



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 9, 2024

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

SUBJECT: Fiscal Note
House Bill 1019 (LC 44 2531)

Dear Chairman Blackmon:

The bill would increase the homestead exemption outlined in O.C.G.A 48-5-44 from \$2,000 to \$4,000. It would only become law with a two-thirds' majority vote in the Georgia Senate and House and a subsequent vote by the state's citizens no later than November 2024.

The bill will have no impact on state revenue because the state does not charge ad valorem taxes on homes. However, the increased homestead exemption would reduce school districts' Net Tax Digest, which is a factor in the Local Five Mill Share (LFMS) and equalization portions of Quality Basic Education (QBE) funding. As shown in **Table 1**, if the bill had been in effect for the two most recent fiscal years, it would not have impacted LFMS funding but would have required additional state funding for the equalization grant.

Table 1: LFMS and Equalization Grant Funding Impacts from LC 44 2531

	FY23	FY24
LFMS		
Actual	(\$2,312,940,047)	(\$2,569,521,550)
With HB 1019	(\$2,312,940,047)	(\$2,569,521,550)
Change in State Funding	\$0	\$0
Equalization Grant		
Funding – Actual	\$633,783,028	\$756,060,581
Funding With HB 1019	\$638,440,425	\$759,565,610
Change in State Funding	\$4,657,398	\$3,505,029
Total State Impact	\$4,657,398	\$3,505,029

Note: Homestead exemptions from tax year 2020 are used to calculate FY 2023 state QBE expense, and exemptions from tax year 2021 were used to calculate FY 2024 state QBE expense.

Local Five Mill Share

The change in the homestead exemption would increase the state's portion of QBE funding unless total LFMS earnings exceed a statutory limit of 20% of QBE earnings. Because the cap was reached in FY 2023 and 2024 and would also have been reached under the bill, the bill would not have impacted the state share of QBE funding. Without the cap, the bill would have increased the state share by \$14.2 million in FY 2023 and \$15.3 million in FY 2024.

Equalization

The equalization formula funds eligible counties based on the statewide average of local revenue per weighted student FTEs. While smaller net tax digests that result from higher homestead exemptions may reduce grant amounts and the number of eligible systems, the distribution of homestead exemption changes across school systems ultimately determines the impact on state equalization funding. As shown in Table 1, state costs for equalization grants would have been higher in FY 2023 and FY 2024 under this bill. This is because the systems earning equalization experienced more significant decreases in local earnings per FTE than the statewide average.

Respectfully,



Greg S. Griffin
State Auditor



Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt