



DEPARTMENT OF AUDITS AND ACCOUNTS

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March 22, 2018

Honorable Jack Hill
Chairman, Senate Appropriations
234 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 787 (LC 33 7453S)

Dear Chairman Hill:

The bill would change 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 either the statewide or attendance zone school systems' average amount of equalization funding and local funding per FTE, whichever is less
- Change the capital funding for brick-and-mortar state charter schools to either the statewide average total capital revenue or the capital revenue per full-time equivalent for the local system in which the charter school is located, whichever is greater
- Provide state virtual charter schools with capital funding equal to 20 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 \$10.4 million.¹ This includes \$5.3 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. For schools receiving the statewide average supplement, this bill would increase the per FTE supplement at brick-and-mortar schools from \$2,981 to \$3,396, an increase of \$415. Virtual state charter schools receive a state

¹ The fiscal note calculates the difference in funding required under current law and under the bill, given the most recent available information. It does not consider changes to the number of state charter schools that may occur in FY 2019 and subsequent years.

supplement amount equal to two-thirds of the statewide average brick-and-mortar amount. The per FTE amount for virtual schools would increase from \$1,988 to \$2,255 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	\$46.0	\$43.0	\$89.0
Additional State Costs	\$5.3	\$5.1	\$10.4

Note: Numbers may not total due to rounding

For those charter schools receiving the statewide average, the amount is based on the average for all students in the state. Currently, the calculation for the average of the lowest five school systems by assessed valuation is based on the average of each school system's cost per FTE (i.e., equally weighting school systems regardless of student population).

Costs of Changing Capital Funding

Increasing capital funding for certain brick-and-mortar state charter schools to the statewide average per FTE² or the system average per FTE where the state charter school is located, whichever is greater, would cost approximately \$3.1 million. Currently, these schools receive \$1,107 per FTE as supplemental capital funding. The bill would raise the supplemental capital funding to an average of \$1,335. Virtual state charter schools would receive \$221 per FTE, equaling \$4.2 million.³

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	\$15.1	\$0	\$15.1
Proposed State Supplement	\$18.2	\$4.2	\$22.4
Additional State Costs	\$3.1	\$4.2	\$7.3

(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

GSG/TAM/nc

² This assumes no revenue bonds in the current statewide capital funding amounts.

³ Capital funding for virtual charter schools may include computer hardware, software, and associated technical equipment necessary for students to participate in virtual instruction.