54 (LC 43 2508)

Dear Chairman Blackmon:

The bill would increase the annual limit on the qualified education expense income tax credit to \$200 million, beginning in tax year 2024. The current limit is \$120 million.

The increase in the tax credit amount would reduce state tax revenue. To the extent that the credit reduces the number of students in public schools, there would also be a decrease in state education expenditures.

### Impact on State Revenue

The bill would ultimately reduce state revenues by approximately \$70.6 million annually. As shown in Table 1, this amount is not based solely on the difference between the aggregate limits of \$120 million and \$200 million. The revenue loss is the difference between the credits that would ultimately be claimed under current law and under the bill.

**Table 1. Estimated Revenue Effects of LC 43 2508**

<i>(millions)</i>	<b>Current Law</b>	<b>LC 43 2508</b>	<b>Difference</b>
Annual Limit	\$120.0	\$200.0	\$80.0
Credits Granted <sup>1</sup>	\$115.2	\$192.0	\$76.8
<b>Credits Claimed (Revenue Loss)<sup>2</sup></b>	<b>\$106.0</b>	<b>\$176.6</b>	<b>\$70.6</b>

1. Department of Revenue Student Scholarship Organization Report, Sept. 2022, shows final contributions/credits were 96% of limit. Credits granted can be claimed over a five-year period, with the claim being the state revenue loss.
2. Georgia State University Fiscal Research Center estimates that 8% of granted credits are not claimed prior to their expiration. An expired credit results in no reduction in state revenue.

### Impact on State Expenditures

#### *State Education Spending*

The bill will increase the amount of funding available for students to receive private school scholarships. To the extent that these scholarship recipients would have been in a public school without the scholarship, the credit results in a reduction in state public school expenditures.

As shown in Table 2, state cost savings depend on the percentage of scholarship recipients who have switched from a public school due to the tax credit. Factors that suggest a high percentage include statutory provisions requiring students to have attended public schools unless certain conditions

warrant a waiver, as well as the portion of scholarship recipients who are in families reporting incomes below 250% of the federal poverty level. However, it is also possible that SSO scholarship funds have replaced other needs-based scholarships that would have been offered by some participating private schools. As a result of the uncertainty of the percentage, we have presented a range of potential savings.

**Table 2. Potential State Cost Savings**

State Funds to School Systems <sup>1</sup>	Additional Scholarships <sup>2</sup>	Percentage of scholarship recipients who may have been in a public school		
		60%	75%	90%
\$5,915	14,438	\$51.2 million	\$64.0 million	\$76.9 million

1. State average obtained from GaDOE School System Revenues Report, FY 2021.

2. Calculation based on additional revenue available for scholarships and average scholarship amount of \$5,000.

To determine the number of additional scholarships resulting from the bill, we considered the additional contributions available for scholarships and the average scholarship amount. As noted in Table 1, additional contributions are estimated to be \$76.8 million. We assumed 6% of contributions would be used for administration, resulting in \$72.2 million to be distributed as scholarships. We noted that the average scholarship increased several hundred dollars when the credit was raised from \$58 million to \$100 million in 2019. A similar increase was assumed under this bill, with the average scholarship amount estimated at \$5,000.

*Department of Revenue*

The Department of Revenue would be able to implement the provisions of this bill with existing resources. However, it would require approximately 12 weeks of IT staff resources, equating to approximately \$45,000.

Respectfully,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt