



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

February 14, 2025

Honorable Sandra Scott  
State Representative  
611-D Coverdell Legislative Office Bldg.  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill (LC 61 0010)

Dear Representative Scott:

The bill would establish a pilot program to implement student-based funding recommendations of the 2015 Education Reform Commission (Commission). The proposed funding formula includes a base amount per pupil with additional weighted amounts allocated for certain student characteristics such as grade level, gifted, economically disadvantaged students, or other categories of students that would earn additional funds. Up to six school systems would receive funding over a four-year period, beginning by the 2027-2028 school year. Additionally, the bill mandates pre-kindergarten and kindergarten for all children prior to entering first grade and requires school districts to provide free breakfast and lunch and transportation services to all pre-kindergarten and kindergarten students.

The actual cost of the bill will depend on the school systems chosen in a pilot program. We calculated the difference between existing QBE funding and funding under this bill for six systems of varying sizes, character, and geography. For the mandatory Pre-K component of the bill, we calculated the percentage increase in state funding that would be required in those same systems' jurisdictions.

### **K-12 Earnings Related to New Weighted Amounts**

Under the bill, each kindergarten through grade 12 student receives a base weighted amount, plus a supplemental amount for various student characteristics. These characteristics includes grade levels (other than grade 6-8, which is the base off which other categories are calculated), career/technical/agricultural education, students with disabilities, intellectually gifted, economically disadvantaged, and English as a Second Language (ESOL). A student may have multiple characteristics that result in supplements over the base weighted amount. For example, a student enrolled in grade 1 and an ESOL program would receive a base amount of \$3,650.88, a grade K-3 weighted amount equal to 0.2954 of the base (\$1,078), and an ESOL weighted amount equal to 0.2035 (\$743).

For illustrative purposes, we selected six school systems to determine the additional costs that would have occurred in FY 25 had the funding formula been in place (**Table 1** on the following page). The total cost increase for the pilot program using these six systems would be about \$33.5 million, which is a 2.7% increase from the current QBE funding. Five of the six systems would see an increase in funding ranging from 12% to 30%. The largest system, Gwinnett, would see a funding decrease of about 1%. The systems with smaller enrollments in this sample receive a higher percentage of funding increases.

**Table 1: Illustration of Potential Additional Costs (\$ in millions)**

School System	Mid-Term 2025 Headcount Enrollment	Earnings - Current Law	Earnings Under Pilot	Additional Costs	% Change
Gwinnett	180,694	\$947.6	\$937.2	\$(10.4)	(1.1%)
Clayton	49,783	\$235.9	\$263.9	\$28.0	11.8%
Oconee	8,402	\$40.5	\$50.1	\$9.6	23.8%
Fannin	2,660	\$12.5	\$15.5	\$3.0	24.2%
Meriwether	2,112	\$10.5	\$13.6	\$3.1	29.6%
Taliaferro	<u>178</u>	<u>\$0.8</u>	<u>\$0.9</u>	<u>\$0.1</u>	16.4%
<b>Total</b>	<b>243,829</b>	<b>\$1,247.7</b>	<b>\$1,281.2</b>	<b>\$33.5</b>	<b>2.7%</b>

The fiscal impact would vary from these amounts during the pilot, based on changes to enrollment and changes to the QBE base amounts.

**Mandatory Pre-Kindergarten Formula Costs**

The costs of mandatory pre-kindergarten within these systems were calculated using the base amount provided by GaDOE and weights identified in the bill. We estimated the four-year old population in each county using population data from the Governor’s Office of Planning and Budget to determine the number of pre-kindergarten students to be served. Current DECAL spending for pre-kindergarten within the system’s borders was subtracted from the additional GaDOE funding owed to school systems under the bill to obtain the additional cost to the state.

As shown in **Table 2**, the bill would have increased Pre-K spending in the six jurisdictions by 8.83%. DECAL already provides funding of \$58.2 million to pre-kindergarten providers within the systems’ jurisdictions. If that funding is shifted to GaDOE, the additional costs to the state of mandating pre-kindergarten enrollment would be \$21 million. Four of the six systems would see funding increases ranging from 17-45%, while the other two system would see funding decreases ranging from 14-38%.

**Table 2: Pre-K Estimated State Expenditures, July 2023 Student Estimates**

School System	Estimate of 4-year-old Population	Current Pre-K Lottery Funding	Pre-K Earnings Under Bill	Additional State Costs	Percent Change
Gwinnett	11,870	\$38,590,410	\$56,137,384	\$17,546,974	45.47%
Clayton	4,033	\$15,539,762	\$19,073,468	\$3,533,706	22.74%
Oconee	425	\$2,330,964	\$2,009,974	\$(320,991)	-13.77%
Fannin	193	\$776,988	\$912,765	\$135,776	17.47%
Meriwether	228	\$906,486	\$1,078,292	\$171,806	18.95%
Taliaferro	<u>17</u>	<u>\$129,498</u>	<u>\$80,399</u>	<u>\$(49,099)</u>	-37.91%
<b>Total</b>	<b>16,766</b>	<b>\$58,274,109</b>	<b>\$79,292,281</b>	<b>\$21,018,172</b>	<b>8.83%</b>

Current Pre-K lottery funding is based on the number of slots within a county, whether with a public or private provider. Under the new bill, the earnings for each system would be based on the population of Pre-K aged students overall. As a result, the change in state costs is attributable to a change in the population funded, as well as a different amount per student.

Additional pre-kindergarten costs do not include possible capital expenses associated with additional classroom space to accommodate pre-kindergarten students. Such costs could vary

significantly and will depend upon available facilities in the school systems ultimately selected for the pilot project. The bill allows school systems to partner with current DECAL providers for service delivery but would require the submission of a plan by the end of year two for the “timely transition of pre-kindergarten programs to the local school system’s educational facilities.” Estimates in in Table 2 assume full pre-kindergarten participation through school districts and do not account for any students served through local private providers.

**Nutrition and Transportation Costs for Pre-Kindergarten and Kindergarten Students**

As a condition of participation in the pilot, the bill requires school districts to provide free breakfast and lunch and transportation to all pre-kindergarten and kindergarten students. Though the bill does not specify how these costs will be funded between local/state funds, this will result in new costs as school districts do not currently earn funds through the pupil transportation or nutrition formulas for pre-kindergarten students, and they are currently not required to provide free meals to all pre-kindergarten or kindergarten students.

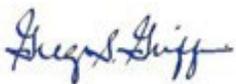
**Table 3** below shows the estimated cost for the sample districts assuming current state funding practices for nutrition and transportation and additional cost of providing free meals. This bill would result in estimated additional cost of \$10.0 million for nutrition and \$3.5 million for transportation.

**Table 3: Estimated Nutrition and Transportation Costs**

School System	Nutrition			Transportation		
	Current – Kindergarten <sup>1</sup>	Under Bill – PK + K <sup>2</sup>	Estimated New Costs	Current – Kindergarten <sup>3</sup>	Under Bill – PK <sup>4</sup>	Estimated New Costs
Gwinnett	\$238,219	\$7,371,861	<b>\$7,133,642</b>	\$2,407,627	\$4,902,321	<b>\$2,494,694</b>
Clayton	\$72,120	\$2,369,590	<b>\$2,297,470</b>	\$613,585	\$1,297,558	<b>\$683,974</b>
Oconee	\$10,884	\$296,291	<b>\$285,407</b>	\$143,561	\$256,285	<b>\$112,724</b>
Fannin	\$4,067	\$121,176	<b>\$117,109</b>	\$61,971	\$122,302	<b>\$60,331</b>
Meriwether	\$3,360	\$122,732	<b>\$119,373</b>	\$84,809	\$200,958	<b>\$116,149</b>
Taliaferro	\$129	\$7,623	<b>\$7,494</b>	\$3,310	\$12,129	<b>\$8,819</b>
<b>Total</b>	<b>\$328,780</b>	<b>\$10,289,273</b>	<b>\$9,960,494</b>	<b>\$3,314,863</b>	<b>\$6,791,553</b>	<b>\$3,476,690</b>

1. Represents estimated FY 2025 nutrition grant formula earnings by county for kindergarten students only. Estimated earnings assume equal meal participation by district and grade level.
2. Includes the cost of adding Pre-K students to the Nutrition Grant formula, as well as the state share of providing free breakfast and lunch to Pre-K and kindergarteners based on current USDA pricing (\$2.84 for breakfast, \$4.54 for lunch, \$0.30 reduced-price breakfast, \$0.40 reduced-price lunch). These estimates assume continuation of current federal funding for free and reduced-price meals and represent cost for remaining balance for full and reduced-price meals.
3. Represents estimated FY 2025 transportation grant formula earnings by county for kindergarten students only. Estimated district earnings assume equal student participation in bus ridership across the state.
4. Includes the cost of adding Pre-K students to the Transportation Grant formula to estimate the impact of additional bus riders on state-funded transportation earnings.

Respectfully,



Greg S. Griffin  
State Auditor



Richard Dunn, Director  
Office of Planning and Budget