



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 14, 2018

Honorable Brooks Coleman
Chairman, House Education
416 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 787 (LC 33 7263S)

Dear Chairman Coleman:

The bill would increase the state supplement provided to state charter schools, provide additional capital funding for these schools, and ensure that state charter schools are eligible for Regional Education Service Agency (RESA) services and memberships. Specifically, the bill would:

- Increase the state supplement provided to state charter schools from the average of the lowest five school systems by assessed valuation, to the statewide average amount of equalization funding and local funding per FTE
- Increase the capital funding for brick-and-mortar state charter schools that are located within the boundaries of a local school system where the capital revenue per FTE is greater than 25 percent above the statewide average from 100 percent of the statewide average to 125 percent of the statewide average total capital revenue per FTE
- Provide state virtual charter schools with capital funding equal to 25 percent of the statewide average total capital revenue per FTE

Cost of Changing State Supplements

Changing the state supplement for state charter schools will require additional state funding of approximately \$10.5 million. This includes \$5.5 million for brick-and-mortar state charter schools and \$5.1 million for virtual charter schools. This is based on the current number of FTEs at state charter schools and would increase if the number of FTEs increase. This bill would increase the per FTE supplement at brick-and-mortar schools from \$2,981 to \$3,382, an increase of \$401. Virtual state charter schools receive a state supplement amount equal to two-thirds of the brick-and-mortar amount. The per FTE amount for virtual schools would increase by \$265, from \$1,988 to \$2,252 under the bill.

Table 1. Estimated Costs of Increasing State Supplements

| <i>(\$ in millions)</i> | <u>Brick-and-Mortar</u> | <u>Virtual</u> | <u>Total</u> |
|-------------------------------|--------------------------------|-----------------------|---------------------|
| Students (FTE) | 13,658 | 19,045 | 32,703 |
| Current State Supplement | \$40.7 | \$37.9 | \$78.6 |
| Proposed State Supplement | \$46.2 | \$42.9 | \$89.1 |
| Additional State Costs | \$5.5 | \$5.1 | \$10.5 |

This assumes that the statewide average is based on the average of all students across the state. Currently, the calculation for the average of the lowest five school systems by assessed valuation is done by calculating the average of each school system, not the average amount per FTE across the state. If derived by averaging each school system, the total state supplement increase for both brick-and-mortar and virtual charter schools would be \$4.3 million.

Costs of Changing Capital Funding

Increasing capital funding for certain brick-and-mortar state charter schools from 100 percent of the statewide average to 125 percent of the statewide average total capital revenue per FTE would cost approximately \$1.2 million. Currently, these schools receive \$1,107 per FTE as supplemental capital funding. The bill would raise the supplemental capital funding to \$1,383 for schools meeting the bill's criteria. Currently, nine state charter schools with 4,328 FTEs would receive an increase.

Providing state virtual charter schools with capital funding equal to 25 percent of the statewide average would cost approximately \$5.3 million. Currently, virtual schools receive no supplemental capital funding. This legislation will provide these schools with \$277 per FTE.

Table 2. Estimated Costs of Changing Capital Funding

| <i>(\$ in millions)</i> | <u>Brick-and-Mortar</u> | <u>Virtual</u> | <u>Total</u> |
|-------------------------------|--------------------------------|-----------------------|---------------------|
| Students (FTE) | 4,328 ⁽¹⁾ | 19,045 | 23,373 |
| Current State Supplement | \$14.6 | \$0 | \$15.8 |
| Proposed State Supplement | \$15.8 | \$5.3 | \$22.2 |
| Additional State Costs | \$1.2 | \$5.3 | \$6.5 |

(1) Number of FTE for those state charter schools that qualify for increased capital funds.

Note: Numbers may not total due to rounding

Sincerely,



Greg S. Griffin
State Auditor



Teresa A. MacCartney, Director
Office of Planning and Budget