



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 4, 2025

Honorable Todd Jones
State Representative
416-B State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 49 2001)

Dear Representative Jones:

This bill would establish a new method for calculating state funding for state charter schools authorized or renewed on or after July 1, 2026. As state charter schools open or charters are renewed, a new method of calculating state charter supplements based on funding weights for both virtual and non-virtual state charter schools is used, and the current supplement is discontinued. Net state QBE funding to local school systems is then reduced by the amount of the supplemental funding required by the bill in the same manner that local five mil share earnings offset QBE allotments to school districts. In addition, this bill increases the local charter school QBE grant base amount multiplier from 3.875% to 10% and removes the \$4.5 million cap on these funds for local charter schools.

Amended FY 2025 data from the Georgia Department of Education (GaDOE) indicates that the bill would decrease state expenditures by approximately \$24 million in FY2026, with savings rising to approximately \$338 million in FY 2030 as renewals of state charter schools occur (**Table 1**) and the funding formula is modified according to the bill. See additional information about the two fiscal components below. The change in the local charter school multiplier is estimated to cost the state \$5.6 million annually during this period.

Table 1: Five-Year Estimate of Change in State Expenditures (in millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Charter School Funding Change – <i>State Savings</i> ¹	(\$29.0)	(\$87.5)	(\$122.6)	(\$250.7)	(\$344.0)
Local Charter School Grant Multiplier – <i>State Costs</i> ²	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
Total – <i>State Savings</i>	(\$23.5)	(\$81.9)	(\$117.0)	(\$245.1)	(\$338.3)

- Assumes 10% annual FTE growth at non-virtual charter schools and flat growth at virtual charter schools, following trends provided by the State Charter School Commission.
- Estimate assumes no growth in local charter school grants as exact impact would be unknown.

- State Charter School Supplement Funding Change* – State charter schools currently earn supplement funding from the State from three broad categories: (1) a proxy for local funding

that the state charter school would have received based on its location; (2) a proxy for capital outlay funding which school districts typically receive; and (3) categorical grants which help provide services such as transportation and nutrition. This bill would replace those funds with a new supplemental funding formula that includes an additional QBE weight of 2.69 for all in-person state charter students and 1.5378 for virtual state charter school students. There were 38,357 full-time equivalent (FTEs) students in state charter schools for purposes of amended FY 2025 funding. Of these, 21,198 were enrolled in in-person schools and 17,159 in virtual schools.

Table 1 shows the amounts that the state would pay for schools renewing a charter in the absence of this bill. The bill eliminates the current supplement paid by the state and requires systems to add a pro rata portion of the funds needed to pay the new supplement to their local five mill share (reducing the state portion of QBE earnings to the systems).

Table 2 shows expected LEA cost through reduced QBE allotments to local school systems along with state impact from **Table 1** to also demonstrate the net impact to State Charter Commission school supplement earnings. Net local district allotments would decline by approximately \$29 million in FY 2026 to \$375 million in FY 2030.

Table 2: Five-Year Projected Impact for Local Education Agencies (LEA) and State Charter School Commission (SCSC) Earnings (in millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
New SCSC Supplement/ LEA Cost	\$28.9	\$91.7	\$135.0	\$271.6	\$375.4
Reduction in Existing SCSC Supplements	<u>(\$29.0)</u>	<u>(\$87.5)</u>	<u>(\$122.6)</u>	<u>(\$250.7)</u>	<u>(\$344.0)</u>
Net SCSC Supplement	(\$0.1)	\$4.2	\$12.4	\$20.9	\$35.4

1. Individual school district impact of these cannot be determined with information currently available to the Department of Education.

- *Local Charter School Grant Multiplier Increase* – A local charter school currently receives an additional amount equal to 3.875% of the base QBE amount. This would increase to 10% under this legislation. As shown in Table 1, this would cost the State approximately \$5.6 million annually. GaDOE data showed 51 local charter schools in 12 school systems.

The following factors may increase the cost of implementing this bill but are unknown at this time.

- Changes to current law supplement funds for state charter schools that could occur during the review period
- Actual changes in the number of FTEs at state charter schools that differ from our assumptions
- Changes in the number of FTEs and/or QBE 9-12 weight for local charter schools

GaDOE is expected to have costs associated with additional staff or contracts to determine local district impact as defined in this bill, as well as IT costs to upgrade their current allotment system to accommodate the proposed allotment changes to districts. Exact costs are unknown at this time.

Respectfully,



Greg S. Griffin
State Auditor



Richard Dunn, Director
Office of Planning and Budget

GSG/RD/nac