Georgia Department of Audits and Accounts
Compilation of Performance Audit Products

Legislative Report
2024 Session

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Table of Contents

Government Operations

Contains Recommendations

Human Resources Administration

State Purchasing – Competitive Bidding

Contains No Recommendations

Regulatory Requirements of Selected Health Professions

State Health Benefit Plan

Health and Human Services

Contains Recommendations

Medicaid Dental

Rural Hospital Tax Credit (2023)

Homelessness Spending

Contains No Recommendations

Regulatory Requirements of Selected Health Professions

Rural Hospital Tax Credit (2022)

Medicaid Unwinding

Prescription Drug Sales Tax Exemption

State Health Benefit Plan

Non-Profit Hospital Exemptions

Higher Education

Contains Recommendations

Student Access Loan Program

Contains No Recommendations

Georgia Military College

Tuition Equalization Grant

Exemption on the Sale of Lottery Tickets

Industry, Insurance, and Labor

Contains Recommendations

Secretary of State Grant Administration

Unemployment Insurance Pandemic Response

Contains No Recommendations

Tuition Equalization Grant

Special Tax Deduction for Life Insurance Companies

Justice

Contains Recommendations

DJJ Incident Response and Management

Public Safety and Law Enforcement

Contains Recommendations

Cost of Training DPS Troopers

Transportation and Motor Vehicles

Contains No Recommendations

Motor Fuel Funds

Introduction

Who are we?

The Georgia Department of Audits and Accounts (DOAA) exists to provide independent, unbiased information and impactful recommendations to promote accountability and improve government. Among other responsibilities, DOAA

- Conducts financial audits for state and local governments, including local education agencies;
- Conducts examinations that evaluate the efficiency and efficacy of state programs, resulting in cost and management improvements, as well as the identification of fraud, waste, and abuse; and
- Establishes and prepares an equalized property tax digest for the state and its counties each year.

What does this report contain?

This report summarizes the work of the Performance Audit Division (PAD) between calendar years 2021 and 2023. This includes performance audits, special examinations, and tax incentive reports. During that period we issued 55 products, as shown below. Approximately 80% were released to fulfill legislative requirements, either per statute or by request from the House or Senate Appropriations Committee.

Publication Type	Number of PAD Products Released			
	2021	2022	2023[1]	Total
Performance Audits	5	1	4	10
Special Examinations	2	6	8	16
Special Reports	4	3	2	9
Tax Incentive Reports[2]	0	10	10	20
Total	**11**	**20**	**24**	**55**
Per Statutory Requirement or Legislative Request	5	19	21	45

[1] Includes two special examinations and one performance audit publicly released in January 2024.

[2] Completed by contractors

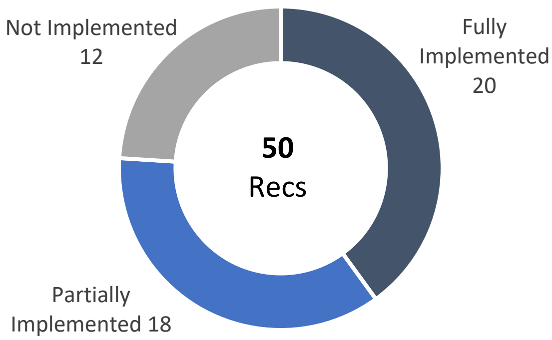
We have included a one-page summary of each report; full reports can be found on our website (https://www.audits2.ga.gov/reports) or by clicking on the link in the one-page summary. Where appropriate, we have also included the implementation status for recommendations. See below for further discussion.

Which PAD publications are relevant to my committee?

PAD publications are categorized by policy area. Some reports relate to multiple areas and are included in each relevant area's section.

What is the status of audit recommendations?

When a performance audit or special examination contains recommendations for the audited entity or the legislature, we follow up with the agency every six months following publication to determine the extent to which recommendations have been implemented. A final follow-up occurs approximately two years after the report's initial publication, and the status of each recommendation is compiled in a publicly released report.



The status of the recommendations (based on the most recent follow-up) is included in a table following the one-page summary. Status is not considered final until a follow-up review has been published. Recommendation status is labeled "pending" when no interim follow-up has occurred.

We have completed follow-up reviews for three reports published in 2021. In total, these reports contained 50 recommendations, and 38 (76%) were either fully or partially implemented. In 2024, an additional 7 follow-ups will be completed for 52 recommendations.

Agriculture, Environment, and Natural Resources

Contains Recommendations

Georgia Forestry Commission Forest Protection

Agricultural Education

Contains No Recommendations

Universal Service Fund

Georgia Agricultural Sales Tax Exemption

Performance Audit Division

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GFC Forest Protection

Action needed to ensure continued success in suppressing wildfires

BACKGROUND

GFC Forest Protection responds to all wildfires, assists private landowners with wildfire mitigation activities (e.g., prescribed burning), provides aerial detection of wildfires, and conducts community outreach and education to prevent wildfires. GFC also provides equipment and training to county and municipal rural fire departments, provides fire weather forecasting, and oversees burn permits.

GFC Forest Protection is organized into two zones and 10 areas. Within the areas, counties are grouped into one of 77 county-units, each with three to seven rangers who respond to wildfires and conduct prevention and mitigation activities.

In fiscal year 2020, GFC Forest Protection expenditures totaled approximately $40 million.

KEY RECOMMENDATIONS

To address lack of wildfire experience risks, GFC should:

- Track personnel's wildfire experience by combining data from the Incident Qualifications System, fire reports, and field management insights.
- Determine type and numbers of Incident Management Teams (IMT) needed.
- Develop succession plans for field management and IMT positions.
- Develop wildfire training exercises.

To reduce wildfire response risks, GFC should:

- Create formal statewide guidance for use of aviation resources.
- Create a formal statewide staffing plan
- Use additional aviation data points and better data integrity to determine fleet needs.
- Use quantitative risk analysis to evaluate the impact of mitigation and prevention activities.

KEY FINDINGS

Historically, the Georgia Forestry Commission (GFC) Forest Protection program has successfully suppressed wildfires. However, risks to GFC's future success exist and need to be addressed.

GFC has successfully suppressed wildfires.

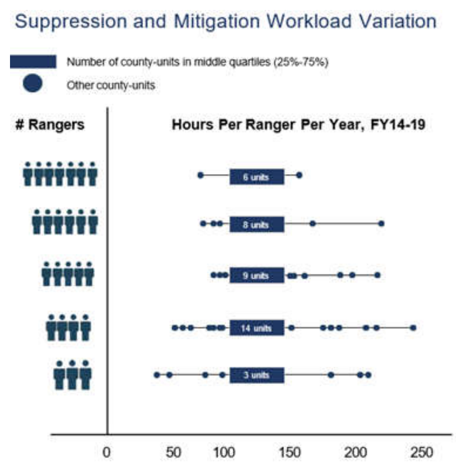
- Between fiscal years 2015 and 2019, approximately 82% (13,800) of the nearly 17,000 wildfires within the state were suppressed before exceeding five acres.

A majority of GFC rangers have not experienced a severe wildfire season.

- Approximately 58% of GFC's rangers have been hired since Georgia's last severe wildfire season in fiscal year 2011.
- Opportunities exist to mitigate the risks associated with this lack of wildfire experience, including formally tracking rangers' wildfire experience, conducting training exercises, and developing formal succession plans.

Risk could be reduced through more comprehensive planning.

- GFC has not defined what the aviation program is expected to accomplish or how its resources are to be used, making it difficult to determine what the aviation fleet composition should be as the fleet ages.
- Opportunities exist to better align the distribution of rangers with workload and wildfire risk. A long-term staffing plan could better ensure staffing algins with risk and workload, and that any variations are due to valid reasons.



- Local plans for wildfire protection have been adopted, but gaps in key areas exist. It is also necessary for some aspects to occur at the state level.

More comprehensive data would provide better management information for decision-making.

- GFC collects a substantial amount of data, but opportunities exist to create better management information. Examples include:
  - For aviation, ensuring data integrity and collecting additional data points on fire class day and suppression utilization.
  - A formal list of rangers qualified for each needed IMT team including identified primary and alternates for each position.
  - GFC could use quantitative risk analysis, such as updates to the Southern Wildfire Risk Assessment, to evaluate effectiveness of mitigation activities and inform future mitigation planning.

Full report available at: https://www.audits2.ga.gov/reports/summaries/gfc-forest-protection

GFC Forest Protection
Follow-Up Review Completed July 2023

Finding 1: Historically, GFC has successfully suppressed wildfires in Georgia.

No recommendations

Finding 2: Additional information should be collected to determine whether GFC has the appropriate number and types of aviation resources.

GFC should formally define what the aviation program is expected to accomplish.	Fully Implemented
GFC should create guidance regarding when incident commanders should request aerial suppression support.	Fully Implemented
GFC should track data that would allow management to assess activity and need for aviation resources. This may include the fire class day and key qualitative data on aerial wildfire suppression.	Partially Implemented
GFC should track use of external aviation assets in fighting wildfires, including frequency and the response time from request to arrival on scene.	Fully Implemented
GFC should increase aviation data integrity. Consideration should be given to utilizing an aviation-specific system.	Partially Implemented
GFC should determine the number and type of assets necessary to meet its aviation needs.	Partially Implemented

Finding 3: Opportunities exist to better distribute wildland firefighting personnel with wildfire risk and workload.

GFC should evaluate statewide goals related to response time and forested acres per ranger.	Not Implemented
GFC should study the number and placement of county-unit offices to determine the optimal number and placement of offices needed to achieve agency objectives. Additional expertise may be needed to develop the methodology and criteria necessary to conduct the study. County-unit placement decisions should be evaluated on an on-going basis in response to changing landscape and other conditions. For example, updates could coincide with updates to the Southern Wildfire Risk Assessment (SouthWRAP), which occurs every five to 10 years.	Partially Implemented
Based on revisions to goals and number of offices, GFC should create a statewide staffing plan that allocates rangers according to individual county-unit needs.	Partially Implemented

Finding 4: Opportunities exist for GFC to mitigate the risks associated with the lack of wildfire experience among its forest protection staff.

GFC should create a formal plan with specific action to address the risks associated with rangers' lack of experience with large wildfires. Actions should include formally tracking ranger experience and using the information to develop succession plans for field management positions and Incident Management Team (IMT) positions (as discussed below).	Partially Implemented
GFC should determine what types of IMTs it needs, create formal lists of rangers who meet the necessary qualifications including primary, alternate, and others qualified, and identify future gaps in personnel qualified for IMT positions.	Fully Implemented

GFC should create a standard policy on when formal after-action reviews (AARs) will occur, dependent upon wildfire size, complexity, or both. In addition, GFC should provide a template to guide the creation of after-action reviews.	Partially Implemented
The General Assembly should consider periodically funding a large wildfire exercise to be conducted by GFC. While costs could vary, they may be lowered if GFC partnered with the federal National Incident Management Organization.	Fully Implemented

Finding 5: GFC has adopted local plans for wildfire response and mitigation; however, there are broad gaps in guidance at both the state and local level.

GFC should create a statewide wildfire management plan to document responsibilities of different parties, prioritize projects across the state, and establish strategies to achieve better fire outcomes. Specifically, such a plan would include: 1. A statewide list of mitigation projects, which could be documented at an area, zone, or statewide level so that the organization is aware of and prioritizes the most impactful mitigation projects. 2. Formal guidance regarding when aviation assets should be requested to provide overwatch and/or suppress a wildfire. This could be part of a broader aviation strategic plan that identifies the mission, goals, and needs of a wildland firefighting aviation program, as discussed in the original report on page 8. 3. Consistent definitions in the statewide and local plans for terms such as priority level.	Partially Implemented
GFC should monitor progress toward completing objectives outlined in statewide and local plans and evaluate the effectiveness of its mitigation and prevention activities at reducing risk. One method to evaluate this effectiveness is using quantitative risk assessments, such as when the SouthWRAP is updated, to identify any risk reductions resulting from such activities.	Partially Implemented
GFC should require CWPPs or other local planning documents to include detailed response guidance, which could include assets that could be at risk, areas that could need aviation support, areas with unique fuel loads or topography concerns, and wildfire suppression tactics that should or should not be used based on the county's unique features.	Not Implemented
GFC should require CWPPs or other local planning documents to include a detailed, prioritized list of proposed mitigation projects, including responsibility and funding source. Progress should be tracked on each when CWPPs are updated, which should occur every five years per GFC.	Fully Implemented

Performance Audit Division

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Georgia Department of Education – Agricultural Education

Requested Information on the Young Farmer and FFA Camp Programs

BACKGROUND

The Senate Appropriations Committee requested this special examination of the Young Farmer and youth camp programs within the Agricultural Education Program at the Georgia Department of Education (GaDOE). Based on this request, we reviewed the extent to which (1) the Young Farmer program has a reasonable approach to accomplish its purpose and (2) the current structure of youth camps contributes to financial and liability risks.

The Young Farmer (YF) program was created in 1951 to provide educational instruction and opportunities to adults interested or engaged in agriculture, and it seeks to increase proficiency in agricultural production, management, agribusiness, and leadership. Currently, there are 61 active YF programs across the state.

Since 1948, the Georgia Association of Future Farmers of America (FFA) and the state have partnered to operate recreational and youth camping programs (referred to in this report as FFA camps). FFA camps consist of two state-owned facilities offering overnight accommodations, dining services, meeting space, and recreational facilities available to FFA and Family, Career, and Community Leaders of America (FCCLA) members, as well as other educational groups.

KEY RECOMMENDATIONS

GaDOE should:

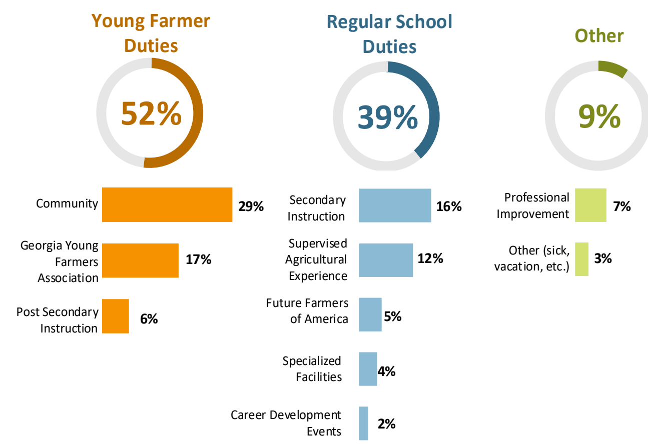
- Take steps to ensure clear, measurable goals exist for the YF program and that performance measures (including outcomes and outputs) and program requirements are tied to the goals.
- Establish a policy clarifying responsibility for monitoring the YF program and ensuring the program is monitored at a statewide level. Such monitoring should be based on meaningful information.
- Seek to clarify the status of the FFA camps as state or non-state entities in consultation with the State Office of the Attorney General.

KEY FINDINGS

GaDOE has established a mission with related goals and has documented program requirements for the Young Farmer (YF) program. However, the program lacks associated performance measures and the activity data collected is not consistent or complete, which limits the ability to evaluate program performance and identify services commonly delivered. Furthermore, GaDOE's role and responsibility are not defined for Future Farmers of America (FFA) camps, which operate on state-owned property.

While GaDOE has established requirements for YF teachers, the program is not designed to measure progress toward achieving goals.

- YF teachers must annually complete a Program of Work that includes 51 standards. Based on GaDOE data, an average of 96% of standards were met from 2018-2022.
- YF program goals are related to its mission, yet most are not clearly defined or measurable. The program also lacks performance measures that would help determine progress toward achieving program goals.



- GaDOE collects program activity data; however, this information is not used to monitor the program statewide. Additionally, data limitations exist, including:
  - Data is inconsistent and likely incomplete. For example, in school year 2021-22, total work hours reported by YF teachers varied from approximately 550 to 3,000 hours. In addition, teachers reported using different categories for the same services.
  - Monthly activity reports lack meaningful information such as which service types are most commonly provided and to whom. According to the activity data, YF teachers on average spend approximately half of their time on YF duties and nearly 40% on regular school duties.

The relationship between GaDOE and FFA camps is not defined, which increases financial and liability risks.

- FFA camps—which operate on state-owned properties and receive state funds—are not defined as units of the state. GaDOE does not centrally manage the camps (unlike other state entities with similar camps); rather they are overseen by a Camp Administrative Committee made up of representatives from GaDOE and various non-state entities (e.g., local school systems, agribusiness).
- The current arrangement creates financial and liability risks. For example, FFA camps do not follow state requirements related to financial management and instead operate under more limited requirements established by the Camp Administrative Committee. Additionally, while FFA properties are insured by the state, FFA camp employees may not be covered by the state's liability insurance program.

Full report available at: https://www.audits.ga.gov/reports/summaries/gdoe-agricultural-education/

Agricultural Education

Final Status Pending – Follow-Up Review will be completed in 2025

Finding 1: The YF program is not designed to measure progress toward achieving program goals.	
GaDOE should establish clear, measurable goals for the YF program that are re-evaluated regularly to assess their reasonableness and relevance.	Partially Implemented
GaDOE should establish performance measures that are tied to program goals. The performance measures should include outcome, as well as output, measures. Once performance measures are established, GaDOE should determine whether program requirements and activities demonstrate progress toward achieving goals.	Partially Implemented
GaDOE should evaluate the programmatic (non-administrative) POW requirements and modify those that are identified as irrelevant to the program's goals.	Partially Implemented
Finding 2: While GaDOE assesses YF teachers' compliance with reporting requirements and collects information on YF activities, it does not evaluate overall program performance.	
GaDOE should establish a policy regarding ongoing monitoring of YF teachers. The policy should clearly assign responsibility for ongoing monitoring activities. The policy should also document the consequences for failing to comply with program requirements and include a procedure for determining funding cuts that result from non-compliance.	Partially Implemented
GaDOE should evaluate program performance at a statewide level. This could include setting benchmarks to compare to monthly report data.	Partially Implemented
GaDOE should work with YF teachers, local school system CTAE directors, and program management to redesign the Monthly Reports to track more meaningful information such as which service types are most commonly provided and to whom. For information currently collected but not used, GaDOE should decide whether this information is needed.	Partially Implemented
GaDOE should ensure YF teachers are trained and provided sufficient guidance to ensure activity data is consistently reported.	Partially Implemented
GaDOE should consolidate the adult enrollment forms and the monthly reports to ease the administrative burden on YF teachers and increase the accuracy of reporting.	Partially Implemented
Finding 3: YF services vary across the state and are based on community requests for assistance.	
No recommendations	
Finding 4: It is unclear whether FFA camps should be considered units of the state, which creates financial and liability risks.	
GaDOE, in consultation with the Office of the Attorney General, should clarify the status of the FFA camps as state or non-state entities.	Partially Implemented
If FFA camps are determined to be state entities, GaDOE should centrally manage the camps to ensure they comply with state laws, rules, and policies governing state entities.	Partially Implemented
If FFA camps are determined to be non-state entities, GaDOE (in consultation with the State Properties Commission) should re-establish an agreement with the Georgia Future Farmers of America, Inc., Georgia Association of Family, Career, and Community Leaders of America, inc., or other relevant party. The agreement should outline the roles and responsibilities of each for camp operations.	Partially Implemented
The FFA camps should update their policies and procedures manual (last updated in 2009) to ensure they are current and accurately reflect all financial policies and controls in place.	Partially Implemented

Summary of Special Examination | Report No. 23-12 November 2023

Performance Audit Division

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Universal Service Fund

Requested Information on the Use of Funds

BACKGROUND

The House Appropriations Committee requested this review of the Universal Service Fund (USF). Based on this request, we reviewed what companies are eligible for a USF, how USF funds have been spent, changes in the end-of-year balance, and policy options to help fund natural gas expansion.

Passed in 1997, Senate Bill 215 authorized natural gas deregulation in Georgia. When natural gas is fully regulated, a local distribution company delivers and sells gas to consumers at a rate set by the state's regulatory agency (interstate supplier rates are set by a federal agency). Under deregulation, the price for the sale of gas is determined by market competition, and consumers can choose the marketer from which to purchase gas. Companies that choose to deregulate have a USF, which sets aside certain natural gas revenues to fund gas expansion projects and provide low-income assistance.

The Georgia Public Service Commission (PSC) administers the USF. Statute specifies funding sources that are to be deposited into the USF and also authorizes PSC to order other revenue sources be deposited into the USF. Statute also indicates annual deposits "shall not exceed $25 million." The USF does not receive any state funds.

In 2022, USF disbursements totaled $15.7 million. Most ($14 million) was spent on expansion projects, and a small portion ($1.7 million) was used to assist low-income consumers.

KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

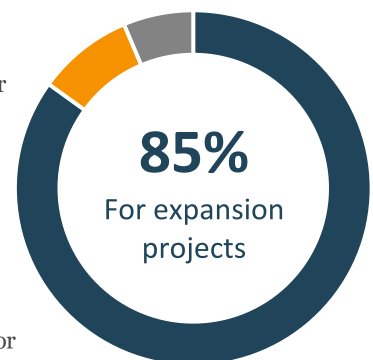
KEY FINDINGS

Under state law, a Universal Service Fund (USF) is established when a gas company chooses to deregulate, which currently applies to only one company. Most USF funding was spent on expansion projects, and a small portion was spent on low-income assistance. While gas providers we interviewed indicated they can adequately fund expansion projects with other sources, the General Assembly could consider programs used in other states to facilitate expansion if a need is identified.

A USF is only available to the one company that has deregulated.

- Under statute, the Georgia Public Service Commission (PSC) establishes a USF when a natural gas distribution company chooses to deregulate.
- Only Atlanta Gas Light (AGL) has deregulated, so it is the only company with a USF.
- Georgia's other natural gas distribution company has not deregulated, and municipal providers are not eligible for a USF.

Most USF funds have been spent on or are set aside for natural gas expansion projects.



- Between 2018 and 2022, $63.2 million was disbursed from the USF. Most ($53.5 million, or 85%) was spent on the 15 expansion projects completed during this period.
- USF funds are also used to assist low-income natural gas consumers. Between 2018 and 2022, nonprofits received $5.5 million (9%) for home energy programs for low-income consumers. Additionally, $4 million (6%) was used to help reimburse the regulated provider for uncollectible low-income consumer accounts. State law set up the regulated provider to provide natural gas to consumers who might otherwise have difficulty obtaining service.
- Between 2018 and 2022, the end-of-year balance has grown by 62%, from $32.3 million to $52.3 million. However, most of the balance ($45.1 million, or 86% for 2022) was set aside for expansion projects that PSC has already approved but have not yet been completed (partly because COVID-era issues led to project delays).

While gas providers are generally able to fund expansion projects, policy makers could consider other funding mechanisms if deemed necessary.

- Across the state, the gas providers interviewed indicated they do not experience funding challenges because expansion project costs are typically incorporated into consumer rates. However, gas providers identified other barriers that impact their ability to expand (e.g., changes in federal regulations).
- Generally, other southeastern states do not have statutory provisions to fund expansion projects, and none establish a USF or direct grant funding for this purpose. However, two states' laws help facilitate expansion for economically infeasible projects by establishing a dedicated project fund or using a specific cost recovery process.

Full report available at: https://www.audits2.ga.gov/reports/summaries/universal-service-fund/

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Georgia Agricultural Sales Tax Exemption

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia's Agricultural Sales Tax Exemption (GATE) (O.C.G.A. § 48-8-3.3) provides for exemptions on selected agricultural inputs. Exempt items fall into broad categories of machinery, equipment, and repair parts; seeds and seedlings; livestock, feed, and veterinary supplies; fertilizers and pesticides; and fuel and electricity. The GATE program is considered one of the most expansive sales tax exemptions on agricultural inputs in the southeast. Nearly every state offers some form of agricultural sales and use tax exemption.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

To determine the economic activity attributable to GATE, the Institute estimated the difference between the gate value of crop, livestock, and timber production currently projected and the gate value expected if GATE did not exist. The value was estimated to be 7.65% lower, the amount of the combined state and local sales taxes.

As noted on the right, the Institute estimated that GATE results in nearly 2,500 jobs and a contribution of more than $95 million to the state economy.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 7,960 jobs and $395.4 million in value added to the economy.

2,463 Jobs

$95.5M Value Added

$57.7M Labor Income

$162.6M Economic Output

Note: Economic activity attributable to GATE

REVENUE

The state exemption is estimated to increase from $155.0 million in FY 2023 to $166.8 million in FY 2028. (Local foregone revenue is estimated at $141.2 million in FY 2023.) In 2022, the resulting economic activity was estimated to bring in $1.8 million in state revenue.

Finally, the Institute estimated that the alternate use of the revenue would have generated $9.0 million in state revenue in FY 2023.

$155.0M State Tax Expenditure

$1.8M State Revenue Generated

Note: 2023 estimates

COST

The Department of Agriculture reported administrative costs of about $500,000 annually. Cardholders pay $150 every three years, resulting in approximately $1.8 million annually to the state treasury.

PUBLIC BENEFIT

The Institute cited several public benefits including encouraging production, supporting employment (especially in rural Georgia), and supporting small farmers and producers of new or emerging crops.

Economic and Community Development & Tourism

Contains Recommendations

Homelessness Spending

Contains No Recommendations

Low-Income Housing Tax Credit

Historic Rehabilitation Tax Credit

Georgia Job Tax Credit

Qualified Interactive Tax Credit

Georgia Research and Development Tax Credit

Manufacturing Sales Tax Exemption

Computer Equipment Sales Tax Exemption

High-Tech Data Center Equipment Sales Tax Exemption

MLK Center for Nonviolent Social Change

Universal Service Fund

Musical Tax Credit

Georgia's Film Tax Credit

Quality Jobs Tax Credit

Performance Audit Division
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Homelessness Spending

Requested Information on Programs and Services

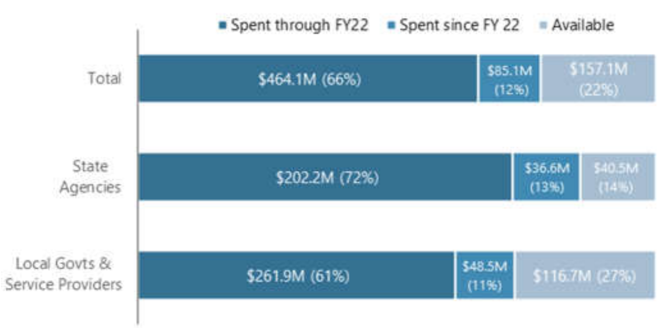
BACKGROUND

Senate Bill 62, which passed during the 2023 legislative session, required the state auditor to conduct a performance audit of spending on homeless programs and services. Accordingly, we examined the funds available from federal, state, and local fund sources and how funds were spent; the use of grants and contracts to award funds and monitor service delivery; and the use of the Georgia Homeless Management Information System (HMIS).

The Department of Community Affairs (DCA) and other state entities administer a variety of homeless programs. Some are federally funded programs that target specific populations.

In 2022, approximately 10,700 individuals were reported as experiencing homelessness in Georgia.

Approximately 78% of Total Federal Funds Available Has Been Spent



KEY RECOMMENDATIONS

The General Assembly could consider:

- Establishing a council responsible for statewide coordination, as has been done in other states.
- Requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.

KEY FINDINGS

In Georgia, homelessness is addressed through a network of programs and services administered at the state and local levels but primarily funded through federal grants. The majority of these federal grants can be spent over multiple years, depending on the grant period. State funding is significantly smaller for a few targeted programs. Most federal and state funding ultimately reaches the state's network of local organizations that provide direct services to the homeless population. Though a significant amount of activity occurs locally, Georgia's response to homelessness may be improved through statewide coordination.

Significant federal funds are awarded for and spent on homeless programs and services.

- Between federal fiscal years 2018 and 2022 (the latest year for which complete federal data was available), an estimated $706 million in federal funds was available to state agencies, local governments, and service providers. Approximately 78% ($549 million) of federal funds available during the period reviewed has been spent.
- Approximately 40% of funds available ($279 million) were for state agencies, which expended approximately 85% of federal funds ($239 million), leaving $41 million for future spending.
- Approximately 60% of funds available were for local governments and service providers ($214 million and $213 million, respectively), with most funds available to spend in areas with substantial homeless populations. In total, these entities spent approximately 73% of federal funds ($310 million), leaving $117 million for future spending.
- Because state and local governments serve as pass-through entities for federal funds, most of the federal funding is spent by service providers. In the period reviewed, these entities spent a total of $352 million.

State funds accounted for a small portion of total spending during the period reviewed.

- Between state fiscal years 2018 and 2023, the state spent $158.4 million on homeless programs and services. Most state expenditures were incurred by the Department of Community Affairs and Department of Behavioral Health and Developmental Disabilities.

The state lacks a coordinated response to homelessness.

- Operations and management of homelessness related activities and services are decentralized and primarily concentrated at the local level. No state-level entity is responsible for coordinating efforts across regions.
- Other states with a designated lead entity have adopted broad strategies for preventing and addressing homelessness, including collection, aggregation, and analysis of statewide data on homelessness.

Homelessness Spending
Final Status Pending – Follow-Up Review will be completed in 2026

Finding 1: Between federal fiscal years 2018 and 2022, an estimated $811.8 million in federal funds was available for homeless programs and services.

No recommendations included

Finding 2: Between fiscal years 2018 and 2022, 60% of federal funds available were spent on homelessness programs and services, though funds will be available for additional years.

No recommendations included

Finding 3: As the final recipients of federal funding, service providers spent $347.4 million to directly serve homeless populations between fiscal years 2018 and 2022.

No recommendations included

Finding 4: Expenditures of state funds for homeless programs fluctuated between fiscal years 2018 and 2022.

No recommendations included

Finding 5: Most local government survey respondents reported they did not spend their own funds on homelessness programs in 2022.

No recommendations included

Finding 6: Law enforcement agencies do not track expenditures but reported performing certain activities to address homelessness during their normal duties.

No recommendations included

Finding 7: The state's grant administration process is primarily based on federal requirements.

No recommendations included

Finding 8: While CoCs and service providers use HMIS to meet HUD requirements, its use to improve homeless service delivery statewide is not currently maximized.

Should the General Assembly decide to establish a statewide entity to coordinate the state's response to homelessness (as discussed in Finding 9), it should consider requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.	Status Pending

Finding 9: While a significant amount of funding is used to serve Georgia's homeless populations, the state lacks a coordinated, strategic response to address the problem.

If the General Assembly wants a more strategic approach to address homelessness, it could consider establishing a council responsible for statewide coordination, as has been done in other states.	Status Pending

DOAA Georgia Department of Audits & Accounts

June 2022

Tax Incentive Evaluation: Low-Income Housing Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Low-Income Housing Tax Credit (LIHTC) was enacted in 2000 and effective for qualifying projects placed in service after January 1, 2001. The program is governed under O.C.G.A. § 48-7-29.6 for purposes of state income taxes and O.C.G.A. § 33-1-18 for insurers to claim against their state insurance premium tax liabilities. The Georgia LIHTC is a 100% match of the federal LIHTC for qualified projects located in the state. The amount of credits a taxpayer may use in any year is limited by the taxpayer's income tax or insurance premium tax liability for that year. Unutilized credits may be carried forward for up to three years.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data from the Department of Community Affairs (DCA), FRC determined that a representative year of LIHTC projects would result in 29,619 jobs during the construction phrase and another 250 jobs during facility operations.

However, not all jobs that receive the LIHTC are created due to the presence of the credit. FRC compared historic LIHTC activity in Georgia communities to the activity that occurred in statistically similar communities in states without a state LIHTC. As a result, FRC estimated that 21% of the LIHTC units in Georgia were attributable to the state credit. During the construction phase, the number of jobs attributable to the state LIHTC was 6,220 (29,619 * 21%).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of approximately 2,000 jobs and economic output of $187.9 million.

Construction/Ongoing Activity

6,220/53 Jobs

$495M/$14.2M Value Added

$363M/$1.5M Labor Income

$767M/$17.1M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $749 million.

The economic activity attributable to the state LIHTC resulted in $31.9 million in new state ($23.2) and local ($8.6) tax revenue for one year. Ongoing increased property tax revenue for local governments was estimated at $4.9 million.

Finally, FRC estimated that the alternate use of the revenue would have generated $4.0 million in state revenue and $1.6 million in local revenue.

$749M Tax Expenditure

$31.9M Revenue Generated

Note: Amounts are for a representative year

COST

Credit administration is the responsibility of three agencies: DCA, the Department of Revenue, and the Office of Insurance and Fire Safety. DCA was unable to isolate costs for the state LIHTC program but indicated that program fees cover all cost of operations (i.e., state funds are not used). The remaining two agencies reported administrative costs of approximately $88,000.

PUBLIC BENEFIT

FRC noted that existing research has pointed to personal and public benefits from safe and secure long-term housing. These benefits are in the areas of health, public safety, and educational outcomes.

DOAA Georgia Department of Audits & Accounts

December 2022
Revised January 2024

Tax Incentive Evaluation: Historic Rehabilitation Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Historic Rehabilitation Tax Credit (HRTC) program was enacted in 2002 to enhance the existing federal tax credit, which incentivizes the rehabilitation of historically important properties. HRTC allows owners of eligible properties to claim a state income tax credit equal to 25% of qualified expenditures (30% in target areas). O.C.G.A. § 48-7-29.8 currently has a $5 million annual cap for historic homes and $30 million annual cap for other historic structures. The credit will be phased out in 2024 for homes and in 2027 for other structures.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data, FRC calculated that a representative year of HRTC projects would result in 2,011 jobs during the construction phase, as well as 500 ongoing jobs at commercial properties.

However, not all jobs that receive the HRTC are created solely due to the presence of the credit. FRC compared historic rehabilitation investment in Georgia communities to investment in similar communities in states without a state credit. As a result, FRC estimated that 36% of jobs were created as a direct result of the HRTC (2,011 construction jobs * 36% = 724).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 867 jobs and economic output of $67.8 million.

Construction/Ongoing Activity

724/180 Jobs

$73M/$15M Value Added

$41M/$7M Labor Income

$144M/$26M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $32.3 million.

Economic activity attributable to the HRTC results in $3.7 million in new state tax revenue, with the construction accounting for $3.4 million and ongoing operations resulting in $0.3 million (annually). Local governments would have an additional $0.3 million.

Finally, FRC estimated that the alternate use of the forgone revenue would have generated $2.2 million in state revenue and $800,000 in local revenue.

$32M Tax Expenditure

$4.1M Revenue Generated

Note: Amounts are for a representative year

COST

The HRTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

Estimated costs for DCA in FY 2023 are $329,000, though collected fees will cover all but $45,000 of that amount. DOR was unable to provide costs associated with the program.

PUBLIC BENEFIT

Research shows that programs like HRTC provide benefits associated with the amenity and tourism of the area. They can also encourage the preservation of structures offering affordable housing and contribute to neighborhood revitalization without gentrification.

DOAA
Georgia Department
of Audits & Accounts

December 2022

Tax Incentive Evaluation: Job Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Job Tax Credit (JTC) program was instituted in 1990 to increase employment in the state's most distressed counties. In its current form, all 159 counties are placed into one of four tiers based on their economic conditions. Tax credits are provided for jobs in certain industries, with the amounts ranging from $750 to $3,500 per job per year for up to five years. The amounts are primarily based on the county tier, though some counties have specially designated areas that provide a greater credit amount.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

In 2019, 22,668 newly created jobs received the JTC. FRC estimated that those 22,668 newly credited jobs led to a total of 50,954 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the JTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are even more important to job creation. FRC estimated that 11.4% of jobs were created as a direct result of the JTC (50,954 jobs * 11.4% = 5,809).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 1,771 jobs and economic output of $138.5 million.

5,809 Jobs

$604M Value Added

$347M Labor Income

$1,319M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

In 2019, companies earned $65.6 million in tax credits for jobs created that year. Because jobs created in earlier years were within the five-year window to claim credits, total tax expenditures in 2019 were over $120 million.

FRC estimated that economic activity attributable to the JTC resulted in $48.2 million in new state ($26.9) and local ($21.3) tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $3.8 million in state revenue and $1.6 million in local revenue.

$66M Tax Expenditure

$48M Revenue Generated

Note: Amounts are for jobs newly created in 2019

COST

The JTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

DCA reported annual costs of approximately $195,000, primarily for salaries and benefits. DOR costs were estimated at $131,000, also for personnel.

PUBLIC BENEFIT

JTC is an economic development incentive with a broad purpose of expanding employment.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Interactive Entertainment Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

The Qualified Interactive Entertainment Production Company (QIEPC) tax credit (O.C.G.A. § 48-7-40.26) is available to businesses primarily engaged in qualified activities that also have a physical location in Georgia, minimum in-state payroll of $250,000, and gross income below $100 million. The base tax credit is 20% of project expenditures, with an additional 10% available if companies add a Georgia logo to their game. The credit's aggregate cap is $12.5 million annually, while a single company is limited to $1.5 million in a year.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated that the qualifying investment by companies receiving the QIEPC tax credit led to 387 jobs in 2021. Amounts on the right are for 2021.

Not all jobs that receive the tax credit are created solely due to the presence of the credit, though CBAER was unable to provide a precise estimate of those that would exist in its absence. CBAER noted that while the Georgia industry was much larger than companies receiving the credit, the credit was a factor in retaining smaller companies because it provided an important source of funds to offset expenses.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 110 jobs and total 2017-21 economic output of $112.9 million.

387 Jobs

$70.4M Value Added

$34.9M Labor Income

$89.8M Economic Output

*Attributes all qualifying investment to the credit, which may overstate the credit's impact.

REVENUE

The tax expenditure was estimated to total $26 million for the 2017 to 2021 period and to grow to $62.5 million for 2022 to 2026. In the first period, activity resulted in $7.4 million in state tax and $5.6 million in local tax revenue. The $13.0 million total is expected to grow to $14.9 in the next five-year period.

CBAER estimated that the alternate use of the revenue would generate $3.5 million in state revenue and $3.4 million in local revenue over five years.

$26.0M 5-Year Tax Expenditure

$13.0M 5-Year Revenue Generated

* Tax expenditure includes claims made only on credits earned 2017-21

COST

The Departments of Economic Development and Revenue have **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited non-monetary benefits such as contributing to the development of new forms of entertainment, strengthening the development of the entertainment production industry, and strengthening the human capital needed for the software development industry.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Research and Development Tax Credit

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia's Research and Development Tax Credit (RDTC), signed into law in 1997, provides an income tax credit equal to 10% of a business enterprise's year-over-year increase in qualified research expenses. O.C.G.A. § 48-7-40.12 defines the increase as the additional qualified expenses over a base amount. The credit can be applied to 50% of the company's tax liability, carried forward up to 10 years, and applied to employee withholding.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that research spending by companies claiming the RDTC resulted in just over 26,000 total jobs in 2018. That number includes jobs in those companies, their suppliers, and in businesses where employees spend their incomes.

However, not all jobs that receive the RDTC are created solely due to the presence of the credit. The Institute's review of existing research found that 95% of the additional research investment would have occurred even if the credit did not exist. As a result, it estimated that 5% of the above jobs were created as a result of the RDTC (26,048 jobs * 5% = 1,302).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

1,302 Jobs

$131M Value Added

$85M Labor Income

$248M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

The Institute determined that forgone state revenue totaled $234 million in 2018. Forgone revenue is projected at $305 million in 2025.

Economic activity attributable to the RDTC resulted in $3.9 million in new state tax revenue in 2018, which is projected to grow to $4.6 million in 2025.

$234M Tax Expenditure

$3.9M Revenue Generated

COST

The Department Revenue reported **negligible costs** associated with administration of the credit.

PUBLIC BENEFIT

Companies engage in research to maintain or grow their market share. The credit lowers the cost of research, some of which may have spillover benefits for society at large. The credit may also elevate the profile of the state's business environment, leading to clustering of businesses, suppliers, and customers (something not captured in a static economic model). Additionally, one user of the credit cited firm investment in the state's educational systems, which benefit students who may never be employed by the company.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Computer Equipment Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Since 2001, Georgia has provided a state and local sales tax exemption for the purchases of computer equipment over $15 million. O.C.G.A. § 48-8-3(68) is available to companies that make a purchase or a series of purchases that total $15 million or more in a single year. Beginning in 2024, the first $15 million in qualifying computer equipment purchases will be taxed at 10% of the state sales tax rate (i.e., 4% state rate x 10% = 0.4%).

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that 21-24 companies have claimed the exemption in recent tax years. Qualifying purchases grew from $1.1 billion in 2018 to nearly $1.7 billion in 2021. It should be noted that many of these dollars do not stay within the Georgia economy because most computers are manufactured elsewhere. Nevertheless, computer purchases by these companies were associated with 7,200 jobs in 2021.

However, not all purchases occurred only due to the presence of the exemption. The Institute estimated that most purchases would have occurred even without an exemption. Specifically, it attributed 7.35% of the economic activity to the exemption (7,238 jobs x 7.35% = 532 jobs).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

532 Jobs

$54M Value Added

$38M Labor Income

$89M Economic Output

Note: 2021 economic activity attributable to the tax exemption

REVENUE

The Institute determined that forgone state revenue grew from $44 million in 2018 to $66 million in 2021.

Economic activity attributable to the exemption resulted in $1.6 million in new state tax revenue in 2018. The revenue was estimated at $2.5 million in 2025. The offsetting revenue represents approximately 4% of the forgone state revenue.

The Institute did not calculate the forgone revenue to local governments. Assuming an average local sales tax rate of 3.35%, the forgone revenue would equal $55 million. The actual figure may vary based on the rates in the actual jurisdictions with qualifying taxpayers.

$66M State Tax Expenditure

$2.5M Revenue Generated

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

The exemption is an economic development incentive. The Institute noted that it is one of many factors that create a positive business climate.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Manufacturing Sales Tax Exemption

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

O.C.G.A. § 48-8-3.2 exempts manufacturers from paying state and local sales taxes on goods and services necessary to the manufacturing process—consumable supplies, energy, equipment, industrial materials, and machinery. The same code section includes companies engaged in mining, quarrying, oil and gas extraction, electric power generation, and newspaper publishing. Of the industries exempted by the code section, manufacturing represents more than 90% of establishments, jobs, and state gross domestic product.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated the economic activity associated with the manufacturing industry. It found that companies receiving the exemption supported an average of 424,333 total jobs over the FY 2018 to FY 2022 period.

Not all economic activity associated with these companies is due to the sales tax exemption. While CBAER noted that the exemption is important in the manufacturing industry, it estimated that only 25% of companies would have made a different manufacturing decision in its absence. As a result, activity attributable to the exemption is reduced (424,333 jobs*25% = 106,083).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 34,800 jobs and average economic output of $10.1 billion.

106,083 Jobs

$12.8B Value Added

$7.3B Labor Income

$30.6B Economic Output

Note: Economic activity attributable to the tax exemption

REVENUE

State tax expenditures exceeded $3.0 billion in each of the last five years, reaching $3.9 billion in 2022. Local governments had forgone revenue of another $2.9 billion.

Activity attributable to the exemption resulted in additional state and local revenue. The state collected an average of $1.7 billion each year, while local governments collected $1.8 billion.

CBAER estimated that the alternate use of the state tax expenditure would generate $158 million in state taxes.

$3.4B Average Tax Expenditure

$1.7B Average Revenue Generated

Note: State averages for FY 2018 to FY 2022

COST

The Department of Revenue reported **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited economic benefits that are not quantified above, such as the creation of an environment conducive to manufacturing. It noted that manufacturing provides employment for 424,000 Georgia and represents 8% of employment. CBAER also noted that exempting manufacturing inputs represents good tax policy because it eliminates (hidden) taxes that would be built into the price paid by consumers.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: High-Tech Data Center Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 2018, Georgia adopted a state and local sales tax exemption to attract the construction and operation of high-tech data centers (HTDCs). O.C.G.A. § 48-8-3(68.1) exempts from sales tax certain building materials used for HTDCs and computer equipment used in their operation. To qualify for the exemption, projects must meet minimum investment and quality job requirements that vary based on the population of the county. In 2022, the requirements were lowered for projects in a county with a population below 50,000.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Department of Revenue reported that too few taxpayers have utilized the exemption to permit the public release of information. As a result, the Institute relied on previous studies and interviews of industry officials to estimate the cost of constructing and operating a large HTDC (hyperscale).

The Institute estimated the construction costs of one of these centers at $800 million. At that amount, approximately 4,200 construction jobs and 7,300 total jobs would be created during an approximate two-year construction phase. The Institute estimated 50 HTDC employees and an additional 217 jobs would be supported by the center's existence each year. The relatively high cost of inputs to HTDCs and the high salaries of their employees leads to the large number of indirect and induced jobs.

The Institute estimated that 90% of HTDCs in Georgia would not be present without the exemption. As a result, the vast majority of the economic activity noted above can be attributed to the incentive.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 2,153 jobs.

REVENUE

As noted above, the Institute could not obtain the amount of forgone state tax revenue from the Department of Revenue. However, using the hypothetical scenario of an $800 million HTDC, forgone state revenue would total approximately $80 million.

Economic activity attributable to the exemption would result in approximately $19.4 million in additional state taxes during construction. HTDC operations would result in another $250,000 to $275,000 in state taxes each year.

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

HTDCs may have mixed impacts on the greater public. The facilities are high electricity and water users, which could strain local resources during droughts, heat waves, or cold snaps. However, the construction of HTDCs may lead to needed investment in this infrastructure. In addition, HTDCs prefer sites with renewable energy availability, encouraging diverse energy sources. Finally, HDTCs can lead to improvement in an area's broadband infrastructure.

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

The Martin Luther King, Jr. Center for Nonviolent Social Change

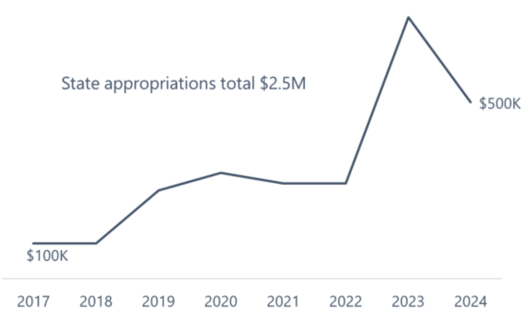
State funds primarily used for facility improvements

BACKGROUND

The House Appropriations Committee requested this special examination of The Martin Luther King, Jr. Center for Nonviolent Social Change (The King Center). Based on this request, we reviewed: (1) how state funds have been spent; (2) what improvements have been made at The King Center; and (3) how significant the state's contribution is to The King Center's operations.

Since it was founded in 1968 by Coretta Scott King, The King Center has sought to educate the public about the life, legacy, and teachings of Dr. Martin Luther King, Jr. Nearly one million people visit the center each year. -The King Center also has online programs and training open to people around the world.

The state of Georgia has provided funds to The King Center since fiscal year 2017, totaling approximately $2.5 million through fiscal year 2024. The funds are appropriated to the Georgia Department of Economic Development, which passes the funds directly to The King Center.



KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

The King Center has generally spent state funds on facility improvements. According to officials of The King Center, the improvements have helped repair the aging structure and made the facility more appealing to tourists and community members. State funding has been a small percentage of The King Center's revenue, but staff consider the funding to be significant to their operations.

The King Center has primarily spent state funds on improving facilities.

Example of Restroom Renovation in the administration building of The King Center

- State funds provided to The King Center from fiscal year 2017 through October 2023 have primarily been used for facility repairs and updates. Of the approximately $2 million received through October 2023, The King Center had spent the majority on facility improvements.
- Facility projects undertaken with state funds include repairs and maintenance. For example, state funds were used to renovate five restrooms in the administration building, which included mold and asbestos abatement.
- Approximately 26% of the funds received were unspent as of October 2023, but officials have budgeted the funds received prior to fiscal year 2024 for facility projects.
- Fiscal year 2024 appropriations of $500,000 will not be spent on permanent facility improvements but instead have been directed to educational exhibits and marketing.

State funding does not represent a large percentage of The King Center's revenue but is still considered an important funding source.

Total Revenue, FY 2017 - 2023

- The King Center's net assets and revenue have both increased since it began receiving state funding, with the amount of state funding and other funding sources increasing accordingly.
- Between fiscal year 2017 and 2023, state funds have represented 2% to 8% of The King Center's annual revenue, but staff consider it to be crucial source of funding.
- Contributions and grants from sources such as companies, charitable foundations, and local governments are also a significant source of revenue and have increased significantly over the same time frame.
- According to The King Center, state funding has been the primary source of financing all the projects on which it was used. The King Center staff considers this funding to be critical to their operations.

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Universal Service Fund

Requested Information on the Use of Funds

BACKGROUND

The House Appropriations Committee requested this review of the Universal Service Fund (USF). Based on this request, we reviewed what companies are eligible for a USF, how USF funds have been spent, changes in the end-of-year balance, and policy options to help fund natural gas expansion.

Passed in 1997, Senate Bill 215 authorized natural gas deregulation in Georgia. When natural gas is fully regulated, a local distribution company delivers and sells gas to consumers at a rate set by the state's regulatory agency (interstate supplier rates are set by a federal agency). Under deregulation, the price for the sale of gas is determined by market competition, and consumers can choose the marketer from which to purchase gas. Companies that choose to deregulate have a USF, which sets aside certain natural gas revenues to fund gas expansion projects and provide low-income assistance.

The Georgia Public Service Commission (PSC) administers the USF. Statute specifies funding sources that are to be deposited into the USF and also authorizes PSC to order other revenue sources be deposited into the USF. Statute also indicates annual deposits "shall not exceed $25 million." The USF does not receive any state funds.

In 2022, USF disbursements totaled $15.7 million. Most ($14 million) was spent on expansion projects, and a small portion ($1.7 million) was used to assist low-income consumers.

KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

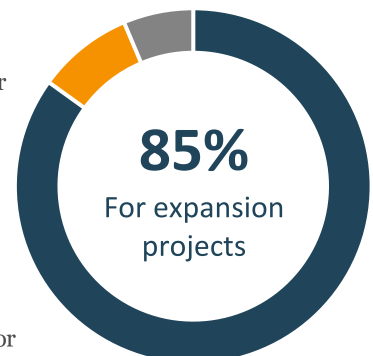
KEY FINDINGS

Under state law, a Universal Service Fund (USF) is established when a gas company chooses to deregulate, which currently applies to only one company. Most USF funding was spent on expansion projects, and a small portion was spent on low-income assistance. While gas providers we interviewed indicated they can adequately fund expansion projects with other sources, the General Assembly could consider programs used in other states to facilitate expansion if a need is identified.

A USF is only available to the one company that has deregulated.

- Under statute, the Georgia Public Service Commission (PSC) establishes a USF when a natural gas distribution company chooses to deregulate.
- Only Atlanta Gas Light (AGL) has deregulated, so it is the only company with a USF.
- Georgia's other natural gas distribution company has not deregulated, and municipal providers are not eligible for a USF.

Most USF funds have been spent on or are set aside for natural gas expansion projects.



- Between 2018 and 2022, $63.2 million was disbursed from the USF. Most ($53.5 million, or 85%) was spent on the 15 expansion projects completed during this period.
- USF funds are also used to assist low-income natural gas consumers. Between 2018 and 2022, nonprofits received $5.5 million (9%) for home energy programs for low-income consumers. Additionally, $4 million (6%) was used to help reimburse the regulated provider for uncollectible low-income consumer accounts. State law set up the regulated provider to provide natural gas to consumers who might otherwise have difficulty obtaining service.
- Between 2018 and 2022, the end-of-year balance has grown by 62%, from $32.3 million to $52.3 million. However, most of the balance ($45.1 million, or 86% for 2022) was set aside for expansion projects that PSC has already approved but have not yet been completed (partly because COVID-era issues led to project delays).

While gas providers are generally able to fund expansion projects, policy makers could consider other funding mechanisms if deemed necessary.

- Across the state, the gas providers interviewed indicated they do not experience funding challenges because expansion project costs are typically incorporated into consumer rates. However, gas providers identified other barriers that impact their ability to expand (e.g., changes in federal regulations).
- Generally, other southeastern states do not have statutory provisions to fund expansion projects, and none establish a USF or direct grant funding for this purpose. However, two states' laws help facilitate expansion for economically infeasible projects by establishing a dedicated project fund or using a specific cost recovery process.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Musical Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Musical Tax Credit (GMTC) was available from January 1, 2018 to December 31, 2022. It was designed to provide income tax credits for live musical or theatrical performances or recorded musical performances meeting various requirements, including minimum spending levels. The credits were 15% of qualified expenditures, with an additional 5% credit if expenditures occurred in tier 1 or 2 counties. No credits were awarded during the five-year period the credit was in effect.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

The Georgia Department of Economic Development received only six applications for pre-certification of the income tax credit during the five years the credit was available. None of the six were approved, resulting in no economic activity associated with the GMTC. To determine the *potential* economic activity associated with the credit, CBAER estimated the activity from the six applications had they been approved.

CBAER estimated that the applicants would have created 45 total jobs and labor income of $2.1 million. The impact on the state's economy was estimated at $4.4 million. These amounts assume that the activities found in the applications would occur only if the credit was approved (i.e., all activity attributable to the credit). Because the applicants are anonymous to the researchers, it is unknown if the events occurred after the denial of the credit applications.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of seven jobs and $666,000 added to the state's economy.

REVENUE

Because no tax credits were issued, no economic activity resulted from the tax policy. However, had the applications been approved, CBAER estimated that the GMTC would have resulted in $561,000 in forgone state revenue over the 2018-2022 period.

CBAER estimated that the economic activity that would have occurred from the six credited events would have generated approximately $104,000 in state revenue and $56,000 in local revenue.

Finally, FRC estimated that the alternate use of the tax expenditure would have been lower – at $22,700 in state revenue and $3,500 in local revenue.

COST

The GMTC was administered by the Georgia Department of Economic Development and the Department of Revenue. Administrative costs were not captured.

PUBLIC BENEFIT

CBAER reported three potential public benefits of a credit like the GMTC.

CBAER noted that increasing the quality of live music and theater production throughout the state could lead to additional tourism if those beyond the immediate area attended events. It further noted that credited events could improve the quality of life for residents. Finally, by encouraging recorded musical performances for entertainment production, GMTC would expand the skills of the Georgia workforce.

DOAA Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Georgia's Film Tax Credit

DOAA summary of report prepared by Georgia State University Fiscal Research Center

BACKGROUND

The Film Tax Credit (O.C.G.A. §48-7-40.26) was enacted in 2005 to promote investment in film, television, and digital media projects. Currently, the credit is available to production companies with a minimum of $500,000 in qualified spending in Georgia. Companies can apply for and receive a credit for 20% of eligible production expenditures with an additional 10% available to companies that offer Georgia marketing opportunities.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

FRC estimated that the film tax credit resulted in approximately 37,000 jobs in 2022 for film production, studio construction, and film tourism, as well as the jobs supported in the broader economy. FRC estimated the production companies directly employed 4,900, while another 14,600 jobs resulted from contract workers for those companies.

Most, but not all, film-related activity in the state is due to the credit. A recent film industry study suggests that 92.1% of the economic activity is attributable to the credit. As a result, initial economic activity results were reduced (37,301 jobs*92.1% = 34,354).

Because nonresidents' wages have no material economic impact on the state's economy, FRC's analysis excludes them from the economic activity calculations.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If the income taxes had been collected and expended by the state, FRC estimated the creation of 27,679 jobs and $1.48 billion in value added to the economy.

34,354 Jobs

$2.3B Value Added

$2.4B Labor Income

$4.5B Economic Output

Note: Estimates are for 2022 and include film production, tourism, and studio construction

REVENUE

Credits generated in FY 2024 are expected to cost the state $1.08 billion through their carryforward period. Claimed credits are estimated to increase from $762.8 million in FY 2024 to $1.28 billion in FY 2028.

For FY 2024, the resulting economic activity was estimated to bring in $224.7 million in state revenue and $65.7 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $80.0 million in state revenue and $36.5 million in local revenue in FY 2024.

$1.08B Tax Expenditure

$290.4M Revenue Generated

Note: 2024 state estimates

COST

The credit is overseen by the Department of Revenue and the Department of Economic Development. These costs were assumed to be insignificant in relation to the credit's size.

PUBLIC BENEFIT

The film tax credit is an economic incentive that encourages expenditure in film and television productions. It also supports the creation of jobs in creative fields.

Tax Incentive Evaluation: Quality Jobs Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Quality Jobs Tax Credit (QJTC) is part of a series of job income tax credits in effect since 1990. QJTC is designed to encourage the creation of well-paying jobs—particularly in rural areas—that meet or exceed 110% of the average wages in the county where the business is located. Most industries receiving the credit were manufacturing, professional, scientific, technical services, or wholesale trade industries. Credit eligibility is based on county tier and rurality status, and employers receive the credit for up to five years for a job.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

In 2021,25,435 newly created jobs received the QJTC. CBAER estimated that those credited jobs led to a total of 70,718 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the QJTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are more important to job creation. CBAER provided a range but noted that 11.4% of economic activity found in its research was a reasonable estimate (70,718 jobs * 11.4% = 8,062).

CBAER noted that while the credit may not have significantly impacted jobs at the state level, it did affect the local economic landscape in areas it was utilized.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 825 jobs and economic output of $115.7 million.

8,062 Jobs

$1.13B Value Added

$616.9M Labor Income

$2.11B Economic Output

Note: Economic activity attributed to the tax credit

REVENUE

In 2021, companies earned $117.4 million in QJTCs.

CBAER estimated that economic activity attributable to the credit resulted in $73.0 million in new tax revenue—state ($36.0) and local ($37.0).

CBAER estimated that the alternate use of the revenue would have generated $3.6 million in state revenue and $1.7 million in local revenue.

Finally, CBAER noted that if 11.4% of QJTC jobs exist due to the credit (the "but for" used in the economic activity section above), the cost of the five-year credit is recouped two years after the final credit year.

$117.4M Tax Expenditure

$73.0M Revenue Generated

Note: 2021 estimates

COST

The QJTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

No costs were included in the report.

PUBLIC BENEFIT

QJTC is an economic development incentive with a broad purpose of expanding employment, particularly in rural areas of the state.

Education PreK-12

Contains Recommendations

Qualified Education Expense Credit and Student Scholarship Program

Remedial Education Program

COVID-19's Impact on K-12 Education

Agricultural Education

Gifted Program

Education Standards

Contains No Recommendations

Georgia Connections Academy*

Georgia Cyber Academy*

Career Technical Education

School System Financials

Georgia Military College

Qualified Education Expense Tax Credit

Exemption on the Sale of Lottery Tickets

Teach for America

*Reports issued in 2021 and 2022 for each school.

Performance Audit Division

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Qualified Education Expense Credit and Student Scholarship Program

Additional measures needed to improve transparency and accountability

BACKGROUND

The House Appropriations Committee requested this special examination. We reviewed: (1) how qualified education expense tax credits are disbursed; (2) whether student scholarship organizations (SSO) retain a reasonable administrative fee; (3) whether SSOs direct contributions according to the intent of the law; and (4) whether any measures can be taken to improve transparency and accountability to improve the integrity of future donations.

SSOs are nonprofit organizations that collect donations from taxpayers and work with private schools to provide scholarships to eligible (pre-k-grade 12) students. The donations can be claimed as tax credits within aggregate and taxpayer limits.

Aggregate limits have increased; taxpayer limits remain the same

Aggregate Limit	2013 to 2018	2019 to Present
Aggregate (All Taxpayers)	$58 Million	$100 Million
Taxpayer Credit Limits	**2013 to Present**	
Individual	100% of amount expended but limited to $1,000 for Individuals $1,250 Married couples filing separately $2,500 Married couples filing jointly	
Corporations and other entities	100% of amount expended, or 75% of the corporation's tax liability, whichever is less	
Individuals Claiming Income from Pass-Through Entities	Amount expended but limited to 100% of the portion of income on which such tax was actually paid by S-Corporation member, up to a maximum of $10,000[1]	

[1]Presuming a tax liability of at least the amount claimed

Source: O.C.G.A. and legislative changes

KEY RECOMMENDATIONS

The General Assembly should:

- Consider updating Chapter 20-2A to clarify items, define terms, and include measures identified in other states.

DOR should:

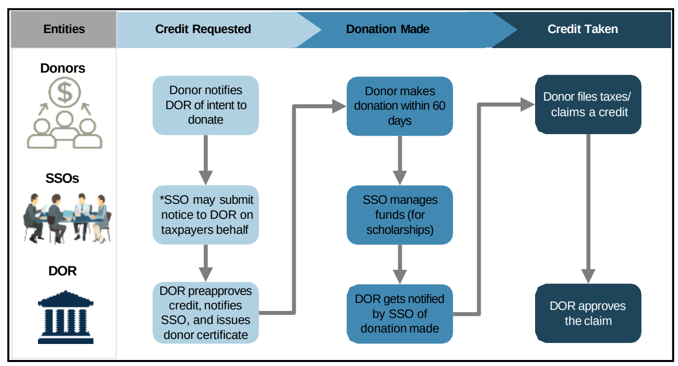
- Develop processes to ensure claimed credits do not exceed the tax liability as appropriate.
- Review SSO compliance audits to ensure required verified information is included and notify SSOs appropriately.
- Work with GaDOE to ensure the active provider list is current.

KEY FINDINGS

Statutory requirements provide a degree of transparency and accountability for the student scholarship program. SSOs must comply with various requirements, and their maximum administrative fee percentages are based on donations received. Taxpayers donating to SSOs qualify for tax credits that are limited according to their filing status (or in some cases tax liability), and the annual tax credit cap (raised to $100 million in 2019). However, we identified additional actions the General Assembly and state agencies should take to increase and improve information available to decision makers and ensure taxpayers have earned the credits claimed.

Additional steps are needed to improve transparency and accountability of the student scholarship program.

- SSOs must submit compliance audits to DOR. However, state law does not require audits to verify and report compliance with all legal requirements. Also, requiring SSOs to submit supporting documentation would allow for verification of summary reports. Because SSOs cannot be compelled to provide information beyond what is statutorily required, responses to requests for additional information are voluntary.



- Several states have adopted measures that enhance reporting and expand transparency into their programs. Some explicitly require a financial audit, public disclosure of financial reporting, and detailed reporting on scholarship awards. Additionally, some specify how interest income can be used and when donations must be expended.
- While Georgia's administrative fee percentages align with those in other states, complete data is not available to calculate the operating rations and assess the reasonableness of the fees individual SSOs retain.

DOR and GaDOE should take steps to improve oversight and ensure compliance.

- State law limits the credit amount for corporations and individuals receiving income from pass-throughs based on their Georgia tax liability. It also prohibits carrying forward any amount in excess of these limits; however, DOR does not have controls to prevent this from occurring.
- While DOR generally identified and responded when SSOs failed to submit required reports, it did not always notify noncompliant SSOs in a timely manner. We also found that DOR did not routinely ensure that all statutory requirements are reported in the compliance audits. Finally, noncompliant SSOs were not always removed from GaDOE's list of active participants in a timely manner.

Quality Education Expense Credit & Student Scholarship Program
Follow-Up Review Completed June 2023

Finding 1: During the last three years, donors have earned $187 million in tax credits, with individuals making up approximately 99% of all donors and approximately 76% of all donations.	
No recommendations	
Finding 2: DOR does not have adequate controls to ensure that taxpayers' tax liability is sufficient for the credit amount earned, claimed, and carried forward.	
DOR should develop processes to identify approved tax credit amounts that exceed the taxpayers' tax liability and adjust those amounts.	Fully Implemented
DOR should require that taxpayers identify the pass-through entities from which they are claiming income.	Fully Implemented
Finding 3: Georgia's administrative fee percentages generally align with those in other states with similar scholarship programs.	
No recommendations	
Finding 4: Due to insufficient data, it is not possible to fully evaluate whether administrative fees retained by SSOs are reasonable compared to their expenses.	
To ensure a reliable ratio of administrative revenues to administrative expenses can be calculated, the General Assembly should define these terms in statute and require they be reported.	Not Implemented
To ensure reported data is independently verified, the General Assembly should require it be attested to as part of the required compliance audits.	Fully Implemented
If the General Assembly wants to increase transparency of financial and compliance reporting to the general public, it could statutorily permit or require the publication of SSOs' compliance audit results.	Fully Implemented
Finding 5: Additional statutory oversight and reporting requirements can improve the fund and scholarship management information available to decision makers.	
The General Assembly should consider changing state law to more definitively identify the requirements SSOs must have verified and reported in compliance audits.	Fully Implemented
The General Assembly may want to require SSOs to submit to DOR supporting data that would allow the state to verify the accuracy of summary reports.	Not Implemented
The General Assembly should consider modifying state law if it wants to permit state agencies access to SSO data in order to execute a more complete evaluation of fund management and scholarship distribution practices and compliance.	Not Implemented
Finding 6: DOR should review compliance audits to ensure they contain evidence that CPAs verified all O.C.G.A. § 20-2A-2 financial and nonfinancial requirements.	
The General Assembly should consider changing state law to more definitively identify the requirements SSOs must have verified and reported in compliance audits.	Partially Implemented
DOR should send noncompliance and final notification letters to SSOs in a more timely manner in accordance with O.C.G.A. §§ 20- 2A-2 and 20-2A-7.	Not Implemented

DOR and GaDOE should work together to better ensure that SSOs are removed from the active SSO provider list as soon as DOR issues a final notification letter.	Fully Implemented
GaDOE should ensure that SSOs published as active providers are not prohibited from operating in the state according to Secretary of State records.	Fully Implemented
Finding 7: Other states have established practices that enhance financial, compliance, and program reporting and expand the accountability and transparency of their scholarship programs.	
If the General Assembly would like to adopt the financial accounts oversight and reporting practices in other states, the law should be changed to explicitly require financial audits.	Fully Implemented
If the General Assembly wants to increase transparency of financial and compliance reporting to the general public, state law should be changed to reclassify compliance audits and establish mechanisms to make them publicly available.	Fully Implemented
If the General Assembly would like additional financial, governance, and staffing information about SSOs, state law should be changed to require SSOs to submit Form 990s to DOR.	Fully Implemented
If the General Assembly wants to have detailed information about schools that enroll students participating in the scholarship program, state law should be changed to require the reporting of this information to the state.	Not Implemented
If the General Assembly intends for interest earned on donations to be dedicated to scholarships, the law should be changed to require it.	Fully Implemented
If the General Assembly intends for funds to be distributed/transferred to students by the end of the year following the year in which donations were received (instead of only obligating and designating funds), state law should be clarified.	Not Implemented
If the General Assembly intends for SSOs to be solely/ultimately responsible for determining student eligibility, state law should be clarified.	Fully Implemented
The General Assembly should consider requiring SSOs to conduct background checks on employees.	Not Implemented
Finding 8: We identified several additional matters relevant to the tax credit and student scholarship program that the General Assembly and state agencies should consider.	
In the original audit we noted matters for further consideration and identified several steps that could be taken by the General Assembly and/or agencies to improve management, oversight, and transparency.	Not Implemented

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Remedial Education Program

Evaluation of effectiveness needed; improvements necessary to ensure best practices

BACKGROUND

As the agency that oversees K-12 education in the state, the Georgia Department of Education (GaDOE) oversees the Remedial Education Program. REP is one of 18 instructional programs funded by the state's Quality Basic Education (QBE) funding formula.

Students in grades 6 through 12 who meet eligibility requirements specified in state law receive individualized basic skills instruction in reading, writing, or mathematics.

In fiscal year 2020, approximately 31,000 full-time equivalents were served in REP, generating approximately $164 million, or 2% of total QBE earnings.

KEY RECOMMENDATIONS

GaDOE should:

- Evaluate REP student outcomes and consult with the General Assembly on whether REP should continue in its current form.
- Develop additional guidance related to REP.
- Consider dedicating staff to provide additional support.
- Periodically review and evaluate school systems' delivery of REP.

The General Assembly should:

- Assess whether systems should be provided more resources to implement MTSS.
- Consider removing the REP funding cap.
- Consider removing the funding class size for REP.

KEY FINDINGS

Although the Georgia Department of Education's (GaDOE) Remedial Education Program (REP) has existed for nearly 40 years, its impact on students has only been evaluated once in 2005. With the statewide adoption of system flexibility waivers in fiscal year 2016, school systems have more discretion in how they implement REP; however, the impact of these changes on REP student outcomes is unknown. While an evaluation of its effectiveness is necessary, we also identified multiple opportunities for operational improvements.

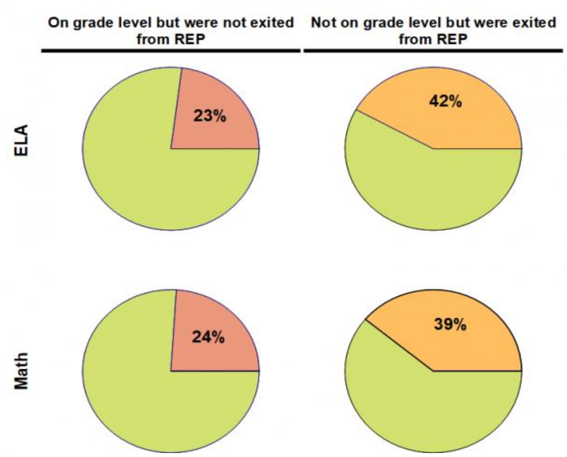
Under system flexibility, REP implementation has diverged from best practices and the funding formula intent.

- REP funding is based on a smaller student to teacher ratio (15 to 1) than the middle or high school general education programs; however, system flexibility allows school systems to waive maximum class size requirements. System flexibility also allows systems to waive teacher certification requirements.
- Although research indicates that smaller class sizes and teacher certification are important for improving student achievement, we found that systems often exceeded recommended maximum class size requirements, and systems did not always employ subject-certified teachers.

GaDOE should take additional steps to manage REP and support school systems.

- GaDOE has provided minimal direct oversight of REP. REP guidance provides little to no information on professional development or other resources.
- GaDOE has not provided consistent guidance on how systems should formally implement the multi-tiered system of supports (MTSS) framework with REP.
- GaDOE has not established exit criteria for REP; without this, systems have taken various approaches, which has created inconsistencies.

REP Students are Inconsistently Exited from REP, FY 2018 & FY 2019



Some systems are unable to fully access REP funding.

- Unlike other QBE-funded instructional programs, REP has a funding cap that has prevented some rural, less wealthy systems from receiving full funding for serving students in REP.
- Five systems serve students performing below grade level through a variety of support services, but do not participate in REP. According to a few smaller systems, the funding class size of 15 students has prevented them from accessing funding for REP.

Full report available at: https://www.audits.ga.gov/PAO/19-30_REP.html

Remedial Education Program
Follow-Up Review Completed April 2023

Finding 1: Due to changes from system flexibility, the effectiveness of REP should be evaluated to determine whether the program should continue in its current form	
GaDOE should evaluate the effectiveness of REP on student outcomes, which may require additional expertise to design evaluation methods and inform data collection. Based on the outcome of the evaluation, GaDOE – in consultation with the General Assembly – should determine whether REP should continue to be provided and funded in its current form.	Partially Implemented
Finding 2: GaDOE should take additional steps to manage REP.	
In addition to the outcome study discussed in Finding 1, GaDOE should annually evaluate REP as required by state law and use the results to determine whether program improvements are needed.	Not Implemented
GaDOE should develop and disseminate additional guidance related to REP, including guidance on topics such as exit criteria, professional development, and other resources, as it does for the Gifted and EIP programs.	Not Implemented
GaDOE should consider dedicating staff to provide additional support and oversight of systems' REP efforts, as it provides for the Gifted, ESOL, and EIP programs.	Fully Implemented
Finding 3: Local school systems can serve REP students in a variety of ways. While most systems provide services that align with best practices or GaDOE guidance, some do not.	
GaDOE should periodically review how local school systems across the state provide REP services to students. This should include a review of delivery models, class sizes, and teacher certifications.	Not Implemented
GaDOE should evaluate school systems' method of delivering REP services to determine whether they are aligned with best practices and/or the intent of REP. In addition, school systems should work to ensure REP classes are taught by certified teachers and do not exceed class sizes recommended in the guidelines, or as required by law for Title 20 systems.	Not Implemented
GaDOE should review its guidelines and determine areas in which guidance related to virtual charter schools may be appropriate (e.g., class size).	Not Implemented
Finding 4: REP students likely need additional support for their non-academic needs; however, the extent to which those needs are addressed varies.	
GaDOE should provide more guidance and information to systems on how to simultaneously address both the academic and non-academic needs of REP students, beginning with clarifying the relationship between MTSS, PBIS (Positive Behavioral Intervention and Supports), and REP in the program guidelines.	Fully Implemented
The General Assembly could assess whether systems should be provided with more resources to implement MTSS.	Not Implemented
Finding 5: Local school systems' exit criteria vary throughout the state.	
To ensure consistency, GaDOE should establish exit criteria for REP, as it has for EIP. If necessary, the General Assembly should consider amending O.C.G.A. § 20-2-154 to require GaDOE to establish exit criteria.	Not Implemented

Finding 6: REP is the only QBE-funded instructional program with a funding cap.	
The General Assembly should assess whether the 25% REP eligibility cap is still needed, given that it disproportionately impacts some schools/systems that may need the funding to serve students.	Not Implemented
The State Board of Education (SBOE) should reconsider the 35% eligibility cap for schools that have more than 50% of the student population on free and reduced-price lunches.	Not Implemented
Finding 7: Five systems serve students performing below grade level without participating in REP.	
Given that the funding class size impacts some systems' ability to receive funding for services delivered to students who would be eligible for REP, the General Assembly could consider removing the funding class size to ensure that all systems can participate in REP.	Not Implemented

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COVID-19's Impact on K-12 Education

The pandemic upended education, and academic impacts must be addressed

BACKGROUND

The Georgia Department of Education (GaDOE) oversees K-12 education. In March 2020, the education of 1.7 million public school students was disrupted when the COVID-19 pandemic resulted in statewide school closures. Although many students returned to the classroom the following school year, disruptions continued to impact student learning.

To address COVID-19's impact, GaDOE and local school systems were awarded approximately $6.6 billion in federal Elementary and Secondary School Emergency Relief (ESSER) funds. The most recent allocations under the American Rescue Plan included $425 million in state set-aside funds and $3.8 billion in local allocations that are available through September 2024.

Grant Program	Grant Period Through	Carryover Period Through	Funding Amount		
			State Set-Aside	Local Allocation	Total
ESSER I (CARES)	Sept 2021	Sept 2022	$45,716,985	$411,452,867	$457,169,852
ESSER II (CRRSA)	Sept 2022	Sept 2023	$189,209,262	$1,702,883,356	$1,892,092,618
ARP ESSER	Sept 2023	Sept 2024	$425,243,169	$3,827,188,522	$4,252,431,691
Total			$660,169,416	$5,941,524,745	$6,601,694,161

Source: US DOE Office of Elementary and Secondary Education

KEY RECOMMENDATIONS

To monitor and address learning losses, GaDOE should:

- Continue to explore innovative student assessment systems and improve statewide data collection
- Continue to assess student needs and refine statewide strategies for addressing learning loss
- Provide additional guidance and oversight to ensure local school systems allocate funds effectively and implement interventions according to best practices

KEY FINDINGS

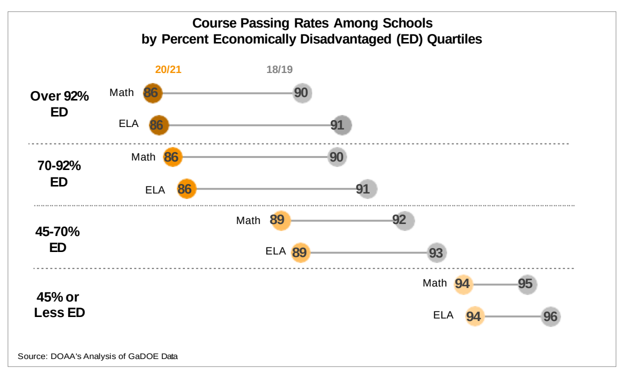
COVID-19 significantly altered the 20-21 school year, as many students continued to learn virtually for part or all of the year. The learning gaps continued to grow and could further compound over time, impacting long- term academic outcomes. To mitigate this risk, GaDOE must ensure that American Rescue Plan (ARP) funds, which include $3.8 billion in local allocations and $425 million in state set-aside funds, are utilized effectively.

COVID-19 disrupted learning during the 20-21 school year.

- Teachers reported that virtual learning was less effective as school systems encountered challenges related to technology, teacher training, services to vulnerable populations, and the need for parent/caregiver support.
- Instructional time was often reduced because school systems shortened school days, switched to four-day school weeks, and/or shortened the school year. Students also lost in-person instructional time due to quarantine requirements, illness, and temporary school closures.

Learning disruptions negatively impacted enrollment, student engagement, and academic achievement.

- Between Fall 2019 and Fall 2020, the number of full-time equivalent students decreased by approximately 39,700 (2.2%), with more significant declines among younger students and systems that delayed in-person learning.
- Teachers surveyed indicated students were less engaged in terms of attending class, actively participating in class, and completing assignments and homework.



- Course passing rates declined in all grade levels, averaging a 3.7 percentage point decline in English language arts and a 3.2 percentage point decline in math. Declines were more significant among schools with high proportions of economically disadvantaged students.

Robust strategies are needed to monitor and address the learning loss.

- GaDOE plans to utilize $425 million in ARP funds for initiatives including data system improvements, expanded learning time, tutoring, and teacher recruitment/retention programs. Although these areas are emphasized in the best practice research, specific components within each category could be bolstered.
- Local school systems plan to utilize $3.8 billion in ARP funds for activities to address learning loss (e.g., summer school) and to address other needs (e.g., sanitation supplies and training). We found significant variation in the percentage of funds allocated to learning loss strategies (versus other activities), as well as outliers in subcategories.

COVID 19's Impact on K-12 Education
Status Pending – Follow-Up Review Planned in 2024

Finding 1: Many students learned virtually or encountered other pandemic-related disruptions in 20-21, resulting in learning losses that GaDOE and local school systems must address.

No recommendations

Finding 2: School systems and teachers encountered significant challenges implementing virtual learning, which likely impacted the effectiveness of the instruction.

No recommendations

Finding 3: Student enrollment declined by nearly 40,000 students, and some students may not have received any educational services.

No recommendations

Finding 4: Teachers reported poor student engagement, which could impact long-term academic outcomes.

No recommendations

Finding 5: Many school systems reduced instructional time; consequently, teachers were not always able to cover all learning standards.

No recommendations

Finding 6: Course failure rates have increased, and both teachers and school systems reported declines in student achievement.

No recommendations

Finding 7: GaDOE is implementing assessment and data tracking improvements, but there are gaps and areas that could be further strengthened.

GaDOE should continue to explore innovative assessment systems that encompass formative assessments and expand these statewide. Assessment results should be used to inform instructional decisions, identify student needs, and monitor progress.	Status Pending
Absent a statewide formative assessment system, GaDOE should provide additional oversight of local systems' assessment strategies. For example, GaDOE could implement requirements for formative assessments, develop a list of vetted assessment vendors, track school system selections by grade level and content area to identify any gaps, and work to address those gaps.	Status Pending
GaDOE should ensure the data system improvements incorporate the functional pieces recommended by best practices, including early warning systems and tracking opportunity to learn indicators.	Status Pending
Once improvements are implemented, GaDOE should utilize the data to evaluate intervention effectiveness, monitor learning loss recovery efforts, and identify school systems in need of additional guidance.	Status Pending

COVID 19's Impact on K-12 Education
Status Pending – Follow-Up Review Planned in 2024

Finding 8: GaDOE's statewide strategies for addressing learning gaps generally align with best practices, but some areas could be strengthened.	
GaDOE should continue to assess student needs and explore alternatives for addressing learning loss, particularly in areas where Georgia diverges from best practices, such as teacher retention and recruitment.	Status Pending
GaDOE should ensure that the Office of Rural Education and Innovation is focused on evidence-based interventions for addressing the impact of the pandemic.	Status Pending
Finding 9: Additional state guidance and monitoring is needed to ensure systems effectively utilize funds and implement learning loss strategies.	
GaDOE should provide additional planning and budgeting guidance to ensure that school systems are focusing their funds and efforts on the most effective interventions.	Status Pending
GaDOE should consider establishing additional monitoring and evaluation measures to ensure districts implement the interventions according to best practices, monitor outcomes, and adjust as needed.	Status Pending

Performance Audit Division

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Georgia Department of Education – Agricultural Education

Requested Information on the Young Farmer and FFA Camp Programs

BACKGROUND

The Senate Appropriations Committee requested this special examination of the Young Farmer and youth camp programs within the Agricultural Education Program at the Georgia Department of Education (GaDOE). Based on this request, we reviewed the extent to which (1) the Young Farmer program has a reasonable approach to accomplish its purpose and (2) the current structure of youth camps contributes to financial and liability risks.

The Young Farmer (YF) program was created in 1951 to provide educational instruction and opportunities to adults interested or engaged in agriculture, and it seeks to increase proficiency in agricultural production, management, agribusiness, and leadership. Currently, there are 61 active YF programs across the state.

Since 1948, the Georgia Association of Future Farmers of America (FFA) and the state have partnered to operate recreational and youth camping programs (referred to in this report as FFA camps). FFA camps consist of two state-owned facilities offering overnight accommodations, dining services, meeting space, and recreational facilities available to FFA and Family, Career, and Community Leaders of America (FCCLA) members, as well as other educational groups.

KEY RECOMMENDATIONS

GaDOE should:

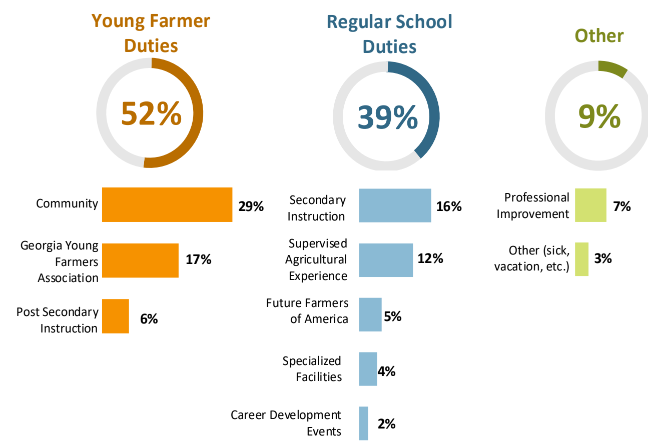
- Take steps to ensure clear, measurable goals exist for the YF program and that performance measures (including outcomes and outputs) and program requirements are tied to the goals.
- Establish a policy clarifying responsibility for monitoring the YF program and ensuring the program is monitored at a statewide level. Such monitoring should be based on meaningful information.
- Seek to clarify the status of the FFA camps as state or non-state entities in consultation with the State Office of the Attorney General.

KEY FINDINGS

GaDOE has established a mission with related goals and has documented program requirements for the Young Farmer (YF) program. However, the program lacks associated performance measures and the activity data collected is not consistent or complete, which limits the ability to evaluate program performance and identify services commonly delivered. Furthermore, GaDOE's role and responsibility are not defined for Future Farmers of America (FFA) camps, which operate on state-owned property.

While GaDOE has established requirements for YF teachers, the program is not designed to measure progress toward achieving goals.

- YF teachers must annually complete a Program of Work that includes 51 standards. Based on GaDOE data, an average of 96% of standards were met from 2018-2022.
- YF program goals are related to its mission, yet most are not clearly defined or measurable. The program also lacks performance measures that would help determine progress toward achieving program goals.



- GaDOE collects program activity data; however, this information is not used to monitor the program statewide. Additionally, data limitations exist, including:
  - Data is inconsistent and likely incomplete. For example, in school year 2021-22, total work hours reported by YF teachers varied from approximately 550 to 3,000 hours. In addition, teachers reported using different categories for the same services.
  - Monthly activity reports lack meaningful information such as which service types are most commonly provided and to whom. According to the activity data, YF teachers on average spend approximately half of their time on YF duties and nearly 40% on regular school duties.

The relationship between GaDOE and FFA camps is not defined, which increases financial and liability risks.

- FFA camps—which operate on state-owned properties and receive state funds—are not defined as units of the state. GaDOE does not centrally manage the camps (unlike other state entities with similar camps); rather they are overseen by a Camp Administrative Committee made up of representatives from GaDOE and various non-state entities (e.g., local school systems, agribusiness).
- The current arrangement creates financial and liability risks. For example, FFA camps do not follow state requirements related to financial management and instead operate under more limited requirements established by the Camp Administrative Committee. Additionally, while FFA properties are insured by the state, FFA camp employees may not be covered by the state's liability insurance program.

Full report available at: https://www.audits.ga.gov/reports/summaries/gdoe-agricultural-education/

Agricultural Education

Final Status Pending – Follow-Up Review will be completed in 2025

Finding 1: The YF program is not designed to measure progress toward achieving program goals.

GaDOE should establish clear, measurable goals for the YF program that are re-evaluated regularly to assess their reasonableness and relevance.	Partially Implemented
GaDOE should establish performance measures that are tied to program goals. The performance measures should include outcome, as well as output, measures. Once performance measures are established, GaDOE should determine whether program requirements and activities demonstrate progress toward achieving goals.	Partially Implemented
GaDOE should evaluate the programmatic (non-administrative) POW requirements and modify those that are identified as irrelevant to the program's goals.	Partially Implemented

Finding 2: While GaDOE assesses YF teachers' compliance with reporting requirements and collects information on YF activities, it does not evaluate overall program performance.

GaDOE should establish a policy regarding ongoing monitoring of YF teachers. The policy should clearly assign responsibility for ongoing monitoring activities. The policy should also document the consequences for failing to comply with program requirements and include a procedure for determining funding cuts that result from non-compliance.	Partially Implemented
GaDOE should evaluate program performance at a statewide level. This could include setting benchmarks to compare to monthly report data.	Partially Implemented
GaDOE should work with YF teachers, local school system CTAE directors, and program management to redesign the Monthly Reports to track more meaningful information such as which service types are most commonly provided and to whom. For information currently collected but not used, GaDOE should decide whether this information is needed.	Partially Implemented
GaDOE should ensure YF teachers are trained and provided sufficient guidance to ensure activity data is consistently reported.	Partially Implemented
GaDOE should consolidate the adult enrollment forms and the monthly reports to ease the administrative burden on YF teachers and increase the accuracy of reporting.	Partially Implemented

Finding 3: YF services vary across the state and are based on community requests for assistance.

No recommendations

Finding 4: It is unclear whether FFA camps should be considered units of the state, which creates financial and liability risks.

GaDOE, in consultation with the Office of the Attorney General, should clarify the status of the FFA camps as state or non-state entities.	Partially Implemented
If FFA camps are determined to be state entities, GaDOE should centrally manage the camps to ensure they comply with state laws, rules, and policies governing state entities.	Partially Implemented
If FFA camps are determined to be non-state entities, GaDOE (in consultation with the State Properties Commission) should re-establish an agreement with the Georgia Future Farmers of America, Inc., Georgia Association of Family, Career, and Community Leaders of America, inc., or other relevant party. The agreement should outline the roles and responsibilities of each for camp operations.	Partially Implemented
The FFA camps should update their policies and procedures manual (last updated in 2009) to ensure they are current and accurately reflect all financial policies and controls in place.	Partially Implemented

Performance Audit Division

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Gifted Program

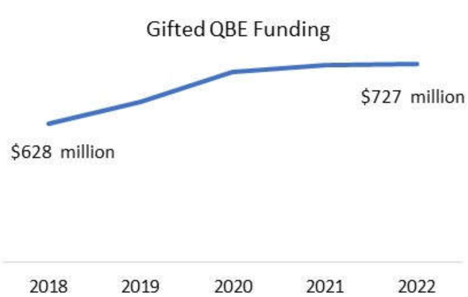
Services are not aligned with funding intent

BACKGROUND

As one of 18 instructional programs funded by the state's Quality Basic Education (QBE) funding formula, the Gifted program serves intellectually gifted students. Under the QBE formula, state funding for the Gifted program is 30% to 68% higher than funding for general education programs.

To be eligible for Gifted services, students must be identified as having intellectual needs requiring specialized instruction. The eligibility process requires testing to ensure the student meets state-specified criteria.

In fiscal year 2022, approximately 113,000 full-time equivalents were served through the Gifted program, generating $726.5 million in QBE funding. (Each full-time equivalent represents six periods, or segments, of state-funded instruction to a student on a given day.)



KEY RECOMMENDATIONS

GaDOE should:

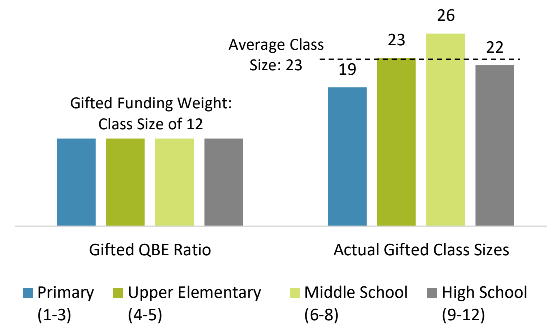
- Implement data controls to ensure Gifted QBE funding is only given for classes that meet state requirements.
- Review class data to determine the extent to which services align with the Gifted program's intent.
- Include additional guidance on identification strategies in its Gifted Resource Manual.

KEY FINDINGS

Georgia's Gifted program uses many best practices; however, deviations from these practices reduce the program's effectiveness. Systems typically use larger class sizes than those set in the funding formula, and some do not follow the requirement to use a Gifted-endorsed teacher. Increased use of best practices may also help identify additional Gifted students, particularly from underrepresented groups.

Implementation of the Gifted program diverges from the funding formula intent and best practices.

- While state Gifted funding is based on a teacher/ student ratio of 12 to 1, over 77% of Gifted classes exceeded this ratio in fiscal year 2021. Gifted classes averaged 23 students per teacher.



- Local school systems earned Gifted funding for classes that did not meet state requirements related to student eligibility and teacher endorsements. The excess funding due to these issues totaled $13.1 million.
- Gifted education is intended to provide differentiated instruction to students whose needs are not adequately met by general education services. However, not all of the Georgia Department of Education (GaDOE)-approved models provide the same assurance that students will receive differentiated instruction.

GaDOE could implement additional best practices to help improve gifted identification.

- GaDOE requires systems to follow some best practices for gifted identification, such as using multiple objective and subjective eligibility criteria.
- GaDOE guidance does not include other recommended strategies to help identify students who might otherwise be missed. For example, GaDOE does not require universal screening, which is considered one of the most important tools in ensuring every student—particularly those in underrepresented groups—receives consideration for Gifted services.

Systems face resource constraints in implementing Gifted services.

- Resource constraints can inhibit systems from implementing best practices related to identifying Gifted students and can limit the number of Gifted-endorsed teachers a system can employ. These issues can reduce the funding that systems receive to implement the program, since student eligibility and teacher endorsement requirements cannot be waived.
- Resource limitations can impact which delivery models school systems select for their Gifted classes to ensure differentiated instruction.

Full report available at: https://www.audits.ga.gov/reports/summaries/gifted-program/

Gifted Program

Final Status Pending – Follow-Up Review will be completed in 2025

Recommendation	Status
Finding 1: GaDOE requires some best practices for referral and eligibility, but additional practices could be implemented to help ensure Gifted students are identified.	
The General Assembly should consider requiring school systems to implement universal screening.	Status Pending
Even if universal screening is not made a requirement, GaDOE should incorporate guidance into its Gifted Resource Manual.	Status Pending
GaDOE should assess whether other best practices for referral and eligibility should be incorporated into guidance or recommended for consideration as a requirement. If practices are included as guidance, GaDOE should describe the circumstances in which they may be relevant or could be implemented.	Status Pending
Finding 2: GaDOE does not have adequate controls to ensure school systems meet requirements for QBE funding at the Gifted weight.	
GaDOE should implement controls in its data system to ensure that school systems only receive Gifted FTE funds for students who have met eligibility requirements.	Status Pending
GaDOE should implement controls in its data system to ensure that school systems only receive Gifted FTE funds for students taught by teachers with a GaPSC-certified Gifted In-Field Endorsement.	Status Pending
In its guidance to school systems, GaDOE should clarify what provisions cannot be waived. For example, this language could be included in the Gifted Resource Manual.	Status Pending
GaDOE should explore options to address discrepancies between the FTE and Student Class datasets.	Status Pending
Finding 3: As currently implemented, Gifted services do not reflect the state's QBE funding formula.	
The General Assembly should consider the issues identified above in future discussions regarding program funding formula changes. For example, the General Assembly could consider adjusting the QBE Gifted weight based on grade levels.	Status Pending
GaDOE should periodically review Gifted class sizes and determine the extent to which they align with the intent of the state's funding formula. When very large classes are identified, GaDOE staff should reach out to the local Gifted coordinator to determine causes and provide guidance.	Status Pending
Finding 4: Depending on the model selected, systems may not sufficiently differentiate services for Gifted students.	
GaDOE should periodically review its class data to identify anomalies that increase the risk of not ensuring differentiation (e.g., heavy reliance on a single model, high class loads for collaborating teachers). When outliers are identified, GaDOE should work with these systems to ensure differentiation is maximized.	Status Pending
Finding 5: Most Gifted-eligible students are taking at least one Gifted class.	
No recommendations	

Performance Audit Division

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Education Standards

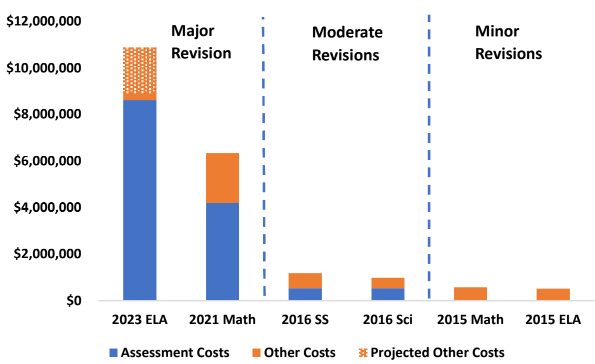
Requested Information on Education Standards

BACKGROUND

The Senate Appropriations Committee requested information on revisions to education standards. Based on this request, we reviewed (1) why education standards are reviewed and whether the process is conducted in accordance with the frequency required in statute; (2) the extent to which changes to content standards have been substantive; and (3) the costs associated with changing content standards and how the costs relate to the substantiveness of changes.

Education standards are learning goals for instruction that were created to establish expectations and improve student outcomes. Since 2010, Georgia has revised its four core content standards a total of eight times. Georgia has spent over $20 million revising core content since 2015.

State Revision Costs Vary by Extent of Changes



KEY RECOMMENDATIONS

The General Assembly should:

- Consider increasing the number of years in the review cycle or eliminating the requirement and allowing the schedule to be set by GaDOE and SBOE.
- Define the beginning and end points of the cycle if it remains in law.

GaDOE should:

- Work with SBOE to establish and publish a schedule of subjects to be reviewed over a set time period.

KEY FINDINGS

Between 2010 and 2023, Georgia has updated K-12 core content standards a total of eight times, with the cost of each revision since 2015 ranging from approximately $520,000 to nearly $11 million. This included three revisions each to English Language Arts (ELA) and Mathematics standards and one revision of Science and Social Studies standards. While state law requires the State Board of Education (SBOE) to review core content standards every four years, reviews are typically initiated by governors due to national education initiatives or at the direction of the state school superintendent due to other factors (e.g., time since a subject's last review).

Reviews are typically conducted due to factors unrelated to the four-year cycle in statute.

- In 2010, Georgia adopted nationally developed Common Core standards for ELA and Math. Since 2013, subsequent reviews were called by the governor or state school superintendent to move away from Common Core and update education standards with feedback from stakeholders across the state.
- While state law requires SBOE to review core competencies and curriculum at least every four years, this requirement has not been followed due to more frequent reviews of ELA and Math. For example, updates to Science and Social Studies did not occur for 12 years until 2016.
- Georgia's four-year review cycle is generally shorter than that of nine other states we reviewed, which generally range from 6 to 10 years. According to the Georgia Department of Education (GaDOE), the process of reviewing, revising, and implementing new content standards can exceed four years.

Revisions to core content standards have ranged from minor to substantial.

- Revisions to core content standards vary based on the extent of changes in areas such as content, structure, and assessments.
- According to GaDOE, of the eight revisions since 2010, four (all ELA and Math) were substantial, two were moderate, and two were minor.

State and local costs to revise standards vary significantly among revisions.

- State costs of revisions depend on the extent of changes. Since 2015, costs ranged from $520,000 for a minor revision to nearly $11 million for a major revision.
- The largest state costs were related to changes to assessments, which typically accounted for more than half of revision costs since 2015. Instructional resources provided to school systems are generally the second largest cost, followed by professional learning and development of standards and courses.
- Local school systems reported varying costs of implementing revisions, typically related to professional learning and new instructional materials such as textbooks. Costs also varied based on the extent to which systems relied on their Regional Education Service Agency (RESA) for assistance with implementation activities.

Full report available at: https://www.audits2.ga.gov/reports/summaries/education-standards/

Education Standards

Final Status Pending – Follow-Up Review will be completed in 2025

Finding 1: Revisions to Math and ELA standards have been related to Common Core, while revisions of other content areas were driven by factors such as the length of time since last review.

No recommendations

Finding 2: The General Assembly should consider revising Georgia's four-year review cycle.

The General Assembly should consider revising Georgia's four-year review cycle. Options could include increasing the minimum number of years in the review cycle or eliminating the requirement and allowing the schedule to be set by GaDOE, SBOE, and the state school superintendent.	Status Pending
If a minimum number of years remains in law, the General Assembly should define the beginning and end points of the cycle.	Status Pending
GaDOE and the state school superintendent should work with the SBOE to establish and publish a schedule of subjects to be reviewed over a set time period.	Status Pending

Finding 3: Revisions to core content standards have ranged from minor to substantial.

No recommendations

Finding 4: State and local costs for standards revisions vary significantly.

No recommendations

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Georgia Connections Academy

An Annual Report of a State Chartered Virtual School

Key Findings

The annual report published in 2021 includes information related to school enrollment and attendance, academic achievement, academic performance, governance, operations, staffing, finances, and future plans.

The comprehensive report published in 2022 summarizes specific information from the 2018-2020 annual reports, which covered academic years 2017 through 2020. Information includes academic performance, financial data, governance data, and the school's actual performance compared to the goals outlined in its charter.

The reports were impacted by the COVID-19 pandemic. In the 2019-2020 school year, Georgia Milestones tests were not administered and College and Career Ready Performance Index (CCRPI) was not produced due to the pandemic. Both of these serve as the basis for a number of data points we typically include in the annual reports. As a result, we had limited academic data to use in the 2021 and 2022 reports.

Enrollment

In the 2019-2020 school year, Georgia Connections had 4,640 students, with most located in the metropolitan Atlanta area. Fifty-one percent of Georgia Connections' students are economically disadvantaged.

Funding

Georgia Connections received 95% of its funding from state funds. Like all state charter schools, it does not receive any local funds. In fiscal year 2020, Georgia Connections had $33.2 million in revenue and $29.9 million in expenditures.

Background

Georgia Connections Academy, a nonprofit public charter school, serves students grades 5-12 across the state in a virtual classroom setting.

Why we did this review

Georgia Connections Academy is one of two state-chartered public virtual schools currently authorized to serve students from across the state. O.C.G.A. 20-2-2093 requires the Department of Audits and Accounts to produce an annual report for each virtual charter school. O.C.G.A. 20-2-2093 also requires a comprehensive report approximately every three years that compiles information from prior annual reports.

Full reports available at: https://www.audits2.ga.gov/reports/summaries/georgia-connections-academy & https://www.audits2.ga.gov/reports/summaries/georgia-connections-academy-july-2022

Performance Audit Division

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Georgia Cyber Academy

An Annual Report of a State Chartered Virtual School

Key Findings

The annual report published in 2021 includes information related to school enrollment and attendance, academic achievement, academic performance, governance, operations, staffing, finances, and future plans.

The comprehensive report published in 2022 summarizes specific information from the 2018-2020 annual reports, which covered academic years 2017 through 2020. Information includes academic performance, financial data, governance data, and the school's actual performance compared to the goals outlined in its charter.

The reports were impacted by the COVID-19 pandemic. In the 2019-2020 school year, Georgia Milestones tests were not administered and College and Career Ready Performance Index (CCRPI) was not produced due to the pandemic. Both of these serve as the basis for a number of data points we typically include in the annual reports. As a result, we had limited academic data to use in the 2021 and 2022 reports.

Enrollment

In the 2019-2020 school year, Georgia Cyber Academy had 9,211 students, with most located in the metropolitan Atlanta area. Seventy percent of Georgia Cyber Academy's students are economically disadvantaged.

Funding

Georgia Cyber Academy received 93% of its funding from state funds. Like all state charter schools, it does not receive any local funds. In fiscal year 2020, Georgia Cyber Academy had $88.6 million in revenue and $70.6 million in expenditures.

Background

Georgia Cyber Academy, a nonprofit public charter school, serves students K-12 across the state in a virtual classroom setting. Georgia Cyber Academy opened in 2007 as a public virtual charter school that served K-8; high school grades were added beginning in 2010, and the first students graduated in 2014.

Why we did this review

Georgia Cyber Academy is one of two state-chartered public virtual schools currently authorized to serve students from across the state. O.C.G.A. 20-2-2093 requires the Department of Audits and Accounts to produce an annual report for each virtual charter school. O.C.G.A. 20-2-2093 also requires a comprehensive report approximately every three years that compiles information from prior annual reports.

Full report available at: https://www.audits2.ga.gov/reports/summaries/georgia-cyber-academy & https://www.audits2.ga.gov/reports/summaries/georgia-cyber-academy-july-2022

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Career Technical Education Extended Day and Extended Year Grants

Requested Information

BACKGROUND

The House Appropriations Committee requested this special examination of Career Technical Education (CTE) Extended Day and Extended Year grants. Based on this request, we reviewed: (1) how these grant funds are distributed to local school systems; and (2) which performance standards/metrics are used to evaluate the usage of these funds.

CTE Extended Day grant funds are allocated to school systems to compensate teachers conducting CTE co-curricular activities after regular school hours. Activities include advising or leading a Career Technical Student Organization or conducting Work-Based Learning activities. CTE Extended Year grant funds are allocated to compensate teachers for CTE summer activities, such as work-site development and teaching CTE summer courses.

CTE Extended Day/Year grants are administered by the Georgia Department of Education's Career, Technical, and Agricultural Education division. In fiscal year 2022, the Extended Day grants totaled approximately $7.7 million for 2,068 teachers, and the Extended Year grants totaled approximately $410,000 for 161 teachers.

KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

Both CTE Extended Day and Extended Year state grants are distributed to all school systems that apply. Local school systems are required to match CTE Extended Year funding but have no such requirement for CTE Extended Day funding. CTE Extended Day and Extended Year grants are primarily evaluated through state-developed metrics focused on activity completion.

CTE Extended Day and Extended Year grant funds are distributed to all systems that request funding.

- While all systems that request CTE **Extended Day** funding receive a grant, the state allocation offsets approximately half of the total amount requested each year. Local school systems are not required to supplement funding for the remaining portion, but most systems choose to do so. In comparison, the state fully funds local school system requests for the Agriculture Extended Day program. Other states reviewed provide little to no state funding for CTE or Agriculture Extended Day activities.

100% of school systems requesting Extended Day and Extended Year funds receive funding.

50% of the total cost was funded by the State in fiscal year 2022. Local matching funds are required for Extended Year but not for Extended Day.

- All school systems that request a CTE **Extended Year** grant receive funds from the state, though they are required to match with local funds. This is similar to the matching requirements for Agriculture Education Extended Year funding; however, CTE Extended Year grants fund fewer days than Agriculture Extended Year. Other states reviewed generally offered summer compensation to Agriculture teachers but not CTE teachers.

CTE Extended Day and Extended Year grants are primarily evaluated through state-developed metrics based on activity completion.

- Each teacher who receives CTE **Extended Day** funding must complete a Program of Work (POW) that outlines the number and types of activities planned for the upcoming year. They then submit monthly and annual reports that track activity completion to CTE directors. While these activity-based metrics and tools are similar to those utilized by Agriculture Extended Day, GaDOE has additional staff for its Agricultural Education program; as such, the state monitors the program more closely than CTE, which is primarily monitored by local school systems.
- Teachers who receive CTE **Extended Year** funding are required to complete a Prior Year Activities Report, as well as a budget request form for the upcoming year. Unlike CTE Extended Year, Agriculture Extended Year expands the POW and monthly reports required by Agriculture Extended Day to monitor an entire year's activities. According to GaDOE, this is due to differences in scope among the programs; while Agriculture Extended Day and Extended Year are integrated, far fewer CTE Extended Day teachers are on Extended Year.

Full report available at: https://www.audits2.ga.gov/reports/summaries/career-technical-education-extended-day-and-extended-year-grants/

Performance Audit Division

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School System Financials

Fiscal Health Has Improved Among Systems

Key Findings

In fiscal year 2021, school systems received additional funding with the increase of federal funds related to the COVID-19 pandemic. As a result, systems' ability to cover their short- and long-term obligations improved, and most systems received a positive fiscal health rating.

Fund Balances Have Risen with the Increase in Federal Funds

- Statewide, systems held a total fund balance of approximately $8.6 billion in fiscal year 2021—up 39% from approximately $6.1 billion in fiscal year 2018. Similarly, the total unassigned fund balance—over which systems have significant discretion—increased by 60% from $2.1 billion to $3.4 billion.
- The fund balance increases can be attributed to higher revenue in fiscal year 2021—primarily the increase in federal funds related to the COVID-19 pandemic. Approximately $1.0 billion in additional federal dollars was distributed to the systems in fiscal year 2021. The flexible provisions of the COVID-19 funds permit a variety of expenditures. Some systems have used federal funds for salaries, fuel, utilities, and other regular operating expenses that would otherwise be paid for with state or local funds.

Fiscal Health Has Improved Among School Systems

- In the fiscal year 2019-2021 period, five school systems were categorized as having a cautionary financial outlook—down from 14 systems with a critical or cautionary outlook in the fiscal year 2018-2020 period. Systems' performance in each of the five fiscal health metrics improved, as shown below.

Metric	Description	# of Systems with Critical or Cautionary Outlook by Metric[1] 2018-2020	2019-2021[2]
Current Ratio	Ability to pay for short-term obligations	19	7
Asset Sufficiency Ratio	Ability to pay for all obligations in general fund	16	4
Operating Reserve Ratio	Ability to cover revenue shortfalls and expenditure overruns	54	31
Change in Total Fund Balance	How total fund balance changed from prior year	21	8
Change in Unassigned Fund Balance	How unassigned fund balance changed from prior year	12	2
Overall Fiscal Health		**14**	**5**

[1] Outlooks calculated using the average of the three reported years, as compared to an established benchmark.

[2] Excludes eight systems that had not submitted their fiscal year 2021 audited statements by the report's publication.

Source: DOAA analysis of school systems' annual financial reports

Background

Each year, school systems are required to prepare financial statements that are audited to ensure they are prepared accurately and according to standards. The statements provide information regarding systems' revenue, expenditures, and fund balance, as well as assets and liabilities.

Why we did this review

In recent years, the 180 county and city school systems in Georgia on average collected nearly $20 billion in total revenue each year. This report provides information on the source of the funds and how they are expended. The report also provides insights into systems' fiscal health by measuring systems against benchmarks in five metrics related to solvency and reserves. A dashboard that provides information on each school system can be found on our website at https://www.audits2.ga.gov/schoolsystemdashboard/.

Full report available at: https://www.audits2.ga.gov/reports/summaries/school-system-financials/

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Georgia Military College

Requested Information on Revenue and Governance Options

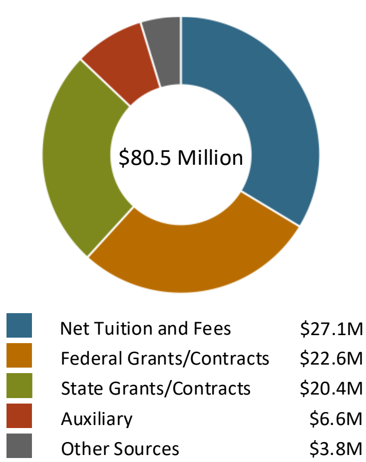
BACKGROUND

The House Appropriations Committee requested this special examination of Georgia Military College (GMC). Based on that request, we determined: (1) the governance structure of GMC as it relates to public resources; (2) the various funding streams of GMC; and (3) options that exist for modernizing the state's oversight obligations to and oversight of GMC.

Founded in 1879, GMC is both a K-12 preparatory school and a predominately associate degree-granting, open admissions junior college operating out of Milledgeville. In the 2021-2022 academic year, the Junior College had nearly 12,000 students enrolled at the main campus, 11 satellite locations, and online college. Approximately 250 students are in the Corps of Cadets.

The Prep School had nearly 850 students in 2021-2022. Students are cadets beginning in sixth grade and participate in military-style activities, such as color guard and drill teams.

GMC Revenue – FY 2022



KEY FINDINGS

Both the Junior College and Prep School receive state funds, though GMC's board is locally elected and the Prep School is able to charge tuition (unlike other public K-12 schools). Multiple models exist for modernizing GMC's governance, though some would significantly impact GMC's mission, funding, and students.

City of Milledgeville citizens elect all members of the Board of Trustees.

- The current board structure was set in a 1989 federal consent decree.
- The board serves a large population of students who live outside Milledgeville, particularly at the Junior College level. However, it has no state voting representation.

GMC primarily relies on tuition but also receives federal funds and state funds, largely through state-sponsored financial aid.

- In fiscal year 2022, GMC generated $80.5 million in revenue, with the largest percentage related to tuition and fees paid directly by the student or through financial aid. Junior College revenue comprised the majority of GMC's total funding but has decreased over the last three years due to enrollment declines.
- Federal funds have been higher in recent years due to temporary, pandemic-related dollars for the Junior College.
- Approximately 60% ($15.6 million) of the state's total funding to GMC was state-sponsored financial aid to the Junior College—largely related to dual enrollment and the HOPE scholarship.

We identified options to modernize the oversight of GMC, each with varying impact on GMC's mission, funding, property, staff, and students.

Below are options to modernize oversight of GMC. Before a change in GMC governance is made, it is advisable to consult with the U.S. Department of Justice regarding compliance with the consent decree.

- **State representation on GMC board** – Two models relate solely to expanding the state's representation—with either some or all voting members appointed by the state. These models are likely to have fewer impacts on the school.
- **Privatization** – The state would no longer have oversight responsibilities; however, this would create a large and immediate financial burden for GMC, which would be required to purchase all building and property from the state at fair market value. In addition, GMC would no longer receive state funding, its staff would lose existing employee benefits, and tuition would likely increase.
- **Move to existing state agencies** – The Junior College could operate under the University System of Georgia (USG) or the Technical College System of Georgia (TCSG); however, moving to those systems' funding formulas would increase the state's financial contribution by tens of millions annually. These models would necessitate a legal separation of the Prep School and Junior College, but Junior College staff benefits would be similar and its tuition would likely decrease.
- **Prep School models** – The Prep School and Junior College could be legally separated, resulting in different governing boards. This would be necessary if the Junior College became part of USG or TCSG. A separate Prep School could be private, a state charter school, or a part of the local school system.

KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

Performance Audit Division
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Qualified Education Expense Tax Credit

Economic Analysis

Key Findings

The Qualified Education Expense Tax Credit's (QEEC) fiscal impact is driven by the relationship between the forgone tax revenue and the reduction in the number of public school students and their associated costs. The portion of scholarship recipients who would have attended a public school without a scholarship (i.e., the "switcher rate") is unknown; therefore, the precise fiscal impact cannot be determined. However, research indicates that switcher rates could be high enough to result in state cost savings. Cost savings do occur at the local level. In addition, the QEEC may create economic impacts and public benefits.

Net Fiscal Impact

- In 2021, QEEC tax credits generated approximately $81 million in estimated forgone tax revenue—this represents the amount that the state will no longer collect from taxpayers who claim a QEEC tax credit.
- For the state to break even on the QEEC tax credit for 2021 contributions, the switcher rate would need to be 67%. Under this scenario, the state would save approximately $81 million in public education costs, which would fully offset the $81 million in forgone revenue.
- If the switcher rate is 90%, as empirical studies of other states' programs have found, the QEEC would result in an expenditure reduction of approximately $109 million and a net cost savings of approximately $28 million.
- Local cost savings would total at least $24.8 million if the switcher rate is 67% (break-even level for the state). This increases to $33.4 million when calculating based on the 90% switcher rate found in research.
- Participant income is one factor in assessing the likelihood that students would be in a public school if not for the scholarship. Several studies noted above are of states with financial need requirements, while Georgia's SSOs are only required to *consider* financial need. In 2021, approximately 2/3 of scholarship recipients were below 250% of the federal poverty level (FPL) and 1 in 6 were above 400% FPL.

Economic Impact & Public Benefit

- Though research on academic and attainment outcomes is mixed, numerous empirical studies have found that school choice programs (such as private school tax scholarships and vouchers) have correlated with positive impacts on student test scores and college attainment.
- Because college enrollment and degree completion are correlated with higher lifetime wages, increased college attainment is expected to generate long-term economic impacts through increased tax revenue.
- Economic benefits are also closely aligned with the overall public benefit.

Background

The Qualified Education Expense Tax Credit (QEEC) allows Georgia's corporate and individual taxpayers to earn a dollar-for-dollar tax credit when they donate funds to organizations that award scholarships to students attending private schools. Statute created Student Scholarship Organizations to manage donations and award scholarships to eligible students. In addition, state law established oversight responsibilities for the Georgia Department of Revenue and the Georgia Department of Education.

Why we did this review

O.C.G.A. § 20-2A-2 charges the state auditor to issue an economic analysis report on the performance of this tax credit to the chairpersons of the House Committee on Ways and Means and the Senate Finance Committee.

This report provides an overview of the potential fiscal, economic, and public benefit impacts of the QEEC to the state.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Exemption on the Sale of Lottery Tickets

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 1992, the Lottery for Education Act established the Georgia lottery as a means of increasing state funding for education. In 2022, sales totaled $5.8 billion with $1.47 billion going to fund education. Of the 50 states, 45 currently operate a lottery. However, Alabama is one of the five that do not have a lottery, so Georgia benefits from Alabama residents buying tickets. In almost all states, and Georgia, lottery tickets are exempt from sales tax.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The primary purpose of the sales tax exemption does not appear to be an immediate increase in economic activity but instead to provide additional education funds. However, the Institute was able to estimate economic activity associated with lottery ticket sale, including the creation of more than 36,000 jobs.

Ticket sales (and jobs) would exist even without the exemption. If lottery tickets were taxed, the Institute estimated a decrease in sales equal to the tax rate of 7.64%. As a result, the exemption is responsible for that portion of economic activity (36,549 jobs*7.64% = 2,775).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 6,174 jobs and $306.7 million in value added to the economy.

2,775 Jobs

$199.1M Value Added

$153.1M Labor Income

$321.4M Economic Output

Note: Economic activity attributable to exemption

REVENUE

The exemption is estimated to increase from $229.8 million in FY 2024 to $263.1 million in FY 2028. In FY 2024, the increased ticket sales due to the exemption are estimated to result in $123.6 million in additional education funds and $7.6 million in tax revenue.

The Institute estimated that the alternate use of the exemption funds would have generated $243 million in additional tax revenue.

$229.8M State Tax Expenditure

$123.6M Additional Education Funds

$7.6M State Tax Revenue Generated

Note: 2024 estimates

COST

The Institute did not note administrative costs associated with the exemption.

PUBLIC BENEFIT

The Institute cited the additional funding for education as the associated public benefit. It also noted that research indicates that lower income consumers are significantly more likely to purchase lottery tickets and that the sales taxes have a greater negative effect on lower income consumers.

Performance Audit Division

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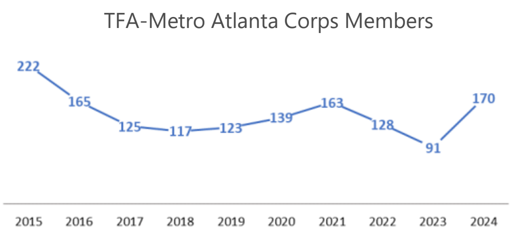
Teach for America

Corps members positively impact student achievement but do not remain in the classroom long term

BACKGROUND

The House Appropriations Committee requested this special examination of Teach for America (TFA) – Metro Atlanta. Based on this request, we reviewed: (1) how effective the TFA-Metro Atlanta program is at recruiting and retaining teachers; (2) the impact of the TFA-Metro Atlanta Program on student achievement; and (3) the extent to which TFA could expand in Metro Atlanta or other parts of the state.

Teach for America is a national organization that recruits individuals to teach in low-income rural and urban schools for two years. According to its mission statement, TFA "finds, develops, and supports equity-oriented leaders—individually and in teams—so they can transform education and expand opportunity with children, starting in the classroom." TFA has more than 50 regions across the nation, including Metro Atlanta (the only region in Georgia currently utilizing TFA).



Since the TFA-Metro Atlanta partnership began in 2000, more than 2,100 corps members have been placed in Title I classrooms. In academic year 2024, 170 corps members were assigned to schools in three Metro Atlanta school systems and several charter schools. State funding to the program has been consistent at approximately $681,000 since fiscal year 2018.

KEY RECOMMENDATIONS

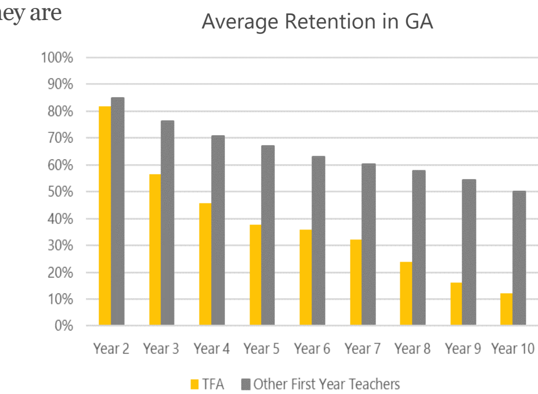
This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

Partnering school systems appear to benefit from having Teach for America (TFA) corps members because they are likely to positively impact student achievement. However, corps members typically only teach for two or three years and fill a small percentage of vacancies. Expanding the TFA program to other parts of the state would depend on several factors.

TFA recruits teachers with desirable qualities who typically stay for two or three years.

- TFA's selection process is intended to identify candidates with qualities the organization has found to increase classroom effectiveness.
- Principals and administrators who have hired corps members stated they are hard-working, flexible, and committed to working with their students.
- While TFA corps members typically do not represent a significant portion of new hires within partnering systems, they are able to assist with supplying teachers in hard-to-staff schools and subjects.



- Following their two-year commitment, TFA corps members do not remain teaching at the same rate as other new teachers in partnering systems' Title I schools.

Students taught by TFA corps members perform as well as or better than those taught by comparison populations.

- Our analysis of teachers' student growth scores for academic year 2019 shows TFA-Metro Atlanta corps members and alumni performed better than or similar to other teachers. The analysis was based on academic year 2019 data; the next time student growth scores will be calculated for teacher evaluations will be academic year 2025.
- Past studies examining TFA corps members' impact on student achievement nationally and in other states have shown that students of corps members perform the same as or better than students taught by non-TFA teachers, regardless of experience. We did not identify any studies using post-pandemic data.

Expansion of TFA to other parts of the state depends on several factors.

- To partner with TFA, prospective systems must be able to hire several corps members annually in a small number of schools. Additionally, systems must pay the $4,000 per person fee for each of the corps members' two years and commit to supporting the corps members.
- TFA has launched a virtual tutoring program for the 2024 academic year. As the program expands, TFA intends to identify systems that would benefit based on feedback from the legislature and the Georgia Department of Education. This could include systems outside the Metro Atlanta area.

Full report available at: https://www.audits2.ga.gov/reports/summaries/teach-for-america/

Finance and Taxation

Contains Recommendations

Qualified Education Expense Credit & Student Scholarship Program

Rural Hospital Tax Credit (2023)

Contains No Recommendations

Motor Fuel Funds

Georgia Agribusiness and Rural Jobs Act

Rural Hospital Tax Credit (2022)

Low-Income Tax Credit

Grocery Sales Tax Exemption

Prescription Drug Sales Tax Exemption

Historic Rehabilitation Tax Credit

Georgia Job Tax Credit

Qualified Interactive Tax Credit

Georgia Research and Development Tax Credit

Computer Equipment Sales Tax Exemption

Manufacturing Sales Tax Exemption

High-Tech Data Center Equipment Sales Tax Exemption

Retirement Income Exclusion

Qualified Education Expense Tax Credit

Musical Tax Credit

Georgia's Film Tax Credit

Georgia Agricultural Sales Tax Exemption

Quality Jobs Tax Credit

Non-Profit Hospital Exemptions

Exemption on the Sale of Lottery Tickets

Special Tax Deduction for Life Insurance Companies

Other State Tax Credit

Social Security Benefits Exemption

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Qualified Education Expense Credit and Student Scholarship Program

Additional measures needed to improve transparency and accountability

BACKGROUND

The House Appropriations Committee requested this special examination. We reviewed: (1) how qualified education expense tax credits are disbursed; (2) whether student scholarship organizations (SSO) retain a reasonable administrative fee; (3) whether SSOs direct contributions according to the intent of the law; and (4) whether any measures can be taken to improve transparency and accountability to improve the integrity of future donations.

SSOs are nonprofit organizations that collect donations from taxpayers and work with private schools to provide scholarships to eligible (pre-k-grade 12) students. The donations can be claimed as tax credits within aggregate and taxpayer limits.

Aggregate limits have increased; taxpayer limits remain the same

Aggregate Limit	2013 to 2018	2019 to Present
Aggregate (All Taxpayers)	$58 Million	$100 Million
Taxpayer Credit Limits	**2013 to Present**	
Individual	100% of amount expended but limited to $1,000 for Individuals; $1,250 Married couples filing separately; $2,500 Married couples filing jointly	
Corporations and other entities	100% of amount expended, or 75% of the corporation's tax liability, whichever is less	
Individuals Claiming Income from Pass-Through Entities	Amount expended but limited to 100% of the portion of income on which such tax was actually paid by S-Corporation member, up to a maximum of $10,000[1]	

[1]Presuming a tax liability of at least the amount claimed

Source: O.C.G.A. and legislative changes

KEY RECOMMENDATIONS

The General Assembly should:

- Consider updating Chapter 20-2A to clarify items, define terms, and include measures identified in other states.

DOR should:

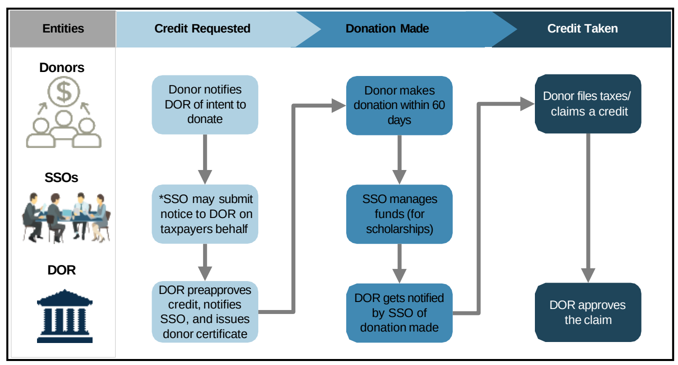
- Develop processes to ensure claimed credits do not exceed the tax liability as appropriate.
- Review SSO compliance audits to ensure required verified information is included and notify SSOs appropriately.
- Work with GaDOE to ensure the active provider list is current.

KEY FINDINGS

Statutory requirements provide a degree of transparency and accountability for the student scholarship program. SSOs must comply with various requirements, and their maximum administrative fee percentages are based on donations received. Taxpayers donating to SSOs qualify for tax credits that are limited according to their filing status (or in some cases tax liability), and the annual tax credit cap (raised to $100 million in 2019). However, we identified additional actions the General Assembly and state agencies should take to increase and improve information available to decision makers and ensure taxpayers have earned the credits claimed.

Additional steps are needed to improve transparency and accountability of the student scholarship program.

- SSOs must submit compliance audits to DOR. However, state law does not require audits to verify and report compliance with all legal requirements. Also, requiring SSOs to submit supporting documentation would allow for verification of summary reports. Because SSOs cannot be compelled to provide information beyond what is statutorily required, responses to requests for additional information are voluntary.
- Several states have adopted measures that enhance reporting and expand transparency into their programs. Some explicitly require a financial audit, public disclosure of financial reporting, and detailed reporting on scholarship awards. Additionally, some specify how interest income can be used and when donations must be expended.



- While Georgia's administrative fee percentages align with those in other states, complete data is not available to calculate the operating rations and assess the reasonableness of the fees individual SSOs retain.

DOR and GaDOE should take steps to improve oversight and ensure compliance.

- State law limits the credit amount for corporations and individuals receiving income from pass-throughs based on their Georgia tax liability. It also prohibits carrying forward any amount in excess of these limits; however, DOR does not have controls to prevent this from occurring.
- While DOR generally identified and responded when SSOs failed to submit required reports, it did not always notify noncompliant SSOs in a timely manner. We also found that DOR did not routinely ensure that all statutory requirements are reported in the compliance audits. Finally, noncompliant SSOs were not always removed from GaDOE's list of active participants in a timely manner.

Quality Education Expense Credit & Student Scholarship Program
Follow-Up Review Completed June 2023

Finding 1: During the last three years, donors have earned $187 million in tax credits, with individuals making up approximately 99% of all donors and approximately 76% of all donations.

No recommendations

Finding 2: DOR does not have adequate controls to ensure that taxpayers' tax liability is sufficient for the credit amount earned, claimed, and carried forward.

DOR should develop processes to identify approved tax credit amounts that exceed the taxpayers' tax liability and adjust those amounts.	Fully Implemented
DOR should require that taxpayers identify the pass-through entities from which they are claiming income.	Fully Implemented

Finding 3: Georgia's administrative fee percentages generally align with those in other states with similar scholarship programs.

No recommendations

Finding 4: Due to insufficient data, it is not possible to fully evaluate whether administrative fees retained by SSOs are reasonable compared to their expenses.

To ensure a reliable ratio of administrative revenues to administrative expenses can be calculated, the General Assembly should define these terms in statute and require they be reported.	Not Implemented
To ensure reported data is independently verified, the General Assembly should require it be attested to as part of the required compliance audits.	Fully Implemented
If the General Assembly wants to increase transparency of financial and compliance reporting to the general public, it could statutorily permit or require the publication of SSOs' compliance audit results.	Fully Implemented

Finding 5: Additional statutory oversight and reporting requirements can improve the fund and scholarship management information available to decision makers.

The General Assembly should consider changing state law to more definitively identify the requirements SSOs must have verified and reported in compliance audits.	Fully Implemented
The General Assembly may want to require SSOs to submit to DOR supporting data that would allow the state to verify the accuracy of summary reports.	Not Implemented
The General Assembly should consider modifying state law if it wants to permit state agencies access to SSO data in order to execute a more complete evaluation of fund management and scholarship distribution practices and compliance.	Not Implemented

Finding 6: DOR should review compliance audits to ensure they contain evidence that CPAs verified all O.C.G.A. § 20-2A-2 financial and nonfinancial requirements.

The General Assembly should consider changing state law to more definitively identify the requirements SSOs must have verified and reported in compliance audits.	Partially Implemented
DOR should send noncompliance and final notification letters to SSOs in a more timely manner in accordance with O.C.G.A. §§ 20- 2A-2 and 20-2A-7.	Not Implemented

DOR and GaDOE should work together to better ensure that SSOs are removed from the active SSO provider list as soon as DOR issues a final notification letter.	Fully Implemented
GaDOE should ensure that SSOs published as active providers are not prohibited from operating in the state according to Secretary of State records.	Fully Implemented
Finding 7: Other states have established practices that enhance financial, compliance, and program reporting and expand the accountability and transparency of their scholarship programs.	
If the General Assembly would like to adopt the financial accounts oversight and reporting practices in other states, the law should be changed to explicitly require financial audits.	Fully Implemented
If the General Assembly wants to increase transparency of financial and compliance reporting to the general public, state law should be changed to reclassify compliance audits and establish mechanisms to make them publicly available.	Fully Implemented
If the General Assembly would like additional financial, governance, and staffing information about SSOs, state law should be changed to require SSOs to submit Form 990s to DOR.	Fully Implemented
If the General Assembly wants to have detailed information about schools that enroll students participating in the scholarship program, state law should be changed to require the reporting of this information to the state.	Not Implemented
If the General Assembly intends for interest earned on donations to be dedicated to scholarships, the law should be changed to require it.	Fully Implemented
If the General Assembly intends for funds to be distributed/transferred to students by the end of the year following the year in which donations were received (instead of only obligating and designating funds), state law should be clarified.	Not Implemented
If the General Assembly intends for SSOs to be solely/ultimately responsible for determining student eligibility, state law should be clarified.	Fully Implemented
The General Assembly should consider requiring SSOs to conduct background checks on employees.	Not Implemented
Finding 8: We identified several additional matters relevant to the tax credit and student scholarship program that the General Assembly and state agencies should consider.	
In the original audit we noted matters for further consideration and identified several steps that could be taken by the General Assembly and/or agencies to improve management, oversight, and transparency.	Not Implemented

Performance Audit Division
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Rural Hospital Tax Credit

Credit Administration Consistent with Statutory Requirements

BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20 and 31-8-9.1.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

KEY RECOMMENDATIONS

To improve hospital reporting:

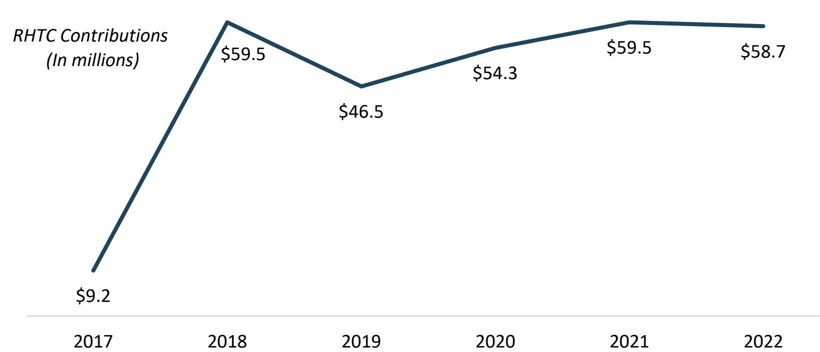
- DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website.
- Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees.
- DCH should review the Donation and Expenditure Reports for accuracy and require corrected/additional information from the hospitals when necessary.

KEY FINDINGS

Taxpayer credits nearly reached the annual program cap of $60 million in tax years 2021 and 2022. In 2022, hospitals reported spending nearly $49 million and having another $40 million in donations still available for future years. Finally, hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

Contributions to rural hospitals were approximately $58.7 million in tax year 2022.

- Contributions decreased slightly from the tax year 2021 contribution amount of $59.5 million but have remained well above the 2019 amount of $46.5 million.



- In tax year 2022, 22 of 55 eligible rural hospitals received more than $1 million and 22 received less than $500,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH financial need list.

Hospitals spent $49 million in RHTC funds and had $40 million in unspent funds in tax year 2021.

- Hospitals reported that the majority of the RHTC funds were spent on capital assets or regular operating expenses in tax year 2021.
- Twenty-six of the 55 eligible hospitals reported having unspent funds. Amounts ranged from $6,201 to $7 million.

RHTC hospitals that received RHTC contributions were eligible and in compliance with state law, but improvements in reporting are needed.

- DCH reviewed and updated the list of eligible hospitals in tax year 2022; 55 hospitals were eligible in tax year 2022, down from 56 in tax year 2021.
- While all hospitals submitted the required reports, we identified inconsistencies in contribution expenditure reports submitted from tax years 2018 to 2021. These inconsistencies were identified in contribution amounts received, third party fees paid, expenditures exceeding available funds, and prior year unspent funds.
- No hospital exceeded the $4 million contribution limit, and all paid Georgia HEART no more than 3% of contributions.

Full report available at: https://www.audits2.ga.gov/reports/summaries/22-09-rhtc/

Rural Hospital Tax Credit (2023)

Final Status Pending – Follow-Up Review will be completed in 2024

Finding 1: Eligible hospitals received approximately $58.7 million in RHTC contributions in tax year 2022, with amounts to individual hospitals varying significantly.

No recommendations

Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2022.

No recommendations

Finding 3: While rural hospitals that received RHTC contributions were eligible and in compliance with state law, improvements in reporting are needed.

DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website. For example, the form should indicate that the Prior Year Unspent Funds should equal the Unspent Funds from the previous hospital report and that expenditures should not exceed available RHTC funds.	Status Pending
Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees.	Status Pending
DCH should review the Donation and Expenditure Report for obvious errors and require corrected/additional information from the hospitals when necessary.	Status Pending

Finding 4: Rural hospitals reported spending $48.7 million of RHTC funds in 2021, with approximately $40 million in funds remaining unspent.

No recommendations

Finding 5: Rural hospital tax credits were primarily claimed by individual taxpayers in tax year 2020.

No recommendations

Finding 6: Administrative fees retained by Georgia HEART in tax year 2021 were within statutory limits.

No recommendations

Finding 7: Undesignated donations are distributed to rural hospitals in accordance with state law.

No recommendations

Performance Audit Division

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Motor Fuel Funds

Slowed growth in motor fuel funds did not impact current transportation projects

BACKGROUND

This special examination of Motor Fuel Funds was conducted at the request of the House Appropriations Committee.

Motor Fuel Taxes

The state imposes an excise tax on motor fuel in the state. The excise tax applies to gasoline, fuel oils (diesel), liquid petroleum gas, aviation, and special fuel. The current rate is $0.287 per gallon for gasoline and $0.322 per gallon for diesel.

Tax Administration

The Department of Revenue (DOR) is responsible for performing the functions necessary to administer motor fuel taxes, including licensing and collecting payments for motor fuel taxes. An average of $1.8 billion has been collected from motor fuel taxes annually since fiscal year 2016.

Use of Motor Fuel Funds

Motor fuel funds are primarily appropriated to the Georgia Department of Transportation (GDOT) and must be spent on the construction and maintenance of state roads and bridges. In fiscal year 2020, about $1.9 billion from motor fuel funds were appropriated to GDOT. Motor fuel funds accounted for half of GDOT's total appropriations for fiscal year 2020 and 96% of all state funds. While each GDOT program except Intermodal receives motor fuel funds, Routine Maintenance,

Capital Construction, and Local Maintenance and Improvement Grants received 76% of the amount appropriated to GDOT.

KEY RECOMMENDATIONS

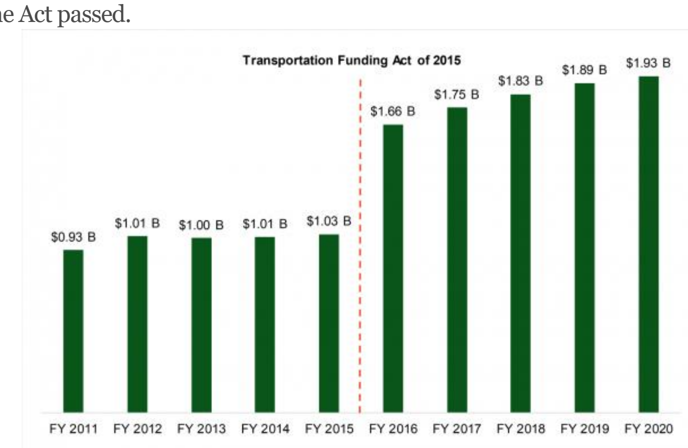
This report is intended to answer questions posed by the House Appropriations Committee. It does not include findings with recommendations.

KEY FINDINGS

While motor fuel revenue and its related appropriations have increased annually over the past five fiscal years, the growth rate has slowed. The slowed growth in motor fuel revenue has not impacted current state transportation projects.

Motor fuel tax revenue growth resulting from the Georgia Transportation Funding Act of 2015 has slowed in recent years.

- In the five years prior to the Georgia Transportation Funding Act of 2015, annual motor fuel tax revenue averaged approximately $1.0 billion, compared to $1.8 billion since the Act passed.



- Motor fuel tax revenue increased annually from almost $1.7 billion in fiscal year 2016 to almost $2.0 billion in fiscal year 2020. About 96% of fiscal year 2020 motor fuel tax revenue was derived from the state excise, while interest accounted for about 4% of total revenue.
- Ideally key findings are included in the report WWF and the creation of this section simply requires pulling the existing key finding statements and converting the primary points in the WWF paragraphs into bullets.

Gasoline and diesel consumption are key drivers of motor fuel tax revenue, which is also affected by the annual tax rate adjustment.

- Factors affecting gasoline and diesel fuel consumption, which comprise nearly all monthly taxable gallons sold, explain changes in motor fuel tax revenue.
- Strong relationships were found between fuel consumption and key factors, including the labor force, transit usage and vehicle miles traveled.
- Between fiscal years 2017 and 2020, adjustments to the state excise tax rate resulted in approximately $228.3 million more revenue than if the state excise tax rate were not adjusted.

Slower growth in motor fuel tax revenue has not significantly impacted current state transportation projects.

- The Georgia Transportation Funding Act of 2015 generated approximately $4 billion in additional revenue, which allowed GDOT to increase the number of funded transportation projects.

In order to maintain budgetary compliance, GDOT's committed funds must be reported in the year in which they are spent. As a result, between 6% and 24% of GDOT's annual appropriations has been reserved.

Full report available at: https://www.audits2.ga.gov/reports/summaries/motor-fuel-funds

Summary of Special Report | Report No. 21-18 December 2021

Performance Audit Division

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Georgia Agribusiness and Rural Jobs Act

Economic Analysis

Key Findings

GARJA Activity Data

- Between tax years 2018 and 2020, 33 businesses received $101 million in business capital through GARJA. These businesses received an average of $3.1 million in GARJA investments, ranging from $250,000 to $6.5 million and were located in 23 (19%) of Georgia's 118 rural counties.

Economic Impact – Fiscal Research Center (FRC) analysis

- FRC estimated the new economic output attributable to GARJA ranged from $42.6 million to $60.4 million annually, creating between 290 and 415 jobs with average salaries of $47,000 (totaling $13.6 million to $19.5 million in labor income).
- GARJA tax credits reduce state revenue available to be spent in other ways. If the state had received the forgone revenue, FRC estimated the creation of 263 jobs, $12.7 million in labor income, and $29.6 million in new economic output.

Fiscal Impact – Net cost to the state

- During tax years 2018-2023, GARJA's total net cost to the state is estimated to be between $54.7 million and $56.3 million. The primary driver of this cost is the estimated $60 million in forgone tax revenue, which is the amount of revenue the state no longer collects from taxpayers who earn a GARJA tax credit. Over the multi-year period, new state ($2.3 million) and local ($1.5 million) tax revenue generated from the economic activity attributable to GARJA partially offsets the forgone tax revenue.
- FRC estimated that state tax revenue generated from GARJA is between $580,000 and $830,000 annually, suggesting it would take at least 72 years for the state to see a positive payback on its $60 million investment in terms of additional revenue.

Public Benefit

- The Rural Funds that invest in businesses as a result of the credit reported benefits such as creation of new business, larger projects, business relocation to Georgia, job diversity, and emergency relief in response to events like hurricanes and poor crop seasons.

Background

The Georgia Agribusiness and Rural Jobs Act (GARJA) was statutorily established during the 2017 legislative session to provide access to capital for Georgia businesses located in rural areas, and tax credits to certain entities that make eligible capital investments.

The GARJA statute (O.C.G.A. § 33-1-25) establishes requirements for rural or small business investment companies (Rural Funds) that make investments, rural investors that provide Rural Funds with capital, and businesses that receive investments. The statute tasks the Department of Community Affairs with various administrative and oversight responsibilities, including approval of up to $100 million in qualified investments.

Why we did this review

The economic analysis of the GARJA was conducted in accordance with O.C.G.A. § 28-5-41.1. This report includes estimates of fiscal and economic impacts, as well as public benefits resulting from the GARJA. In addition, the report discusses compliance with investment and reporting requirements, the use of other economic incentives, and similar programs in other states.

The analysis was conducted in partnership with Georgia State University's Fiscal Research Center.

Full report available at: https://www.audits2.ga.gov/reports/summaries/georgia-agribusiness-rural-jobs-act

Performance Audit Division

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Rural Hospital Tax Credit

Requested Information on Contributions and Compliance

BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

KEY RECOMMENDATIONS

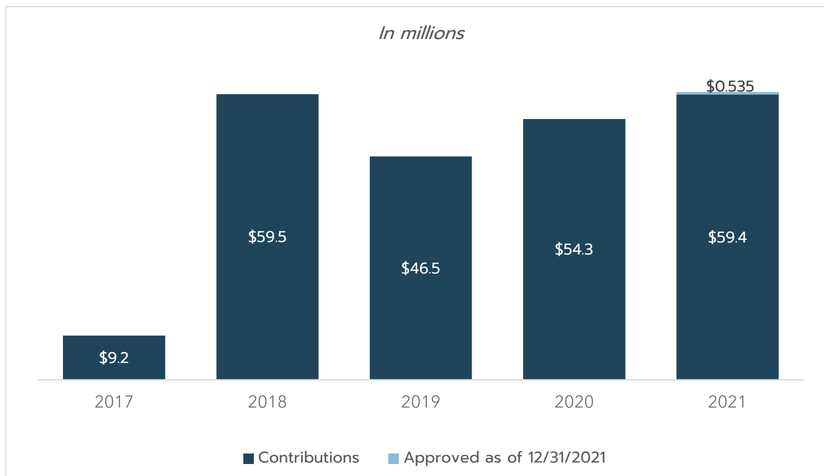
This report does not contain recommendations.

KEY FINDINGS

Hospitals, taxpayers, and third parties were compliant with statutory provisions.

Approved contributions to rural hospitals totaled $59.4 million in calendar year 2021.[1]

- Contributions have continued to increase from the low of $46.5 million in tax year 2019 and almost met the highest amount of $59.5 million in tax year 2018.



- In tax year 2020, 17 of the 56 eligible hospitals received more than $1 million in contributions, and 18 received less than $500,000. The average annual amount received by a hospital was $970,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH ranking. In addition, in 2021 Georgia HEART implemented our 2020 recommendation to report undesignated contributions to DOR.

All RHTC hospitals met eligibility requirements and received annual contributions within the statutory limit of $4 million.

- DCH reviewed and updated the list of eligible hospitals in 2021; 56 hospitals were eligible in 2020 and 2021.
- All hospitals submitted the required program reports to DCH.

DOR has strengthened controls related to corporate credits.

- Based on a recommendation made in the 2020 RHTC audit report, DOR implemented a new process to ensure that corporate tax credits were within legal limits.
- DOR adjusted the tax credits for the accounts identified in the 2020 audit, approximately $96,000.

[1] *Tax year 2020 data was used to report credits earned and claimed, while calendar year 2021 data reported by DOR was used to report the most recent contributions approved by DOR.*

DOAA
Georgia Department of Audits & Accounts

June 2022

Tax Incentive Evaluation: Low-Income Housing Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Low-Income Housing Tax Credit (LIHTC) was enacted in 2000 and effective for qualifying projects placed in service after January 1, 2001. The program is governed under O.C.G.A. § 48-7-29.6 for purposes of state income taxes and O.C.G.A. § 33-1-18 for insurers to claim against their state insurance premium tax liabilities. The Georgia LIHTC is a 100% match of the federal LIHTC for qualified projects located in the state. The amount of credits a taxpayer may use in any year is limited by the taxpayer's income tax or insurance premium tax liability for that year. Unutilized credits may be carried forward for up to three years.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data from the Department of Community Affairs (DCA), FRC determined that a representative year of LIHTC projects would result in 29,619 jobs during the construction phrase and another 250 jobs during facility operations.

However, not all jobs that receive the LIHTC are created due to the presence of the credit. FRC compared historic LIHTC activity in Georgia communities to the activity that occurred in statistically similar communities in states without a state LIHTC. As a result, FRC estimated that 21% of the LIHTC units in Georgia were attributable to the state credit. During the construction phase, the number of jobs attributable to the state LIHTC was 6,220 (29,619 * 21%).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of approximately 2,000 jobs and economic output of $187.9 million.

Construction/Ongoing Activity

6,220/ 53 Jobs

$495M/ $14.2M Value Added

$363M/ $1.5M Labor Income

$767M/ $17.1M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $749 million.

The economic activity attributable to the state LIHTC resulted in $31.9 million in new state ($23.2) and local ($8.6) tax revenue for one year. Ongoing increased property tax revenue for local governments was estimated at $4.9 million.

Finally, FRC estimated that the alternate use of the revenue would have generated $4.0 million in state revenue and $1.6 million in local revenue.

$749M Tax Expenditure

$31.9M Revenue Generated

Note: Amounts are for a representative year

COST

Credit administration is the responsibility of three agencies: DCA, the Department of Revenue, and the Office of Insurance and Fire Safety. DCA was unable to isolate costs for the state LIHTC program but indicated that program fees cover all cost of operations (i.e., state funds are not used). The remaining two agencies reported administrative costs of approximately $88,000.

PUBLIC BENEFIT

FRC noted that existing research has pointed to personal and public benefits from safe and secure long-term housing. These benefits are in the areas of health, public safety, and educational outcomes.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Grocery Sales Tax Exemption

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's enactment of House Bill 265 in the 1996 legislative session phased in a state sales tax exemption on food purchased for off-premises consumption. The applicable tax rate was lowered to 2% effective October 1, 1996, to 1% a year later, and to 0% beginning October 1, 1998. Local sales taxes are not impacted. The provision—O.C.G.A. § 48-8-3(57)—is commonly referred to as the grocery sales tax exemption.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Sales tax exemption is targeted to consumers, not companies. Therefore, the economic impact is a result of the additional money consumers can spend on goods and services.

While the grocery tax exemption was not created for the purpose of economic development, the increased spending by consumers benefiting from the exemption does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though the figures do not account for opportunity costs.

O.C.G.A. § 28-5-41.1 requires an analysis of net economic activity, which includes opportunity cost of the forgone revenue. If the exempted tax revenue of $691.4 had been collected and expended by the state, FRC estimated the creation of 18,577 jobs and economic output of $1.45 billion.

5,119 Jobs

$472M Value Added

$246M Labor Income

$807M Economic Output

REVENUE

The exemption is estimated to grow from $691.4 million in FY 2021 to $838.4 million in FY 2023. In 2023, the resulting economic activity is estimated to bring in $28.9 million in state revenue and $27.9 million in local revenue.

FRC estimated that the alternate use of the revenue in FY 2023 would have generated $54.0 million in state revenue and $20.3 million in local revenue.

COST

The Department of Revenue reported **negligible cost** associated with the exemption.

PUBLIC BENEFIT

The exemption **lowers the price of food**, making the cost for Georgians to feed themselves more affordable.

The exemption on groceries makes Georgia's sales tax less regressive. Lower income households spend a greater portion of their income on food than higher income households. For example, the 4% tax savings represent 1.66% of the income of those making less than $15,000. By contrast, it represents just 0.19% of the income of households with incomes between $100,000 and $150,000.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Prescription Drug Sales Tax Exemption

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

In 1984, Georgia enacted a state and local sales tax exemption for prescription drugs, glasses and contacts, as well as any insulin obtained without a prescription. The exempted state sales tax rate is 4%, while the average local sales tax rate is 3.37%, according to the Tax Foundation. The provision—O.C.G.A. § 48-8-3(47)—is commonly referred to as the prescription drug sales tax exemption.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Sales tax exemption is targeted to consumers, not companies. Therefore, the economic impact is a result of the additional money consumers can spend on goods and services.

While the prescription drug sales tax exemption was not created for the purpose of economic development, the increased spending by consumers benefiting from the exemption does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though the figures do not include a consideration of opportunity costs.

O.C.G.A. § 28-5-41.1 requires an analysis of net economic activity, which includes the opportunity cost of the forgone revenue. If the exempted tax revenue had been collected and expended by the state and local governments, FRC estimated the creation of 16,812 jobs and economic output of $1.72 billion.

6,266 Jobs

$577M Value Added

$301M Labor Income

$987M Economic Output

REVENUE

The exemption is estimated to grow from approximately $852 million in FY 2021 (combined state and local government revenue expenditure) to FY 2021 to $938.2 million in FY 2023. In 2023, the resulting economic activity is estimated to bring in $33.0 million in state revenue and $13.4 million in local revenue.

FRC estimated that the alternate use of the revenue in FY 2023 would generate $53.2 million in state revenue and $12.2 million in local revenue.

COST

The Department of Revenue reported **negligible cost** associated with the exemption.

PUBLIC BENEFIT

The exemption **lowers the price of prescriptions**, making the cost of needed healthcare more affordable for Georgians.

The exemption on prescriptions and other health-related items makes Georgia's sales tax less regressive. Lower income households spend a greater portion of their income on prescriptions than higher income households. For example, the 4% tax savings represent 0.34% of the income of those making less than $15,000. By contrast, it represents just 0.05% of the income of households with incomes between $100,000 and $150,000.

DOAA
Georgia Department of Audits & Accounts

December 2022
Revised January 2024

Tax Incentive Evaluation: Historic Rehabilitation Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Historic Rehabilitation Tax Credit (HRTC) program was enacted in 2002 to enhance the existing federal tax credit, which incentivizes the rehabilitation of historically important properties. HRTC allows owners of eligible properties to claim a state income tax credit equal to 25% of qualified expenditures (30% in target areas). O.C.G.A. § 48-7-29.8 currently has a $5 million annual cap for historic homes and $30 million annual cap for other historic structures. The credit will be phased out in 2024 for homes and in 2027 for other structures.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data, FRC calculated that a representative year of HRTC projects would result in 2,011 jobs during the construction phase, as well as 500 ongoing jobs at commercial properties.

However, not all jobs that receive the HRTC are created solely due to the presence of the credit. FRC compared historic rehabilitation investment in Georgia communities to investment in similar communities in states without a state credit. As a result, FRC estimated that 36% of jobs were created as a direct result of the HRTC (2,011 construction jobs * 36% = 724).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 867 jobs and economic output of $67.8 million.

Construction/Ongoing Activity

724/180 Jobs

$73M/$15M Value Added

$41M/$7M Labor Income

$144M/$26M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $32.3 million.

Economic activity attributable to the HRTC results in $3.7 million in new state tax revenue, with the construction accounting for $3.4 million and ongoing operations resulting in $0.3 million (annually). Local governments would have an additional $0.3 million.

Finally, FRC estimated that the alternate use of the forgone revenue would have generated $2.2 million in state revenue and $800,000 in local revenue.

$32M Tax Expenditure

$4.1M Revenue Generated

Note: Amounts are for a representative year

COST

The HRTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

Estimated costs for DCA in FY 2023 are $329,000, though collected fees will cover all but $45,000 of that amount. DOR was unable to provide costs associated with the program.

PUBLIC BENEFIT

Research shows that programs like HRTC provide benefits associated with the amenity and tourism of the area. They can also encourage the preservation of structures offering affordable housing and contribute to neighborhood revitalization without gentrification.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Job Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Georgia's Job Tax Credit (JTC) program was instituted in 1990 to increase employment in the state's most distressed counties. In its current form, all 159 counties are placed into one of four tiers based on their economic conditions. Tax credits are provided for jobs in certain industries, with the amounts ranging from $750 to $3,500 per job per year for up to five years. The amounts are primarily based on the county tier, though some counties have specially designated areas that provide a greater credit amount.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

In 2019, 22,668 newly created jobs received the JTC. FRC estimated that those 22,668 newly credited jobs led to a total of 50,954 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the JTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are even more important to job creation. FRC estimated that 11.4% of jobs were created as a direct result of the JTC (50,954 jobs * 11.4% = 5,809).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 1,771 jobs and economic output of $138.5 million.

5,809 Jobs

$604M Value Added

$347M Labor Income

$1,319M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

In 2019, companies earned $65.6 million in tax credits for jobs created that year. Because jobs created in earlier years were within the five-year window to claim credits, total tax expenditures in 2019 were over $120 million.

FRC estimated that economic activity attributable to the JTC resulted in $48.2 million in new state ($26.9) and local ($21.3) tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $3.8 million in state revenue and $1.6 million in local revenue.

$66M Tax Expenditure

$48M Revenue Generated

Note: Amounts are for jobs newly created in 2019

COST

The JTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

DCA reported annual costs of approximately $195,000, primarily for salaries and benefits. DOR costs were estimated at $131,000, also for personnel.

PUBLIC BENEFIT

JTC is an economic development incentive with a broad purpose of expanding employment.

DOAA Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Interactive Entertainment Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

The Qualified Interactive Entertainment Production Company (QIEPC) tax credit (O.C.G.A. § 48-7-40.26) is available to businesses primarily engaged in qualified activities that also have a physical location in Georgia, minimum in-state payroll of $250,000, and gross income below $100 million. The base tax credit is 20% of project expenditures, with an additional 10% available if companies add a Georgia logo to their game. The credit's aggregate cap is $12.5 million annually, while a single company is limited to $1.5 million in a year.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated that the qualifying investment by companies receiving the QIEPC tax credit led to 387 jobs in 2021. Amounts on the right are for 2021.

Not all jobs that receive the tax credit are created solely due to the presence of the credit, though CBAER was unable to provide a precise estimate of those that would exist in its absence. CBAER noted that while the Georgia industry was much larger than companies receiving the credit, the credit was a factor in retaining smaller companies because it provided an important source of funds to offset expenses.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 110 jobs and total 2017-21 economic output of $112.9 million.

387 Jobs

$70.4M Value Added

$34.9M Labor Income

$89.8M Economic Output

*Attributes all qualifying investment to the credit, which may overstate the credit's impact.

REVENUE

The tax expenditure was estimated to total $26 million for the 2017 to 2021 period and to grow to $62.5 million for 2022 to 2026. In the first period, activity resulted in $7.4 million in state tax and $5.6 million in local tax revenue. The $13.0 million total is expected to grow to $14.9 in the next five-year period.

CBAER estimated that the alternate use of the revenue would generate $3.5 million in state revenue and $3.4 million in local revenue over five years.

$26.0M 5-Year Tax Expenditure

$13.0M 5-Year Revenue Generated

* Tax expenditure includes claims made only on credits earned 2017-21

COST

The Departments of Economic Development and Revenue have **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited non-monetary benefits such as contributing to the development of new forms of entertainment, strengthening the development of the entertainment production industry, and strengthening the human capital needed for the software development industry.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Research and Development Tax Credit

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia's Research and Development Tax Credit (RDTC), signed into law in 1997, provides an income tax credit equal to 10% of a business enterprise's year-over-year increase in qualified research expenses. O.C.G.A. § 48-7-40.12 defines the increase as the additional qualified expenses over a base amount. The credit can be applied to 50% of the company's tax liability, carried forward up to 10 years, and applied to employee withholding.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that research spending by companies claiming the RDTC resulted in just over 26,000 total jobs in 2018. That number includes jobs in those companies, their suppliers, and in businesses where employees spend their incomes.

However, not all jobs that receive the RDTC are created solely due to the presence of the credit. The Institute's review of existing research found that 95% of the additional research investment would have occurred even if the credit did not exist. As a result, it estimated that 5% of the above jobs were created as a result of the RDTC (26,048 jobs * 5% = 1,302).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

1,302 Jobs

$131M Value Added

$85M Labor Income

$248M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

The Institute determined that forgone state revenue totaled $234 million in 2018. Forgone revenue is projected at $305 million in 2025.

Economic activity attributable to the RDTC resulted in $3.9 million in new state tax revenue in 2018, which is projected to grow to $4.6 million in 2025.

$234M Tax Expenditure

$3.9M Revenue Generated

COST

The Department Revenue reported **negligible costs** associated with administration of the credit.

PUBLIC BENEFIT

Companies engage in research to maintain or grow their market share. The credit lowers the cost of research, some of which may have spillover benefits for society at large. The credit may also elevate the profile of the state's business environment, leading to clustering of businesses, suppliers, and customers (something not captured in a static economic model). Additionally, one user of the credit cited firm investment in the state's educational systems, which benefit students who may never be employed by the company.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Computer Equipment Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Since 2001, Georgia has provided a state and local sales tax exemption for the purchases of computer equipment over $15 million. O.C.G.A. § 48-8-3(68) is available to companies that make a purchase or a series of purchases that total $15 million or more in a single year. Beginning in 2024, the first $15 million in qualifying computer equipment purchases will be taxed at 10% of the state sales tax rate (i.e., 4% state rate x 10% = 0.4%).

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that 21-24 companies have claimed the exemption in recent tax years. Qualifying purchases grew from $1.1 billion in 2018 to nearly $1.7 billion in 2021. It should be noted that many of these dollars do not stay within the Georgia economy because most computers are manufactured elsewhere. Nevertheless, computer purchases by these companies were associated with 7,200 jobs in 2021.

However, not all purchases occurred only due to the presence of the exemption. The Institute estimated that most purchases would have occurred even without an exemption. Specifically, it attributed 7.35% of the economic activity to the exemption (7,238 jobs x 7.35% = 532 jobs).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

532
Jobs

$54M
Value Added

$38M
Labor Income

$89M
Economic Output

Note: 2021 economic activity attributable to the tax exemption

REVENUE

The Institute determined that forgone state revenue grew from $44 million in 2018 to $66 million in 2021.

Economic activity attributable to the exemption resulted in $1.6 million in new state tax revenue in 2018. The revenue was estimated at $2.5 million in 2025. The offsetting revenue represents approximately 4% of the forgone state revenue.

The Institute did not calculate the forgone revenue to local governments. Assuming an average local sales tax rate of 3.35%, the forgone revenue would equal $55 million. The actual figure may vary based on the rates in the actual jurisdictions with qualifying taxpayers.

$66M
State Tax Expenditure

$2.5M
Revenue Generated

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

The exemption is an economic development incentive. The Institute noted that it is one of many factors that create a positive business climate.

DOAA Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Manufacturing Sales Tax Exemption

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

O.C.G.A. § 48-8-3.2 exempts manufacturers from paying state and local sales taxes on goods and services necessary to the manufacturing process—consumable supplies, energy, equipment, industrial materials, and machinery. The same code section includes companies engaged in mining, quarrying, oil and gas extraction, electric power generation, and newspaper publishing. Of the industries exempted by the code section, manufacturing represents more than 90% of establishments, jobs, and state gross domestic product.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated the economic activity associated with the manufacturing industry. It found that companies receiving the exemption supported an average of 424,333 total jobs over the FY 2018 to FY 2022 period.

Not all economic activity associated with these companies is due to the sales tax exemption. While CBAER noted that the exemption is important in the manufacturing industry, it estimated that only 25% of companies would have made a different manufacturing decision in its absence. As a result, activity attributable to the exemption is reduced (424,333 jobs*25% = 106,083).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 34,800 jobs and average economic output of $10.1 billion.

106,083 Jobs

$12.8B Value Added

$7.3B Labor Income

$30.6B Economic Output

Note: Economic activity attributable to the tax exemption

REVENUE

State tax expenditures exceeded $3.0 billion in each of the last five years, reaching $3.9 billion in 2022. Local governments had forgone revenue of another $2.9 billion.

Activity attributable to the exemption resulted in additional state and local revenue. The state collected an average of $1.7 billion each year, while local governments collected $1.8 billion.

CBAER estimated that the alternate use of the state tax expenditure would generate $158 million in state taxes.

$3.4B Average Tax Expenditure

$1.7B Average Revenue Generated

Note: State averages for FY 2018 to FY 2022

COST

The Department of Revenue reported **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited economic benefits that are not quantified above, such as the creation of an environment conducive to manufacturing. It noted that manufacturing provides employment for 424,000 Georgia and represents 8% of employment. CBAER also noted that exempting manufacturing inputs represents good tax policy because it eliminates (hidden) taxes that would be built into the price paid by consumers.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: High-Tech Data Center Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 2018, Georgia adopted a state and local sales tax exemption to attract the construction and operation of high-tech data centers (HTDCs). O.C.G.A. § 48-8-3(68.1) exempts from sales tax certain building materials used for HTDCs and computer equipment used in their operation. To qualify for the exemption, projects must meet minimum investment and quality job requirements that vary based on the population of the county. In 2022, the requirements were lowered for projects in a county with a population below 50,000.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Department of Revenue reported that too few taxpayers have utilized the exemption to permit the public release of information. As a result, the Institute relied on previous studies and interviews of industry officials to estimate the cost of constructing and operating a large HTDC (hyperscale).

The Institute estimated the construction costs of one of these centers at $800 million. At that amount, approximately 4,200 construction jobs and 7,300 total jobs would be created during an approximate two-year construction phase. The Institute estimated 50 HTDC employees and an additional 217 jobs would be supported by the center's existence each year. The relatively high cost of inputs to HTDCs and the high salaries of their employees leads to the large number of indirect and induced jobs.

The Institute estimated that 90% of HTDCs in Georgia would not be present without the exemption. As a result, the vast majority of the economic activity noted above can be attributed to the incentive.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 2,153 jobs.

REVENUE

As noted above, the Institute could not obtain the amount of forgone state tax revenue from the Department of Revenue. However, using the hypothetical scenario of an $800 million HTDC, forgone state revenue would total approximately $80 million.

Economic activity attributable to the exemption would result in approximately $19.4 million in additional state taxes during construction. HTDC operations would result in another $250,000 to $275,000 in state taxes each year.

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

HTDCs may have mixed impacts on the greater public. The facilities are high electricity and water users, which could strain local resources during droughts, heat waves, or cold snaps. However, the construction of HTDCs may lead to needed investment in this infrastructure. In addition, HTDCs prefer sites with renewable energy availability, encouraging diverse energy sources. Finally, HDTCs can lead to improvement in an area's broadband infrastructure.

DOAA
Georgia Department of Audits & Accounts

February 2023

Tax Incentive Evaluation: Retirement Income Exclusion

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

In 1981, Georgia enacted an income tax exclusion for retirement income received by taxpayers aged 62 years and over. Currently, taxpayers aged 65 and over may exclude up to $65,000, while those 62 to 64 (as well as those permanently and totally disabled) may exclude up to $35,000. The exclusion applies to retirement income such as capital gains, interest, and pensions, as well as up to $4,000 of earned income. Limits apply to individual taxpayers, so a married couple filing jointly may exclude twice the given limit. The exclusion is intended to induce retirees to live in Georgia and provide a boost to economic growth.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Studies indicate such exclusions play a limited role in retirees' migration, and Georgia's net in-migration for those over 65 was only 3,000 in 2019. As a result, the economic impact calculated by FRC is limited to the additional money available to retirees that can be spent on goods and services.

While the exclusion may not result in significantly more retirees in Georgia, the increased spending by consumers benefiting from the exclusion does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though they do not account for opportunity costs.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 31,182 jobs and economic output of $2.44 billion.

8,966 Jobs

$830M Value Added

$429M Labor Income

$1,416M Economic Output

REVENUE

The exclusion is estimated to grow from $1.16 billion in FY 2021 to $1.37 billion in FY 2023. In 2023, the resulting economic activity is estimated to bring in $81.3 million in new state ($41.8) and local ($39.5) tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $90.6 million in state revenue and $33.3 million in local revenue in FY 2021.

$1,161M Tax Expenditure

$81.3M Revenue Generated

Note: Revenue generated is projected for 2023.

COST

The Department of Revenue reported **negligible cost** associated with administering this exclusion. To the extent that this exclusion is a part of an audited tax return, it can add additional cost to the audit process.

PUBLIC BENEFIT

The exclusion provides relief to lower-income retiree households and reduces the tax burden on residents who do not directly benefit from certain public services that account for a large portion of the state budget (e.g., education).

Performance Audit Division
Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Qualified Education Expense Tax Credit

Economic Analysis

Key Findings

The Qualified Education Expense Tax Credit's (QEEC) fiscal impact is driven by the relationship between the forgone tax revenue and the reduction in the number of public school students and their associated costs. The portion of scholarship recipients who would have attended a public school without a scholarship (i.e., the "switcher rate") is unknown; therefore, the precise fiscal impact cannot be determined. However, research indicates that switcher rates could be high enough to result in state cost savings. Cost savings do occur at the local level. In addition, the QEEC may create economic impacts and public benefits.

Net Fiscal Impact

- In 2021, QEEC tax credits generated approximately $81 million in estimated forgone tax revenue—this represents the amount that the state will no longer collect from taxpayers who claim a QEEC tax credit.
- For the state to break even on the QEEC tax credit for 2021 contributions, the switcher rate would need to be 67%. Under this scenario, the state would save approximately $81 million in public education costs, which would fully offset the $81 million in forgone revenue.
- If the switcher rate is 90%, as empirical studies of other states' programs have found, the QEEC would result in an expenditure reduction of approximately $109 million and a net cost savings of approximately $28 million.
- Local cost savings would total at least $24.8 million if the switcher rate is 67% (break-even level for the state). This increases to $33.4 million when calculating based on the 90% switcher rate found in research.
- Participant income is one factor in assessing the likelihood that students would be in a public school if not for the scholarship. Several studies noted above are of states with financial need requirements, while Georgia's SSOs are only required to *consider* financial need. In 2021, approximately 2/3 of scholarship recipients were below 250% of the federal poverty level (FPL) and 1 in 6 were above 400% FPL.

Economic Impact & Public Benefit

- Though research on academic and attainment outcomes is mixed, numerous empirical studies have found that school choice programs (such as private school tax scholarships and vouchers) have correlated with positive impacts on student test scores and college attainment.
- Because college enrollment and degree completion are correlated with higher lifetime wages, increased college attainment is expected to generate long-term economic impacts through increased tax revenue.
- Economic benefits are also closely aligned with the overall public benefit.

Background

The Qualified Education Expense Tax Credit (QEEC) allows Georgia's corporate and individual taxpayers to earn a dollar-for-dollar tax credit when they donate funds to organizations that award scholarships to students attending private schools. Statute created Student Scholarship Organizations to manage donations and award scholarships to eligible students. In addition, state law established oversight responsibilities for the Georgia Department of Revenue and the Georgia Department of Education.

Why we did this review

O.C.G.A. § 20-2A-2 charges the state auditor to issue an economic analysis report on the performance of this tax credit to the chairpersons of the House Committee on Ways and Means and the Senate Finance Committee.

This report provides an overview of the potential fiscal, economic, and public benefit impacts of the QEEC to the state.

DOAA Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Musical Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Musical Tax Credit (GMTC) was available from January 1, 2018 to December 31, 2022. It was designed to provide income tax credits for live musical or theatrical performances or recorded musical performances meeting various requirements, including minimum spending levels. The credits were 15% of qualified expenditures, with an additional 5% credit if expenditures occurred in tier 1 or 2 counties. No credits were awarded during the five-year period the credit was in effect.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

The Georgia Department of Economic Development received only six applications for pre-certification of the income tax credit during the five years the credit was available. None of the six were approved, resulting in no economic activity associated with the GMTC. To determine the *potential* economic activity associated with the credit, CBAER estimated the activity from the six applications had they been approved.

CBAER estimated that the applicants would have created 45 total jobs and labor income of $2.1 million. The impact on the state's economy was estimated at $4.4 million. These amounts assume that the activities found in the applications would occur only if the credit was approved (i.e., all activity attributable to the credit). Because the applicants are anonymous to the researchers, it is unknown if the events occurred after the denial of the credit applications.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of seven jobs and $666,000 added to the state's economy.

REVENUE

Because no tax credits were issued, no economic activity resulted from the tax policy. However, had the applications been approved, CBAER estimated that the GMTC would have resulted in $561,000 in forgone state revenue over the 2018-2022 period.

CBAER estimated that the economic activity that would have occurred from the six credited events would have generated approximately $104,000 in state revenue and $56,000 in local revenue.

Finally, FRC estimated that the alternate use of the tax expenditure would have been lower – at $22,700 in state revenue and $3,500 in local revenue.

COST

The GMTC was administered by the Georgia Department of Economic Development and the Department of Revenue. Administrative costs were not captured.

PUBLIC BENEFIT

CBAER reported three potential public benefits of a credit like the GMTC.

CBAER noted that increasing the quality of live music and theater production throughout the state could lead to additional tourism if those beyond the immediate area attended events. It further noted that credited events could improve the quality of life for residents. Finally, by encouraging recorded musical performances for entertainment production, GMTC would expand the skills of the Georgia workforce.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Georgia's Film Tax Credit

DOAA summary of report prepared by Georgia State University Fiscal Research Center

BACKGROUND

The Film Tax Credit (O.C.G.A. §48-7-40.26) was enacted in 2005 to promote investment in film, television, and digital media projects. Currently, the credit is available to production companies with a minimum of $500,000 in qualified spending in Georgia. Companies can apply for and receive a credit for 20% of eligible production expenditures with an additional 10% available to companies that offer Georgia marketing opportunities.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

FRC estimated that the film tax credit resulted in approximately 37,000 jobs in 2022 for film production, studio construction, and film tourism, as well as the jobs supported in the broader economy. FRC estimated the production companies directly employed 4,900, while another 14,600 jobs resulted from contract workers for those companies.

Most, but not all, film-related activity in the state is due to the credit. A recent film industry study suggests that 92.1% of the economic activity is attributable to the credit. As a result, initial economic activity results were reduced (37,301 jobs*92.1% = 34,354).

Because nonresidents' wages have no material economic impact on the state's economy, FRC's analysis excludes them from the economic activity calculations.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If the income taxes had been collected and expended by the state, FRC estimated the creation of 27,679 jobs and $1.48 billion in value added to the economy.

34,354 Jobs

$2.3B Value Added

$2.4B Labor Income

$4.5B Economic Output

Note: Estimates are for 2022 and include film production, tourism, and studio construction

REVENUE

Credits generated in FY 2024 are expected to cost the state $1.08 billion through their carryforward period. Claimed credits are estimated to increase from $762.8 million in FY 2024 to $1.28 billion in FY 2028.

For FY 2024, the resulting economic activity was estimated to bring in $224.7 million in state revenue and $65.7 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $80.0 million in state revenue and $36.5 million in local revenue in FY 2024.

$1.08B Tax Expenditure

$290.4M Revenue Generated

Note: 2024 state estimates

COST

The credit is overseen by the Department of Revenue and the Department of Economic Development. These costs were assumed to be insignificant in relation to the credit's size.

PUBLIC BENEFIT

The film tax credit is an economic incentive that encourages expenditure in film and television productions. It also supports the creation of jobs in creative fields.

DOAA Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Georgia Agricultural Sales Tax Exemption

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia's Agricultural Sales Tax Exemption (GATE) (O.C.G.A. § 48-8-3.3) provides for exemptions on selected agricultural inputs. Exempt items fall into broad categories of machinery, equipment, and repair parts; seeds and seedlings; livestock, feed, and veterinary supplies; fertilizers and pesticides; and fuel and electricity. The GATE program is considered one of the most expansive sales tax exemptions on agricultural inputs in the southeast. Nearly every state offers some form of agricultural sales and use tax exemption.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

To determine the economic activity attributable to GATE, the Institute estimated the difference between the gate value of crop, livestock, and timber production currently projected and the gate value expected if GATE did not exist. The value was estimated to be 7.65% lower, the amount of the combined state and local sales taxes.

As noted on the right, the Institute estimated that GATE results in nearly 2,500 jobs and a contribution of more than $95 million to the state economy.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 7,960 jobs and $395.4 million in value added to the economy.

2,463 Jobs

$95.5M Value Added

$57.7M Labor Income

$162.6M Economic Output

Note: Economic activity attributable to GATE

REVENUE

The state exemption is estimated to increase from $155.0 million in FY 2023 to $166.8 million in FY 2028. (Local foregone revenue is estimated at $141.2 million in FY 2023.) In 2022, the resulting economic activity was estimated to bring in $1.8 million in state revenue.

Finally, the Institute estimated that the alternate use of the revenue would have generated $9.0 million in state revenue in FY 2023.

$155.0M State Tax Expenditure

$1.8M State Revenue Generated

Note: 2023 estimates

COST

The Department of Agriculture reported administrative costs of about $500,000 annually. Cardholders pay $150 every three years, resulting in approximately $1.8 million annually to the state treasury.

PUBLIC BENEFIT

The Institute cited several public benefits including encouraging production, supporting employment (especially in rural Georgia), and supporting small farmers and producers of new or emerging crops.

Tax Incentive Evaluation: Quality Jobs Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Quality Jobs Tax Credit (QJTC) is part of a series of job income tax credits in effect since 1990. QJTC is designed to encourage the creation of well-paying jobs—particularly in rural areas—that meet or exceed 110% of the average wages in the county where the business is located. Most industries receiving the credit were manufacturing, professional, scientific, technical services, or wholesale trade industries. Credit eligibility is based on county tier and rurality status, and employers receive the credit for up to five years for a job.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

In 2021,25,435 newly created jobs received the QJTC. CBAER estimated that those credited jobs led to a total of 70,718 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the QJTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are more important to job creation. CBAER provided a range but noted that 11.4% of economic activity found in its research was a reasonable estimate (70,718 jobs * 11.4% = 8,062).

CBAER noted that while the credit may not have significantly impacted jobs at the state level, it did affect the local economic landscape in areas it was utilized.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 825 jobs and economic output of $115.7 million.

8,062 Jobs

$1.13B Value Added

$616.9M Labor Income

$2.11B Economic Output

Note: Economic activity attributed to the tax credit

REVENUE

In 2021, companies earned $117.4 million in QJTCs.

CBAER estimated that economic activity attributable to the credit resulted in $73.0 million in new tax revenue—state ($36.0) and local ($37.0).

CBAER estimated that the alternate use of the revenue would have generated $3.6 million in state revenue and $1.7 million in local revenue.

Finally, CBAER noted that if 11.4% of QJTC jobs exist due to the credit (the "but for" used in the economic activity section above), the cost of the five-year credit is recouped two years after the final credit year.

$117.4M Tax Expenditure

$73.0M Revenue Generated

Note: 2021 estimates

COST

The QJTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

No costs were included in the report.

PUBLIC BENEFIT

QJTC is an economic development incentive with a broad purpose of expanding employment, particularly in rural areas of the state.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Non-Profit Hospital Exemptions

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Non-profit hospitals (NPHs) are 501(c)(3) entities exempt from federal income tax. Federal nonprofit status requires these private hospitals to provide benefits to their community, including charity care and community health improvements. In Georgia, NPHs are exempt from three state and local taxes: income tax, sales and use tax, and property tax. The exemptions are intended to incentivize the hospitals to invest in the healthcare needs of low-income individuals. Every state allows at least one of these exemptions, and 29 other states allow all three.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

REVENUE

The state-level exemptions are projected to increase from $170.9 million in FY 2024 to $236.6 million in FY 2028, with the corporate income tax exemption representing nearly two-thirds of the impact. Similarly, local exemptions are projected to increase from $92.7 million to $115.5 million, with the local sales tax exemption representing approximately 70%.

The fiscal impact is affected by ownership changes. For example, several for-profit hospitals (FPHs) have recently been sold to NPH systems, removing them from state and local taxation.

$106.2M Income Tax Exemption

$64.7M State Sales Tax Exemption

$63.8M Local Sales Tax Exemption

$28.9M Property Tax Exemption

Note: 2024 estimates

ECONOMIC ACTIVITY

FRC did not model the economic benefits of NPH patients or the opportunity costs of the exemptions. It focused on the public benefits generated by NPHs. FRC pointed to the level and sufficiency of these benefits as the primary policy question and noted that prior research has focused on this topic instead of economic benefits.

COST

The Department of Revenue reported negligible cost associated with administering the income and sales tax exemptions. Property tax exemptions are primarily administered at the county level.

PUBLIC BENEFIT

A lower level of taxation should allow NPHs to provide a higher level of public benefits than FPHs. FRC estimated the total charity care attributable to NPHs' tax-exempt status to be $1.1 billion for fiscal year 2024, or 74% of their total charity care. Based on a review of Georgia hospitals in 2021, NPHs provide 7%-8% more charity care than FPHs.

Uncompensated care (charity care and bad debt) represented approximately 22% of NPH expenses, compared to 14% for FPHs. However, as noted on the right, the percentages were closer for general hospitals. Many FPHs were classified as other (psychiatric, specialty).

It should be noted that the analysis did not include the impact of federal tax policy on nonprofit hospitals.

$1.05B Charity Care by NPHs

26.32%* NPH Charity & Bad Debt

22.13%* FPH Charity & Bad Debt

* Of expenses for general hospitals

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Exemption on the Sale of Lottery Tickets

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 1992, the Lottery for Education Act established the Georgia lottery as a means of increasing state funding for education. In 2022, sales totaled $5.8 billion with $1.47 billion going to fund education. Of the 50 states, 45 currently operate a lottery. However, Alabama is one of the five that do not have a lottery, so Georgia benefits from Alabama residents buying tickets. In almost all states, and Georgia, lottery tickets are exempt from sales tax.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The primary purpose of the sales tax exemption does not appear to be an immediate increase in economic activity but instead to provide additional education funds. However, the Institute was able to estimate economic activity associated with lottery ticket sale, including the creation of more than 36,000 jobs.

Ticket sales (and jobs) would exist even without the exemption. If lottery tickets were taxed, the Institute estimated a decrease in sales equal to the tax rate of 7.64%. As a result, the exemption is responsible for that portion of economic activity (36,549 jobs*7.64% = 2,775).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 6,174 jobs and $306.7 million in value added to the economy.

2,775 Jobs

$199.1M Value Added

$153.1M Labor Income

$321.4M Economic Output

Note: Economic activity attributable to exemption

REVENUE

The exemption is estimated to increase from $229.8 million in FY 2024 to $263.1 million in FY 2028. In FY 2024, the increased ticket sales due to the exemption are estimated to result in $123.6 million in additional education funds and $7.6 million in tax revenue.

The Institute estimated that the alternate use of the exemption funds would have generated $243 million in additional tax revenue.

$229.8M State Tax Expenditure

$123.6M Additional Education Funds

$7.6M State Tax Revenue Generated

Note: 2024 estimates

COST

The Institute did not note administrative costs associated with the exemption.

PUBLIC BENEFIT

The Institute cited the additional funding for education as the associated public benefit. It also noted that research indicates that lower income consumers are significantly more likely to purchase lottery tickets and that the sales taxes have a greater effect on lower income consumers.

DOAA Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Special Tax Deduction for Life Insurance Companies

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia imposes a state premium tax of 2.25% but, unlike most states, also allows local governments to collect premium taxes. O.C.G.A. § 33-8-8.1 allows life insurance companies to deduct their 1% local tax amount from the premium taxes owed to the state. The purpose of the special deduction is not stated but is presumably to reduce the cost of doing business for these companies.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

To determine the economic activity attributable to the special tax deduction, the Institute estimated the difference between the current premiums and the premiums expected if the deduction did not exist and higher prices reduced demand for policies.

As noted on the right, the Institute estimated that the deduction results in almost 1,200 jobs and a contribution of nearly $160 million to the state economy.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 5,836 jobs and $289.9 million in value added to the economy.

As noted above, the purpose of this special deduction may not be to spur economic development but to keep the total premium tax comparable to rates charged by other states.

1,177 Jobs

$159.6M Value Added

$88.6M Labor Income

$286.8M Economic Output

Note: Economic activity attributable to the tax deduction

REVENUE

The deduction is estimated to increase from $217.2 million in FY 2023 to $263.5 million in FY 2028. The resulting economic activity was estimated to bring in $8.8 million in state revenue in FY 2023, with the amount growing to $10.7 million by FY 2028.

Finally, the Institute estimated that the alternate use of the revenue would have generated $12.7 million in state revenue in FY 2023.

$217.2M State Tax Expenditure

$8.8M State Revenue Generated

Note: 2023 estimates

COST

The Institute did not calculate administrative costs but noted that the deduction (compared to a lower rate) adds complexity to the taxation system. Complexity adds costs to both payers and Office of the Commissioner of Insurance.

PUBLIC BENEFIT

The Institute noted that lower premium taxes likely decrease the costs of life insurance policies and that higher costs are generally borne by new policy holders without "locked in" premiums.

DOAA Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Other State Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

The Other State Tax Credit (O.C.G.A. § 48-7-28) allows Georgia residents to claim a credit against their state income tax liability in proportion to the amount of their income earned and taxed in another state. Residents can claim the lesser of either a) the amount of tax paid to the other state(s) or b) the prorated share of the resident's income earned in the other state compared to the resident's Georgia taxable income. Similar provisions to prevent double taxation of income are common in most states. The credit has existed in its current form since 1987, though similar provisions have existed in Georgia law since 1933.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

The Other State Tax Credit was likely created to prevent Georgia residents from being subjected to double taxation on their income, not to spur economic development.

While not created for economic development purposes, the credit results in additional funds being available for consumer spending. This spending results in additional jobs and economic activity. The figures to the right are estimated for FY 2022 by FRC, though they do not account for opportunity costs.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, FRC estimated the creation of 9,024 jobs and $481.7 million in value added to the economy.

2,333 Jobs

$244.7M Value Added

$129.8M Labor Income

$415.3M Economic Output

REVENUE

The exclusion is estimated to increase from $353.2 million in FY 2022 to $437.2 million in FY 2028. In 2022, the resulting economic activity was estimated to bring in $13.9 million in state revenue and $14.3 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $20.9 million in state revenue and $9.5 million in local revenue in FY 2022.

$353.2M State Tax Expenditure

$28.2M Revenue Generated

Note: 2022 estimates

COST

The Department of Revenue reported negligible cost associated with administering this exclusion. Additional costs could be incurred when auditing this credit.

PUBLIC BENEFIT

FRC did not cite any specific public benefit of the credit. It noted the concept of fairness associated with preventing the double taxation for those that receive the credit.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Social Security Benefit Exclusion

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Since the federal government began taxing a portion of Social Security benefits in 1984, Georgia has provided an exclusion of those benefits from any state income taxes. Under federal law, monthly retirement, survivor, and disability payments are subject to taxation. Federal taxation (and therefore the state exemption) begins at benefits exceeding $25,000 for a single individual and $32,000 for those married filing jointly. Georgia is one of 32 states that fully exempts Social Security benefits from state income tax (another eight states have no state income tax).

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

FRC assumes that the state exclusion does not impact migration into or out of the state by beneficiaries, but the exclusion likely prevents a very small decrease in earnings by this group if taxes were levied (if taxes were assessed, beneficiaries would work slightly fewer hours).

Increased spending by consumers benefiting from the exclusion does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though they do not account for opportunity costs.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, FRC estimated the creation of 11,623 jobs and $620.5 million in value added to the economy.

3,185
Jobs

$335.0M
Value Added

$176.6M
Labor Income

$567.6M
Economic Output

REVENUE

The exclusion is estimated to decline from $454.9 million in FY 2021 to $407.8 million in FY 2028. In 2021, the resulting economic activity was estimated to bring in $18.6 million in state revenue and $16.8 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $26.9 million in state revenue and $12.3 million in local revenue in FY 2021.

$454.9M
State Tax Expenditure

$35.4M
Revenue Generated

Note: 2021 estimates

COST

The Department of Revenue reported negligible cost associated with administering this exclusion.

PUBLIC BENEFIT

The exclusion provides income tax relief to approximately 580,000 Social Security recipients who are full-time Georgia residents. The estimated average tax savings is $721, though the median is $465. Those who would be otherwise liable for income tax on benefits are not generally low-income.

Government Operations

Contains Recommendations

Human Resources Administration

State Purchasing – Competitive Bidding

Contains No Recommendations

Regulatory Requirements of Selected Health Professions

State Health Benefit Plan

Performance Audit Division
Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Human Resources Administration

Requested Information on Selected Human Resources Functions

BACKGROUND

The House Appropriations Committee asked that we review the Department of Administrative Services Human Resources Administration's (HRA) centralized and decentralized functions. Based on the request, we evaluated the efficacy and value of services related to hiring practices, market salary information, employment trends, and training. We also sought to determine whether there were duplicative functions within state agencies and whether any services offer savings through economies of scale.

Established in fiscal year 2013, HRA supports executive branch state employers across Georgia, while also serving state entities within the legislative and judicial branches. HRA's mission is to provide agencies the resources and tools they need to attract, develop, and retain a high-performing workforce.

HRA is responsible for administering the flexible benefits program, drafting and disseminating State Personnel Board rules and interpreting policy, establishing and maintaining state job classifications, tracking employment trends, providing a performance management tool, and administering Georgia's State Charitable Contributions Program.

KEY RECOMMENDATIONS

HRA should:

- Explore shared contracts and services for functions related to recruiting, market salary, and training that could result in improved coordination between state agencies and costs savings.
- Track detailed workforce metrics to prepare for the impact of generational challenges and the future of the state enterprise.

The General Assembly should consider:

- Requiring state agencies to post jobs on Team Georgia Careers or eliminating the statutory requirement for a central registry of employment vacancies.
- Clarifying HRA's responsibility for maintaining Independent Pay Plans.

KEY FINDINGS

HRA provides all required services, as well as additional services that are significantly more limited than what the state previously provided agencies through the State Personnel Administration (SPA). Georgia's decentralized approach to human resources creates flexibility for individual agencies. However, there are fewer opportunities to address human resources at the statewide level.

HRA provides all required services and limited additional services to address enterprise needs.

- To comply with its statutory requirements, HRA provides services in areas such as job posting, training, flexible benefits, and job classifications.
- HRA also provides limited services, upon agency request, to meet its statutory requirement to assist agencies in attracting and retaining a qualified workforce. Examples include supervisory training and assistance with recruitment and hiring practices. HRA's staff size limits availability of these services.

The current decentralized human resources model provides flexibility but limits HRA's ability to provide extensive consolidated services.

- Under the state's decentralized model, agencies can control hiring, establish their own recruiting programs, and determine how to best meet their identified training needs, which agencies generally consider to be beneficial. For example, while most state agencies post jobs to Team Georgia Careers, some post to additional websites to increase visibility among applicants.
- While it would be difficult for HRA to understand and meet every agency's unique human resources needs, the current decentralized approach limits its capacity to provide enterprise-wide services—such as management training—that would benefit all agencies.

Opportunities exist for shared contracts and training resources.

- HRA does not monitor human resources-related contracts procured by individual state agencies, which are often with the same or similar vendors for the same or similar services.
- Information on the type of training procured could help HRA identify opportunities to save costs with shared contracts and determine whether services would be more cost effective if offered in-house.

Opportunities exist to address workforce challenges at an enterprise level.

- Despite the state's decentralized model, some human resources activities would benefit from an enterprise-wide approach. Examples include:
  - Assessments of market salary (including salaries associated with independent pay plans) to ensure the state can sufficiently compete with other public and private sector employers and
  - Assistance with workforce and succession planning, particularly with addressing retention challenges among younger employees.

Full report available at: https://www.audits.ga.gov/PAO/21-17_DOAS_HRA.html

Human Resources Administration

Final Status Pending – Follow-Up Review will be completed in 2024

Finding 1: Most agencies use Team Georgia Careers to post jobs and track applicants, though some agencies have procured additional tools.	
HRA should work with state agencies to determine what hiring platform needs exist and whether it is more cost-effective to meet these needs through Team Georgia Careers or an external website. This may require a needs assessment process similar to what was used in 2013.	Partially Implemented
HRA should track where job applicants are coming from (e.g., Team Georgia or another job posting site). This information could be useful in determining what job platforms work best to attract applicants in general and for specific job types.	Partially Implemented
Finding 2: Market salary data is available to state agencies, but some procure this information separately.	
HRA should assess agencies' market salary data needs to determine whether modifications to the surveys it purchases annually are necessary to reduce the risk for duplication and/or reduce the need for agencies to procure salary survey data separately.	Partially Implemented
In addition to current methods, HRA should use other channels to communicate the availability and utility of market salary information to agency HR staff, such as through its quarterly newsletters, podcasts, community meetings, and its website.	Partially Implemented
If the General Assembly wishes to have complete information for every job in the state, which would include relevant market salary information for independent pay plans, it should consider clarifying HRA's responsibilities in this regard.	Partially Implemented
Finding 3: HRA provides employment trends through its annual workforce reports.	
HRA should work with state budget offices, legislative staff, and state agencies to ensure all desired information is captured in the Annual Workforce Report or available through another means.	Partially Implemented
Finding 4: HRA provides trainings and consulting support but could improve efficiency of state agency contracts for training and consulting.	
DOAS, through its State Purchasing Division and HRA, should periodically assess state agencies' contracts for management training and human resources consulting to determine common services and vendors and the utility of establishing statewide contracts for these services. a. As an alternative, DOAS should determine the feasibility of using its planned cloud-based Enterprise Resource Planning system to track state agencies' contracts for training and human resources consulting.	Partially Implemented
HRA should leverage information it has on state agencies' training needs and plans—which could be obtained through its audit assessments, surveys, or other means—to encourage agencies to coordinate with HRA and other state agencies when possible prior to contracting for training services.	Partially Implemented

Performance Audit Division

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State Purchasing – Competitive Bidding

Noncompliance was limited, but improvements in purchasing controls were identified

BACKGROUND

The Senate Appropriations Committee requested this special examination of state purchasing and competitive bidding. This special examination focuses specifically on state entities' compliance with competitive bidding thresholds and the controls intended to improve compliance.

The State Purchasing Act governs the purchasing activities of most state entities. Related purchases that exceed $24,999 are required to be competitively bid unless it qualifies for one of several exemptions from those requirements.

The Department of Administrative Services' (DOAS) oversees the state's procurement functions and performs various monitoring activities to ensure compliance with state law, rules, and regulations. The vast majority of purchases are made without direct DOAS involvement because state entities have been granted their own purchasing authority.

KEY RECOMMENDATIONS

DOAS should:

- Provide clarification on what constitutes a related purchase that would collectively count toward the $25,000 competitive bidding threshold in the GPM.
- Conduct targeted, periodic audits of purchase types not currently reviewed.
- In consultation with partner agencies, include additional information system controls in the forthcoming NextGen Enterprise Resources Planning system. USG should also ensure these controls are in place across information systems used by its institutions.

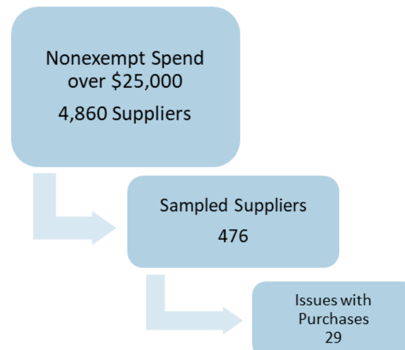
State entities should:

- Have documented procedures or checklists that cover all procurement office responsibilities and conduct periodic formal reviews of recent purchases.

KEY FINDINGS

Our review of a sample of purchases found only a small number did not comply with the competitive bidding requirements found in the State Purchasing Act and Georgia Procurement Manual (GPM). Various statewide and agency controls contribute to compliance; however, we noted potential improvements to DOAS and entity policies and procedures, information systems, and monitoring.

Entities reviewed largely followed competitive bidding requirements



- Our review of purchases from a sample of suppliers across four state agencies and two universities found few instances of noncompliance with state competitive bidding requirements. We reviewed purchases made from nearly 500 suppliers paid more than $24,999 in a fiscal year and identified issues with 29 purchases (or combination of purchases).
- The most common issue—not grouping related purchases into a competitive solicitation—occurred in 20 instances. We also identified three instances where entity officials did not follow the purchasing request process. In addition, a large procurement did not follow required DOAS-approved solicitation procedures, including posting the solicitation on the Georgia Procurement Registry.

State policies are documented, but state entities lacked formal procedures in some cases

- DOAS has documented state policies related to competitive bidding requirements. State entities have different interpretations of the provision for grouping related purchases, which is intended to prevent entities from splitting purchases to avoid exceeding the competitive bidding threshold.
- State entities stated that they follow DOAS policies outlined in the GPM, but not all have documented procedures for implementing those policies.

Improved information system controls would contribute to greater compliance and oversight of purchasing activities

- Controls exist to ensure that valid information is entered for some fields and approvals occur before requisitions can move forward. However, information systems used by state entities allow for inaccurate purchase type codes, and purchase type coding errors were frequently identified during our review.

Additional monitoring of purchases could prevent or detect noncompliance

- DOAS conducts several types of audits, including all open market purchases valued at $50,000 or more, exempt purchases over $100,000, emergency purchases, and the codes identifying the purchased good or service. DOAS does not monitor other purchase types or open market purchases between $25,000 and $50,000—the focus of our review and the types of noncompliant purchases we identified.

Full report available at: https://www.audits.ga.gov/reports/summaries/state-purchasing-competitive-bidding/

State Purchasing – Competitive Bidding
Final Status Pending – Follow-Up Review will be completed in 2026

Finding 1: State purchases largely comply with state competitive bidding requirements with a few exceptions.

No recommendations

Finding 2: Statewide controls largely ensure purchases comply with competitive bidding requirements, though additional guidance and audits would likely lead to fewer noncompliant purchases

DOAS should provide additional clarification and examples on what constitutes a related purchase that would collectively count toward the $25,000 competitive bidding threshold in the GPM. It should update relevant training with this additional clarification.	Status Pending
DOAS should conduct periodic audits of a sample of additional types of purchases between $25,000 and $50,000, as well as periodic audits of direct-to-voucher purchases that collectively exceed $25,000 for a single supplier.	Status Pending
In consultation with partner agencies, DOAS should include additional information system controls in the forthcoming NextGen Enterprise Resources Planning system. USG should also ensure these additional controls are in place across all information systems used by its Institutions.	Status Pending

Finding 3: Opportunities exist to strengthen state entity controls related to competitive bidding requirements.

Entities should have documented procedures or a series of checklists that cover all procurement office responsibilities from requisition approval to PO approval.	Status Pending
Entities should conduct periodic formal reviews of recent purchases.	Status Pending

Finding 4: State entities largely use exempt NIGP codes only for exempt items, though incorrect NIGP codes were observed for other purchases.

APOs/CUPOs should ensure a process is in place to review NIGP codes on all requisitions, which should include periodic monitoring/reviews by APOs/CUPOs.	Status Pending
DOAS should provide a stand-alone course on NIGP code use for requestors, buyers, approvers, and APOs/CUPOs.	Status Pending

Finding 5: Controls are appropriately designed to discourage entities from using emergency purchases to bypass state competitive bidding requirements.

No recommendations

Finding 6: State entities largely used statewide contract codes for purchases correctly, though information system controls would prevent other observed errors.

No recommendations

Performance Audit Division
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Regulatory Requirements of Selected Health-Related Professions

Georgia's requirements are largely the same as other states

Overview

Overall, we found that Georgia's requirements are similar to those of other states. Of the 14 professions reviewed, Georgia regulates 11 at the highest level as licensed professions. Practitioners of these professions must meet established educational, training, and/or testing requirements to obtain a license.

Type of Regulation

Most Restrictive

Licensure
Certification
Registration

Least Restrictive

Georgia's regulatory requirements are largely the same—or very similar to—those in other states for most professions reviewed (see highlights in box to the left). However, Georgia applicants for Skin Care Specialists (known as Estheticians in Georgia) and Pharmacy Technicians face requirements that differ the most from other states. In particular:

• Georgia's Skin Care Specialists pay higher licensing and renewal fees than most other states. Additionally, Georgia's training and minimum age requirements are significantly more restrictive than other states.

• Georgia requires Pharmacy Technicians to register with the state, which is more lenient than most other states' licensure requirement. However, Georgia's initial and renewal fees are higher than those in other states—even those that require a license.

When reviewing specific data points within all 14 professions, we found that for 9 professions Georgia's initial and renewal fees are lower than most other states. We also found Georgia was the same as other states on the following points:

• Licensure, certification, or registration requirement (11 professions);

• License, certification, or registration renewal periods and the time allowed to complete any continuing education requirements (10 professions);

• Requirements for education, training, experience, and professional exams (11 professions);

• Restrictions on applicants with prior criminal history (9 professions); and

• Reciprocity allowances (11 professions).

Finally, Georgia differs from other states in several ways. For EMTs, it is less restrictive than most states in that it does not set a minimum age requirement (46 states do) or a training requirement (49 states do). Georgia is more restrictive than other states in that it requires:

• A minimum age of 18 for Dieticians (34 states have no requirement or a lower one) and

• 2,000 hours of experience for Skin Care Specialists (46 states require fewer hours.

Background

Using data collected by the National Conference of State Legislatures (NCSL), we compared Georgia's regulatory requirements for 14 health-related professions to requirements in all other states and the District of Columbia. Overall, we found that Georgia's requirements are similar to those of other states.

Why we did this review

NCSL staff collected data on 48 regulated professions—licensed, regulated, or certified—with a projected employment growth rate above zero and for which regulation could pose unnecessary barriers to employment. Additionally, to be selected, the profession had to be regulated in at least 30 states. We reviewed 14 health-related professions from this group because they represent some of the fastest growing professions nationwide and a significant portion of the licenses and renewals handled in Georgia.

Full report available at: https://www.audits2.ga.gov/reports/summaries/regulatory-requirements-of-selected-health-related-professions

Performance Audit Division

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State Health Benefit Plan

Requested Information on Plan Stability

BACKGROUND

The House Appropriations Committee requested this special examination of the State Health Benefit Plan (SHBP). Based on the request, we determined: (1) how SHBP's financial status has changed; (2) what factors have contributed to changes in the Plan's financial status; and (3) what the revenue and expenditure projections were for fiscal years 2018-2022 and how they compared with actuals. This review did not examine Plan administration or contract management.

The State Health Benefit Plan was created to provide affordable, quality healthcare coverage that is competitive with other commercial benefit plans in quality of care, access to providers, and efficient management of provider fees and utilization. The Plan provides benefits for employees and dependents of the State Employees Plan, Teachers Plan, and School Employees Plan.

The Department of Community Health administers the Plan, and the Board of Community Health provides policy direction for the Plan's operation. As of November 2022, 661,514 members were covered by the Plan. Active members comprised 72% of total membership and retirees accounted for 28%.

KEY RECOMMENDATIONS

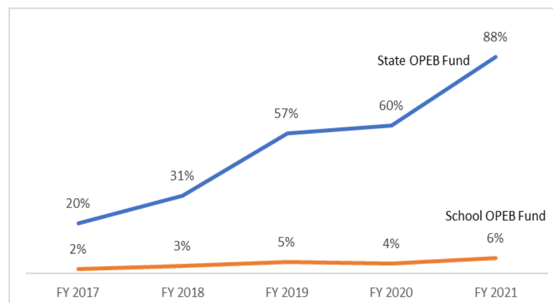
This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

While State Health Benefit Plan revenue and expenditures have increased since 2018, the increase in expenditures between fiscal years 2020 and 2022 exceeded the increase in revenues. Revenue growth has been limited by policy decisions and stagnant subscriber levels.

The SHBP Fund's net position has increased over the past five years.

- Health insurance benefits for active members are paid through the SHBP Fund. Between fiscal years 2017 and 2021, the SHBP Fund's net position (which reflects its financial stability) increased by 5%—from $571.7 million to $602.0 million. However, the Fund operated at a loss in fiscal year 2021, with expenditures exceeding revenues by approximately $93.5 million.
- Health insurance benefits for retirees are paid through two Other Post Employment Benefit (OPEB) Funds. At the end of fiscal year 2021, the State OPEB Fund was 88% funded. By contrast, the School OPEB Fund was only 6% funded because surpluses in the Teachers and School Employees Plans have been significantly smaller than those in the State Employees Plan.



Over the past few years, Plan expenditures have outpaced revenues, resulting in an increasing amount of state funds to cover teachers' and school employees' healthcare costs.

- While total Plan expenditures increased by approximately 28% between fiscal years 2018 and 2022, revenues increased by only 3%.
- Revenue for the Teachers and School Employees Plans has not been sufficient to cover members' healthcare expenditures over the past few years. In fiscal year 2022, for example, SHBP expenditures for the Teachers Plan and School Employees Plan exceeded revenue by $251 million and $213 million, respectively. This difference was paid by the state.
- The revenue gap for the Teachers and School Employees Plans can be attributed to employer contribution rate differences. For the State Employees Plan, employers pay 29.454% of salaries for all state employees (regardless of enrollment in SHBP) annually. For the Teachers and School Employees Plans, employers pay $11,340 annually ($945/month) per covered employee, which—particularly for teachers—can result in a lower effective contribution rate.

Actuarial revenue and expense projections have been accurate.

- Plan revenue and expenditure projections are calculated based on historic trends and updated regularly.
- The projections—which are sent to the Governor's Office of Planning and Budget to assist in setting rates—have been accurate over the past five years (less than 3.5% difference from actual revenues and less than 2.0% difference from actual expenditures).

Full report available at: https://www.audits.ga.gov/reports/summaries/state-health-benefit-plan

Health and Human Services

Contains Recommendations

Medicaid Dental

Rural Hospital Tax Credit (2023)

Homelessness Spending

Contains No Recommendations

Regulatory Requirements of Selected Health Professions

Rural Hospital Tax Credit (2022)

Medicaid Unwinding

Prescription Drug Sales Tax Exemption

State Health Benefit Plan

Non-Profit Hospital Exemptions

Summary of Performance Audit | Report No. 19-20 November 2021

Performance Audit Division

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Medicaid Dental

Coordinated management needed to ensure oral health care is being delivered

BACKGROUND

Studies show that declining utilization of dental services, especially preventive care, may lead to increasing negative health outcomes for Medicaid children and ultimately higher health care costs. These include direct outcomes associated with tooth decay, as well as indirect outcomes associated with longer-term health problems such as heart disease, stroke, and obesity.

Federal law requires that state Medicaid programs provide all children (members under 21 years of age) with full dental benefits. Such benefits include restorative, preventive, and emergency treatments.

Although federal law does not require state Medicaid programs to provide dental coverage to adults, the Georgia Medicaid program provides adults (members 21 years of age and older) with emergency-level coverage through the Adult Dental Program.

KEY RECOMMENDATIONS

To address overall management, DCH should:

- Assign staff to implement a coordinated, data driven approach to managing the Medicaid dental program.

To address utilization, DCH should:

- Monitor dental service utilization among its Fee-For-Service member children and identify potential causes for declining or insufficient rates.
- Analyze the number of providers who accept new patients and actively participate in Medicaid.
- Systematically and routinely assess Fee- For-Service reimbursement rates for dental services.

To address coverage, the General Assembly should consider:

- Providing adult members access to preventive and diagnostic dental care with annual caps or co-payments.

KEY FINDINGS

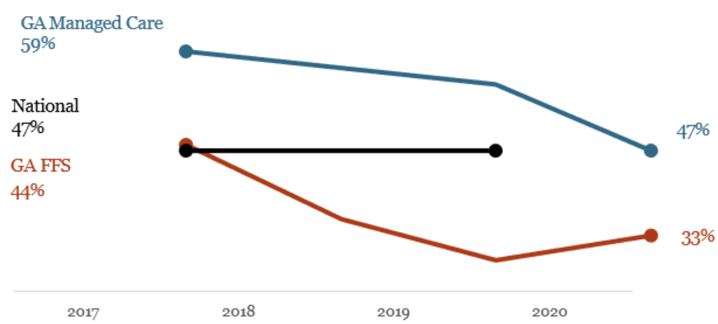
While multiple units have responsibilities related to the Medicaid dental program, DCH lacks the coordinated, data-driven management approach recommended by the federal Centers for Medicare and Medicaid Services (CMS). As a result, the agency was unaware of declining utilization among children in its fee-for-service program and has not sufficiently assessed the capacity of its provider network.

DCH does not analyze dental claims or provider networks to ensure adequate dental services are delivered.

- DCH was unaware of declines in dental utilization among Fee-For-Service children. Without an analysis of claims, the agency is unaware of potential service gaps and trends, and it cannot develop informed strategies to improve dental care.

Fee-for-service children are less likely to receive dental services than those in managed care or in many other states.

- Although 2020 rates were impacted by the COVID-19 pandemic, the percentage of children in Fee-For-Service who receive dental services has trailed the national average and Georgia managed care children during the last four years.



Provider networks meet federal standards but may not provide sufficient access to dental services.

- States are required to ensure that members have access to at least one in- network dental provider within 30 miles in an urban area and within 45 miles in a rural area.
- The Fee-For-Service provider networks meet standards, but they do not meet the stricter standards that DCH requires of its care management organizations (CMOs).
- Less than a quarter of providers accepted new patients in the last year, and less than one-fifth filed a claim indicating active participation. Nearly 30 counties have no providers accepting new patients.
- Medicaid reimbursement rates may contribute to network issues for the Fee-For-Service population given the higher cost for providers to treat some children with physical or developmental disabilities.

Full report available at: https://www.audits2.ga.gov/reports/summaries/medicaid-dental

Medicaid Dental
Final Status Pending – Follow-Up Review will be completed in 2024

Finding / Recommendation	Status
Finding 1: There is no coordinated management of the Medicaid Dental Program.	
DCH should assign staff to implement a coordinated, data driven approach to managing the Medicaid Dental Program.	Status Pending
Finding 2: The rate at which Fee-For-Service children utilize dental services is decreasing and is lower than rates for managed care and other states.	
DCH should establish goals for dental utilization among its Fee-For-Service member children, such as a minimum percent of members receiving dental care annually.	Status Pending
DCH should monitor dental service utilization among its Fee-For-Service member children and identify potential causes for declining or insufficient rates.	Status Pending
Finding 3: DCH's compliance with federal standards does not ensure that Fee-For-Service members have sufficient access to dental services.	
In assessing its Fee-For-Service provider network, DCH should analyze the number of providers who accept new patients and actively participate in Medicaid.	Status Pending
DCH should track the ratio of Fee-For-Service beneficiaries to active providers accepting new patients on a county level to identify areas of the state that lack meaningful access.	Status Pending
DCH should conduct "secret shopper" calls similar to those used for CMO provider network studies to determine whether Fee-For-Service beneficiaries can obtain dental appointments in a reasonable timeframe.	Status Pending
Finding 4: DCH should increase its efforts to encourage provider participation in the Medicaid Dental program.	
DCH should systematically and routinely assess Fee-For-Service reimbursement rates for dental services. In these studies, DCH could compare Fee-For-Service to managed care, DOAS, and other state Medicaid rates. Based on the results, DCH should adjust rates to ensure they are competitive with other Medicaid programs and private insurers.	Status Pending
DCH's Medicaid program should consider collaborating with the State Office of Rural Health to recruit providers to practice in HPSAs by providing assistance to these providers in obtaining eligibility for the National Health Service Corps loan repayment and scholarship program.	Status Pending
DCH should consider collaborating with DPH to encourage local public health clinics to provide dental services in counties or areas with a shortage of Medicaid dental providers.	Status Pending
DCH should research and emulate other states' efforts to increase the number of dental providers in the Medicaid Fee-For-Service network, including providers that serve children with disabilities.	Status Pending
Finding 5: Georgia Medicaid does not cover adult members' preventive dental care, which can lead to untreated dental issues, higher medical costs, and avoidable hospital visits.	
The General Assembly should consider providing adult members access to preventive and diagnostic dental care. To control costs, the General Assembly should consider measures such as establishing annual caps or co-payments.	Status Pending

Performance Audit Division
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Rural Hospital Tax Credit

Credit Administration Consistent with Statutory Requirements

BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20 and 31-8-9.1.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

KEY RECOMMENDATIONS

To improve hospital reporting:

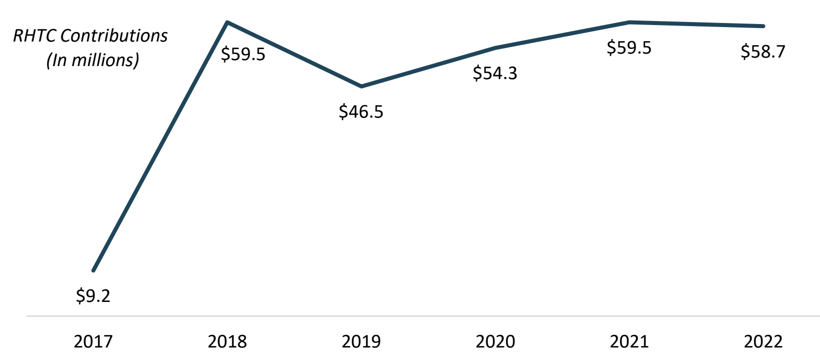
- DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website.
- Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees.
- DCH should review the Donation and Expenditure Reports for accuracy and require corrected/additional information from the hospitals when necessary.

KEY FINDINGS

Taxpayer credits nearly reached the annual program cap of $60 million in tax years 2021 and 2022. In 2022, hospitals reported spending nearly $49 million and having another $40 million in donations still available for future years. Finally, hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

Contributions to rural hospitals were approximately $58.7 million in tax year 2022.

- Contributions decreased slightly from the tax year 2021 contribution amount of $59.5 million but have remained well above the 2019 amount of $46.5 million.



- In tax year 2022, 22 of 55 eligible rural hospitals received more than $1 million and 22 received less than $500,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH financial need list.

Hospitals spent $49 million in RHTC funds and had $40 million in unspent funds in tax year 2021.

- Hospitals reported that the majority of the RHTC funds were spent on capital assets or regular operating expenses in tax year 2021.
- Twenty-six of the 55 eligible hospitals reported having unspent funds. Amounts ranged from $6,201 to $7 million.

RHTC hospitals that received RHTC contributions were eligible and in compliance with state law, but improvements in reporting are needed.

- DCH reviewed and updated the list of eligible hospitals in tax year 2022; 55 hospitals were eligible in tax year 2022, down from 56 in tax year 2021.
- While all hospitals submitted the required reports, we identified inconsistencies in contribution expenditure reports submitted from tax years 2018 to 2021. These inconsistencies were identified in contribution amounts received, third party fees paid, expenditures exceeding available funds, and prior year unspent funds.
- No hospital exceeded the $4 million contribution limit, and all paid Georgia HEART no more than 3% of contributions.

Full report available at: https://www.audits2.ga.gov/reports/summaries/22-09-rhtc/

Rural Hospital Tax Credit (2023)

Final Status Pending – Follow-Up Review will be completed in 2024

Finding 1: Eligible hospitals received approximately $58.7 million in RHTC contributions in tax year 2022, with amounts to individual hospitals varying significantly.

No recommendations

Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2022.

No recommendations

Finding 3: While rural hospitals that received RHTC contributions were eligible and in compliance with state law, improvements in reporting are needed.

DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website. For example, the form should indicate that the Prior Year Unspent Funds should equal the Unspent Funds from the previous hospital report and that expenditures should not exceed available RHTC funds.	Status Pending
Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees.	Status Pending
DCH should review the Donation and Expenditure Report for obvious errors and require corrected/additional information from the hospitals when necessary.	Status Pending

Finding 4: Rural hospitals reported spending $48.7 million of RHTC funds in 2021, with approximately $40 million in funds remaining unspent.

No recommendations

Finding 5: Rural hospital tax credits were primarily claimed by individual taxpayers in tax year 2020.

No recommendations

Finding 6: Administrative fees retained by Georgia HEART in tax year 2021 were within statutory limits.

No recommendations

Finding 7: Undesignated donations are distributed to rural hospitals in accordance with state law.

No recommendations

Performance Audit Division

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Homelessness Spending

Requested Information on Programs and Services

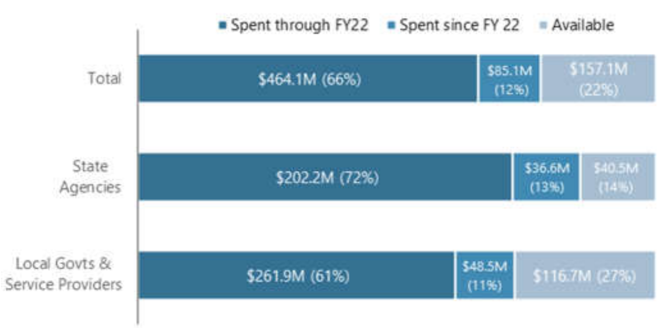
BACKGROUND

Senate Bill 62, which passed during the 2023 legislative session, required the state auditor to conduct a performance audit of spending on homeless programs and services. Accordingly, we examined the funds available from federal, state, and local fund sources and how funds were spent; the use of grants and contracts to award funds and monitor service delivery; and the use of the Georgia Homeless Management Information System (HMIS).

The Department of Community Affairs (DCA) and other state entities administer a variety of homeless programs. Some are federally funded programs that target specific populations.

In 2022, approximately 10,700 individuals were reported as experiencing homelessness in Georgia.

Approximately 78% of Total Federal Funds Available Has Been Spent



KEY RECOMMENDATIONS

The General Assembly could consider:

- Establishing a council responsible for statewide coordination, as has been done in other states.
- Requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.

KEY FINDINGS

In Georgia, homelessness is addressed through a network of programs and services administered at the state and local levels but primarily funded through federal grants. The majority of these federal grants can be spent over multiple years, depending on the grant period. State funding is significantly smaller for a few targeted programs. Most federal and state funding ultimately reaches the state's network of local organizations that provide direct services to the homeless population. Though a significant amount of activity occurs locally, Georgia's response to homelessness may be improved through statewide coordination.

Significant federal funds are awarded for and spent on homeless programs and services.

- Between federal fiscal years 2018 and 2022 (the latest year for which complete federal data was available), an estimated $706 million in federal funds was available to state agencies, local governments, and service providers. Approximately 78% ($549 million) of federal funds available during the period reviewed has been spent.
- Approximately 40% of funds available ($279 million) were for state agencies, which expended approximately 85% of federal funds ($239 million), leaving $41 million for future spending.
- Approximately 60% of funds available were for local governments and service providers ($214 million and $213 million, respectively), with most funds available to spend in areas with substantial homeless populations. In total, these entities spent approximately 73% of federal funds ($310 million), leaving $117 million for future spending.
- Because state and local governments serve as pass-through entities for federal funds, most of the federal funding is spent by service providers. In the period reviewed, these entities spent a total of $352 million.

State funds accounted for a small portion of total spending during the period reviewed.

- Between state fiscal years 2018 and 2023, the state spent $158.4 million on homeless programs and services. Most state expenditures were incurred by the Department of Community Affairs and Department of Behavioral Health and Developmental Disabilities.

The state lacks a coordinated response to homelessness.

- Operations and management of homelessness related activities and services are decentralized and primarily concentrated at the local level. No state-level entity is responsible for coordinating efforts across regions.
- Other states with a designated lead entity have adopted broad strategies for preventing and addressing homelessness, including collection, aggregation, and analysis of statewide data on homelessness.

Full report available at: https://www.audits2.ga.gov/reports/summaries/homelessness-spending/

Homelessness Spending
Final Status Pending – Follow-Up Review will be completed in 2026

Finding 1: Between federal fiscal years 2018 and 2022, an estimated $811.8 million in federal funds was available for homeless programs and services.

No recommendations included

Finding 2: Between fiscal years 2018 and 2022, 60% of federal funds available were spent on homelessness programs and services, though funds will be available for additional years.

No recommendations included

Finding 3: As the final recipients of federal funding, service providers spent $347.4 million to directly serve homeless populations between fiscal years 2018 and 2022.

No recommendations included

Finding 4: Expenditures of state funds for homeless programs fluctuated between fiscal years 2018 and 2022.

No recommendations included

Finding 5: Most local government survey respondents reported they did not spend their own funds on homelessness programs in 2022.

No recommendations included

Finding 6: Law enforcement agencies do not track expenditures but reported performing certain activities to address homelessness during their normal duties.

No recommendations included

Finding 7: The state's grant administration process is primarily based on federal requirements.

No recommendations included

Finding 8: While CoCs and service providers use HMIS to meet HUD requirements, its use to improve homeless service delivery statewide is not currently maximized.

Should the General Assembly decide to establish a statewide entity to coordinate the state's response to homelessness (as discussed in Finding 9), it should consider requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.	Status Pending

Finding 9: While a significant amount of funding is used to serve Georgia's homeless populations, the state lacks a coordinated, strategic response to address the problem.

If the General Assembly wants a more strategic approach to address homelessness, it could consider establishing a council responsible for statewide coordination, as has been done in other states.	Status Pending

Performance Audit Division

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Least Restrictive

Georgia's regulatory requirements are largely the same—or very similar to—those in other states for most professions reviewed (see highlights in box to the left). However, Georgia applicants for Skin Care Specialists (known as Estheticians in Georgia) and Pharmacy Technicians face requirements that differ the most from other states. In particular:

• Georgia's Skin Care Specialists pay higher licensing and renewal fees than most other states. Additionally, Georgia's training and minimum age requirements are significantly more restrictive than other states.

• Georgia requires Pharmacy Technicians to register with the state, which is more lenient than most other states' licensure requirement. However, Georgia's initial and renewal fees are higher than those in other states—even those that require a license.

When reviewing specific data points within all 14 professions, we found that for 9 professions Georgia's initial and renewal fees are lower than most other states. We also found Georgia was the same as other states on the following points:

• Licensure, certification, or registration requirement (11 professions);

• License, certification, or registration renewal periods and the time allowed to complete any continuing education requirements (10 professions);

• Requirements for education, training, experience, and professional exams (11 professions);

• Restrictions on applicants with prior criminal history (9 professions); and

• Reciprocity allowances (11 professions).

Finally, Georgia differs from other states in several ways. For EMTs, it is less restrictive than most states in that it does not set a minimum age requirement (46 states do) or a training requirement (49 states do). Georgia is more restrictive than other states in that it requires:

• A minimum age of 18 for Dieticians (34 states have no requirement or a lower one) and

• 2,000 hours of experience for Skin Care Specialists (46 states require fewer hours.

Background

Using data collected by the National Conference of State Legislatures (NCSL), we compared Georgia's regulatory requirements for 14 health-related professions to requirements in all other states and the District of Columbia. Overall, we found that Georgia's requirements are similar to those of other states.

Why we did this review

NCSL staff collected data on 48 regulated professions—licensed, regulated, or certified—with a projected employment growth rate above zero and for which regulation could pose unnecessary barriers to employment. Additionally, to be selected, the profession had to be regulated in at least 30 states. We reviewed 14 health-related professions from this group because they represent some of the fastest growing professions nationwide and a significant portion of the licenses and renewals handled in Georgia.

Full report available at: https://www.audits2.ga.gov/reports/summaries/regulatory-requirements-of-selected-health-related-professions

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Rural Hospital Tax Credit

Requested Information on Contributions and Compliance

BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

KEY RECOMMENDATIONS

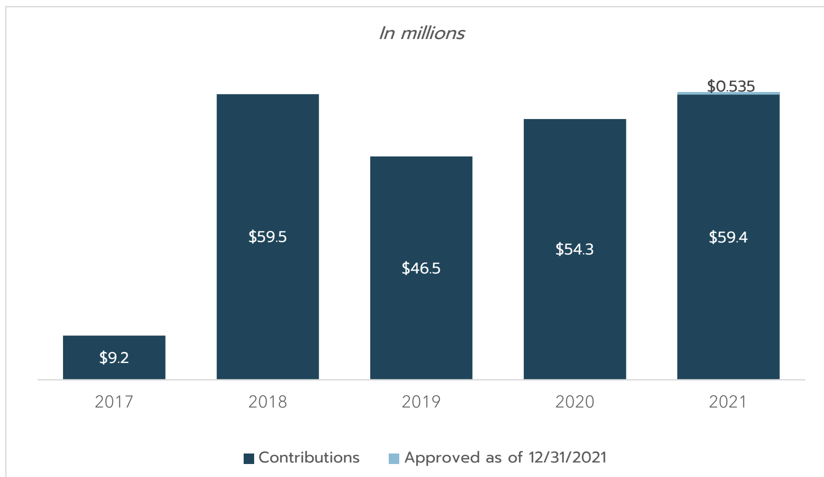
This report does not contain recommendations.

KEY FINDINGS

Hospitals, taxpayers, and third parties were compliant with statutory provisions.

Approved contributions to rural hospitals totaled $59.4 million in calendar year 2021.[1]

- Contributions have continued to increase from the low of $46.5 million in tax year 2019 and almost met the highest amount of $59.5 million in tax year 2018.



- In tax year 2020, 17 of the 56 eligible hospitals received more than $1 million in contributions, and 18 received less than $500,000. The average annual amount received by a hospital was $970,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH ranking. In addition, in 2021 Georgia HEART implemented our 2020 recommendation to report undesignated contributions to DOR.

All RHTC hospitals met eligibility requirements and received annual contributions within the statutory limit of $4 million.

- DCH reviewed and updated the list of eligible hospitals in 2021; 56 hospitals were eligible in 2020 and 2021.
- All hospitals submitted the required program reports to DCH.

DOR has strengthened controls related to corporate credits.

- Based on a recommendation made in the 2020 RHTC audit report, DOR implemented a new process to ensure that corporate tax credits were within legal limits.
- DOR adjusted the tax credits for the accounts identified in the 2020 audit, approximately $96,000.

[1] Tax year 2020 data was used to report credits earned and claimed, while calendar year 2021 data reported by DOR was used to report the most recent contributions approved by DOR.

Performance Audit Division
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Medicaid Unwinding

Status of State Efforts to Prepare for the End of Continuous Coverage

Key Findings

The Departments of Human Services (DHS) and Community Health (DCH), as well as the Office of State Administrative Hearings (OSAH), have developed strategies to facilitate a return to annual Medicaid renewals. Several risk areas can contribute to the improper loss of Medicaid coverage for enrollees, including administrative barriers, enrollees not being contacted, enrollee confusion, staffing deficiencies, and inadequate management information and oversight. Strategies to address these risks can generally be grouped into the categories below.

Communications

- DHS has used emails, text messages, robocalls, and its website to encourage enrollees to update contact information and select email or text communications as a preferred method of receiving official notices.
- DHS hired a public relations firm to help develop a communications plan that includes an unwinding web page, branding, informational videos, and paid media. Phase one focuses on updating contact information, while phase two will focus on educating enrollees of their responsibilities regarding renewals.

Policies

- DCH has obtained waivers from the federal government to facilitate more rapid renewals. These include greater flexibility to make renewal decisions based on third party data sources and information obtained for other benefit programs. DHS will also be able to send official notifications to enrollees based on addresses provided by care management organizations or the U.S. Postal Service.

Staffing

- DHS is attempting to hire approximately 500 additional eligibility caseworkers and creating a specialized Medicaid renewal team.
- Both DHS and OSAH will use temporary staff if needed. DHS will add call center staff, while OSAH will hire special administrative law judges if surges in hearings cannot be handled by current judges.

Technology/Automation

- DHS plans to use robotic processing automation (bots) to automate repetitive caseworker tasks, such as processing scanned or handwritten documents, pre-populating data from the customer portal, comparing information to third-party data interfaces, identifying red flags, and conducting certain administrative based renewals. Bots are also planned to populate some aspects of the OSAH fair hearing forms.
- OSAH has also already begun utilizing an electronic case management system and unified hearing calendar to better schedule and plan hearings and communicate with outside agencies and enrollees.
- DHS has already implemented a mobile-friendly site to allow enrollees to update contact information and upload document images directly through their mobile phone.

Background

Throughout the COVID-19 pandemic public health emergency (PHE), states have been required to suspend termination of coverage for individuals who are already enrolled or became enrolled in Medicaid. This "continuous coverage" will cease at the end of the PHE, beginning a 12-month period in which states must redetermine all enrollees' Medicaid eligibility (this is known as the "unwinding").

Why we did this review

When the PHE comes to an end, states must reinstitute Medicaid and PeachCare renewals that were suspended in March 2020. An increase in program enrollment and the length of time since renewals were last performed will make it difficult for states to accurately complete all renewals within the required timeframes.

This report provides an overview of Georgia's preparation for the end of continuous coverage of the Medicaid and PeachCare benefits of approximately 2.6 million residents.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Prescription Drug Sales Tax Exemption

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

In 1984, Georgia enacted a state and local sales tax exemption for prescription drugs, glasses and contacts, as well as any insulin obtained without a prescription. The exempted state sales tax rate is 4%, while the average local sales tax rate is 3.37%, according to the Tax Foundation. The provision—O.C.G.A. § 48-8-3(47)—is commonly referred to as the prescription drug sales tax exemption.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Sales tax exemption is targeted to consumers, not companies. Therefore, the economic impact is a result of the additional money consumers can spend on goods and services.

While the prescription drug sales tax exemption was not created for the purpose of economic development, the increased spending by consumers benefiting from the exemption does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though the figures do not include a consideration of opportunity costs.

O.C.G.A. § 28-5-41.1 requires an analysis of net economic activity, which includes the opportunity cost of the forgone revenue. If the exempted tax revenue had been collected and expended by the state and local governments, FRC estimated the creation of 16,812 jobs and economic output of $1.72 billion.

6,266 Jobs

$577M Value Added

$301M Labor Income

$987M Economic Output

REVENUE

The exemption is estimated to grow from approximately $852 million in FY 2021 (combined state and local government revenue expenditure) to FY 2021 to $938.2 million in FY 2023. In 2023, the resulting economic activity is estimated to bring in $33.0 million in state revenue and $13.4 million in local revenue.

FRC estimated that the alternate use of the revenue in FY 2023 would generate $53.2 million in state revenue and $12.2 million in local revenue.

COST

The Department of Revenue reported **negligible cost** associated with the exemption.

PUBLIC BENEFIT

The exemption **lowers the price of prescriptions**, making the cost of needed healthcare more affordable for Georgians.

The exemption on prescriptions and other health-related items makes Georgia's sales tax less regressive. Lower income households spend a greater portion of their income on prescriptions than higher income households. For example, the 4% tax savings represent 0.34% of the income of those making less than $15,000. By contrast, it represents just 0.05% of the income of households with incomes between $100,000 and $150,000.

Performance Audit Division

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State Health Benefit Plan

Requested Information on Plan Stability

BACKGROUND

The House Appropriations Committee requested this special examination of the State Health Benefit Plan (SHBP). Based on the request, we determined: (1) how SHBP's financial status has changed; (2) what factors have contributed to changes in the Plan's financial status; and (3) what the revenue and expenditure projections were for fiscal years 2018-2022 and how they compared with actuals. This review did not examine Plan administration or contract management.

The State Health Benefit Plan was created to provide affordable, quality healthcare coverage that is competitive with other commercial benefit plans in quality of care, access to providers, and efficient management of provider fees and utilization. The Plan provides benefits for employees and dependents of the State Employees Plan, Teachers Plan, and School Employees Plan.

The Department of Community Health administers the Plan, and the Board of Community Health provides policy direction for the Plan's operation. As of November 2022, 661,514 members were covered by the Plan. Active members comprised 72% of total membership and retirees accounted for 28%.

KEY RECOMMENDATIONS

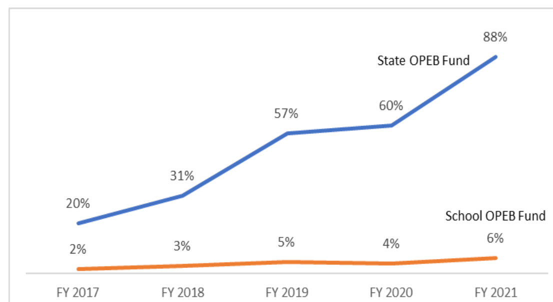
This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

While State Health Benefit Plan revenue and expenditures have increased since 2018, the increase in expenditures between fiscal years 2020 and 2022 exceeded the increase in revenues. Revenue growth has been limited by policy decisions and stagnant subscriber levels.

The SHBP Fund's net position has increased over the past five years.

- Health insurance benefits for active members are paid through the SHBP Fund. Between fiscal years 2017 and 2021, the SHBP Fund's net position (which reflects its financial stability) increased by 5%—from $571.7 million to $602.0 million. However, the Fund operated at a loss in fiscal year 2021, with expenditures exceeding revenues by approximately $93.5 million.
- Health insurance benefits for retirees are paid through two Other Post Employment Benefit (OPEB) Funds. At the end of fiscal year 2021, the State OPEB Fund was 88% funded. By contrast, the School OPEB Fund was only 6% funded because surpluses in the Teachers and School Employees Plans have been significantly smaller than those in the State Employees Plan.



Over the past few years, Plan expenditures have outpaced revenues, resulting in an increasing amount of state funds to cover teachers' and school employees' healthcare costs.

- While total Plan expenditures increased by approximately 28% between fiscal years 2018 and 2022, revenues increased by only 3%.
- Revenue for the Teachers and School Employees Plans has not been sufficient to cover members' healthcare expenditures over the past few years. In fiscal year 2022, for example, SHBP expenditures for the Teachers Plan and School Employees Plan exceeded revenue by $251 million and $213 million, respectively. This difference was paid by the state.
- The revenue gap for the Teachers and School Employees Plans can be attributed to employer contribution rate differences. For the State Employees Plan, employers pay 29.454% of salaries for all state employees (regardless of enrollment in SHBP) annually. For the Teachers and School Employees Plans, employers pay $11,340 annually ($945/month) per covered employee, which—particularly for teachers—can result in a lower effective contribution rate.

Actuarial revenue and expense projections have been accurate.

- Plan revenue and expenditure projections are calculated based on historic trends and updated regularly.
- The projections—which are sent to the Governor's Office of Planning and Budget to assist in setting rates—have been accurate over the past five years (less than 3.5% difference from actual revenues and less than 2.0% difference from actual expenditures).

Full report available at: https://www.audits.ga.gov/reports/summaries/state-health-benefit-plan

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Non-Profit Hospital Exemptions

DOAA summary of report prepared by Georgia State University's Fiscal Research Center

BACKGROUND

Non-profit hospitals (NPHs) are 501(c)(3) entities exempt from federal income tax. Federal nonprofit status requires these private hospitals to provide benefits to their community, including charity care and community health improvements. In Georgia, NPHs are exempt from three state and local taxes: income tax, sales and use tax, and property tax. The exemptions are intended to incentivize the hospitals to invest in the healthcare needs of low-income individuals. Every state allows at least one of these exemptions, and 29 other states allow all three.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

$106.2M Income Tax Exemption

$64.7M State Sales Tax Exemption

$63.8M Local Sales Tax Exemption

$28.9M Property Tax Exemption

Note: 2024 estimates

REVENUE

The state-level exemptions are projected to increase from $170.9 million in FY 2024 to $236.6 million in FY 2028, with the corporate income tax exemption representing nearly two-thirds of the impact. Similarly, local exemptions are projected to increase from $92.7 million to $115.5 million, with the local sales tax exemption representing approximately 70%.

The fiscal impact is affected by ownership changes. For example, several for-profit hospitals (FPHs) have recently been sold to NPH systems, removing them from state and local taxation.

ECONOMIC ACTIVITY

FRC did not model the economic benefits of NPH patients or the opportunity costs of the exemptions. It focused on the public benefits generated by NPHs. FRC pointed to the level and sufficiency of these benefits as the primary policy question and noted that prior research has focused on this topic instead of economic benefits.

COST

The Department of Revenue reported negligible cost associated with administering the income and sales tax exemptions. Property tax exemptions are primarily administered at the county level.

PUBLIC BENEFIT

A lower level of taxation should allow NPHs to provide a higher level of public benefits than FPHs. FRC estimated the total charity care attributable to NPHs' tax-exempt status to be $1.1 billion for fiscal year 2024, or 74% of their total charity care. Based on a review of Georgia hospitals in 2021, NPHs provide 7%-8% more charity care than FPHs.

Uncompensated care (charity care and bad debt) represented approximately 22% of NPH expenses, compared to 14% for FPHs. However, as noted on the right, the percentages were closer for general hospitals. Many FPHs were classified as other (psychiatric, specialty).

It should be noted that the analysis did not include the impact of federal tax policy on nonprofit hospitals.

$1.05B Charity Care by NPHs

26.32%* NPH Charity & Bad Debt

22.13%* FPH Charity & Bad Debt

* Of expenses for general hospitals

Higher Education

Contains Recommendations

Student Access Loan Program

Contains No Recommendations

Georgia Military College

Tuition Equalization Grant

Exemption on the Sale of Lottery Tickets

Summary of Performance Audit | Report No. 21-01 November 2021

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Student Access Loan Program

Operating a loan program requires GSFA to balance need and ability to repay

BACKGROUND

Established in fiscal year 2012, the Student Access Loan (SAL) Program provides a needs-based, 1% loan to assist postsecondary students with the cost of education and completing their credentials in a timely manner.

The Georgia Student Finance Authority (GSFA) oversees SAL, which is primarily funded by state appropriations. Additional loans are distributed using borrower principal repayments.

Since its inception, SAL has provided approximately $266 million in loans to nearly 36,000 students. In fiscal year 2021, approximately 5,600 students received nearly $28 million.

KEY RECOMMENDATIONS

The General Assembly should:

- Formalize SAL's goals and priorities—either by codifying the program in statute or providing guidance to GSFA
- Communicate the extent to which it expects to continue dedicating lottery funds to SAL

Based on guidance from the General Assembly, GSFA should:

- Determine whether design changes are necessary to better ensure SAL's self-sufficiency (if decreased reliance on state funds is expected)
- Consider expanding its service cancellation and loan discharge programs
- Evaluate the characteristics of defaulted borrowers and adjust eligibility criteria (should default management be a priority)

To help ensure borrower repayment, GSFA should:

- Consider reducing the minimum monthly payment or implementing a plan that adjusts monthly payments based on ability to pay
- Encourage borrowers to participate in its automatic payment plan
- Evaluate the information it includes in its communication to borrowers

KEY FINDINGS

GSFA has designed SAL to ensure access to certain populations, which has also decreased the likelihood that loans will be repaid. To formalize SAL's intent and priorities (which will impact program design), the General Assembly could codify the program in statute. Alternatively, GSFA could modify its regulations with the General Assembly's input. Absent legislative action, GSFA should consult with the General Assembly regarding how to address report recommendations that impact potential borrowers' access to the loan or GSFA's collections.

Georgia's loan for need-based aid is unique among states.

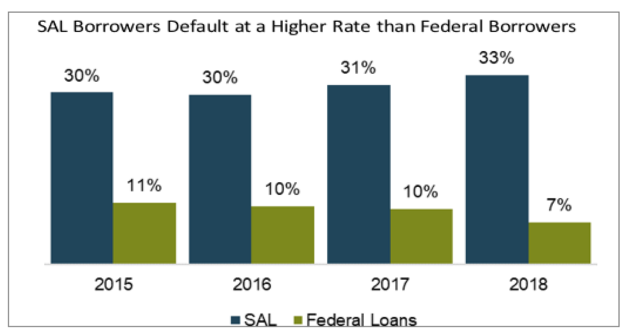
- Georgia awards more grant dollars per undergraduate student than any other state; however, it devotes a smaller proportion of its state assistance to need-based aid compared to other southeastern states.
- Georgia is one of seven states that provide loans to undergraduate students. Most of the other states with loans invest more state funds in their need-based grant or scholarship program, while Georgia's needs- based scholarship program is significantly smaller.

SAL assists postsecondary students with financial need, though its design could be more targeted.

- GSFA does not require credit checks or cosigners for SAL, which increases access among those with limited resources. Approximately 70% of SAL borrowers are also eligible for the federal Pell Grant, which reflects "exceptional financial need."
- SAL borrowers were more likely to persist to the next academic year and obtain an academic award compared to those who applied but did not receive the loan.
- SAL borrowers can obtain service cancellation or loan discharge to remove debt, but these programs are underutilized.

Current default rates limit SAL's success as a loan program that requires repayment.

- Approximately 31% of SAL borrowers default on their loans within three years of entering repayment, a rate more than three times higher than that of federal loan participants.



- Borrowers were more likely to default if they: enrolled in a technical college, were eligible for a Pell Grant, did not receive the HOPE or Zell Miller aid, or did not earn a postsecondary credential prior to repayment.
- SAL's default rate limits the assurance that the program will recover funds and become less reliant on state appropriations to meet loan demand.
- SAL borrowers must pay at least $50 a month toward their loan regardless of their overall debt obligation, and most borrowers must pay more monthly than they would under standard amortization.

Full report available at: https://www.audits2.ga.gov/reports/summaries/student-access-loan-program

Student Access Loan
Program Terminated

The original report found that the Student Access Loan (SAL) was designed to ensure access to certain populations, which also decreased the likelihood that loans would be repaid. Recommendations were related to the need to establish SAL's intent and define the program's goals and priorities.

During the 2022 legislative session, the General Assembly reduced SAL's appropriation and redirected the funds to the newly created College Completion Grants program. SAL's appropriation was fully transferred to the grant program in fiscal year 2024. According to staff, the Georgia Student Finance Authority will continue to operate the program in fiscal year 2024 using the remaining reserve funds from past loan recipients' principal repayments. No new SAL loans will be originated after fiscal year 2024; however, past borrowers will continue to provide repayments for the length of their loan.

The Georgia College Completion Grant (GCCG) was created in fiscal year 2023 to provide needs-based financial aid (up to $2,500) to eligible students so they can complete their remaining credential credit requirements. Students must have completed at least 80% of their credit requirements for an undergraduate major or program of study and have an outstanding balance of direct cost with the institution for the term for which they are seeking the funds. Students can participate if they are enrolled in the University System of Georgia, the Technical College System of Georgia, or an eligible nonprofit private institution in Georgia.

In fiscal year 2024, the GCCG was appropriated $12 million in lottery funds.

Performance Audit Division

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Georgia Military College

Requested Information on Revenue and Governance Options

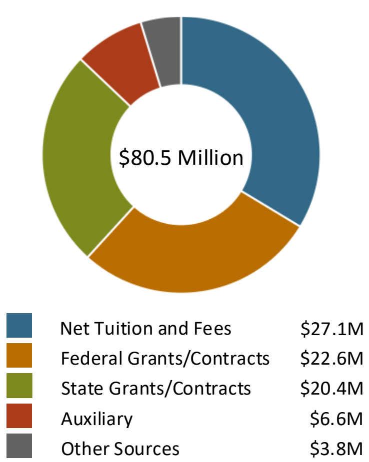
BACKGROUND

The House Appropriations Committee requested this special examination of Georgia Military College (GMC). Based on that request, we determined: (1) the governance structure of GMC as it relates to public resources; (2) the various funding streams of GMC; and (3) options that exist for modernizing the state's oversight obligations to and oversight of GMC.

Founded in 1879, GMC is both a K-12 preparatory school and a predominately associate degree-granting, open admissions junior college operating out of Milledgeville. In the 2021-2022 academic year, the Junior College had nearly 12,000 students enrolled at the main campus, 11 satellite locations, and online college. Approximately 250 students are in the Corps of Cadets.

The Prep School had nearly 850 students in 2021-2022. Students are cadets beginning in sixth grade and participate in military-style activities, such as color guard and drill teams.

GMC Revenue – FY 2022



KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

Both the Junior College and Prep School receive state funds, though GMC's board is locally elected and the Prep School is able to charge tuition (unlike other public K-12 schools). Multiple models exist for modernizing GMC's governance, though some would significantly impact GMC's mission, funding, and students.

City of Milledgeville citizens elect all members of the Board of Trustees.

- The current board structure was set in a 1989 federal consent decree.
- The board serves a large population of students who live outside Milledgeville, particularly at the Junior College level. However, it has no state voting representation.

GMC primarily relies on tuition but also receives federal funds and state funds, largely through state-sponsored financial aid.

- In fiscal year 2022, GMC generated $80.5 million in revenue, with the largest percentage related to tuition and fees paid directly by the student or through financial aid. Junior College revenue comprised the majority of GMC's total funding but has decreased over the last three years due to enrollment declines.
- Federal funds have been higher in recent years due to temporary, pandemic-related dollars for the Junior College.
- Approximately 60% ($15.6 million) of the state's total funding to GMC was state-sponsored financial aid to the Junior College—largely related to dual enrollment and the HOPE scholarship.

We identified options to modernize the oversight of GMC, each with varying impact on GMC's mission, funding, property, staff, and students.

Below are options to modernize oversight of GMC. Before a change in GMC governance is made, it is advisable to consult with the U.S. Department of Justice regarding compliance with the consent decree.

- **State representation on GMC board** – Two models relate solely to expanding the state's representation—with either some or all voting members appointed by the state. These models are likely to have fewer impacts on the school.
- **Privatization** – The state would no longer have oversight responsibilities; however, this would create a large and immediate financial burden for GMC, which would be required to purchase all building and property from the state at fair market value. In addition, GMC would no longer receive state funding, its staff would lose existing employee benefits, and tuition would likely increase.
- **Move to existing state agencies** – The Junior College could operate under the University System of Georgia (USG) or the Technical College System of Georgia (TCSG); however, moving to those systems' funding formulas would increase the state's financial contribution by tens of millions annually. These models would necessitate a legal separation of the Prep School and Junior College, but Junior College staff benefits would be similar and its tuition would likely decrease.
- **Prep School models –** The Prep School and Junior College could be legally separated, resulting in different governing boards. This would be necessary if the Junior College became part of USG or TCSG. A separate Prep School could be private, a state charter school, or a part of the local school system.

Performance Audit Division

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Tuition Equalization Grant

Requested Information on the Grant's Purpose and Impact

BACKGROUND

The Senate Appropriations Committee requested this special examination of the Tuition Equalization Grant (TEG). Based on the request, we reviewed trends in TEG enrollment, fields of study, and education outcomes. We also evaluated TEG's impact on student costs, as well as employment outcomes for TEG recipients. Finally, we reviewed TEG's provisions in comparison to other financial aid programs in supporting workforce needs.

TEG was created in 1971 to provide financial assistance to Georgia residents attending in-state, independent institutions. Recipients must be enrolled full-time at an approved school but do not have to meet requirements related to merit or financial need. The current annual award is $900.

State law and regulation set requirements, such as accreditation, for approved institutions. These institutions may be nonproprietary (nonprofit) or proprietary (for-profit), although 2011 legislation limited the proprietary institutions to those that were eligible at the time. For the 2022-2023 academic year, 33 schools are approved for TEG, 31 (94%) of which are nonproprietary.

TEG is administered by the Georgia Student Finance Authority. In the 2021-2022 academic year, approximately 24,400 students received the award, with expenditures totaling $18.1 million.

KEY RECOMMENDATIONS

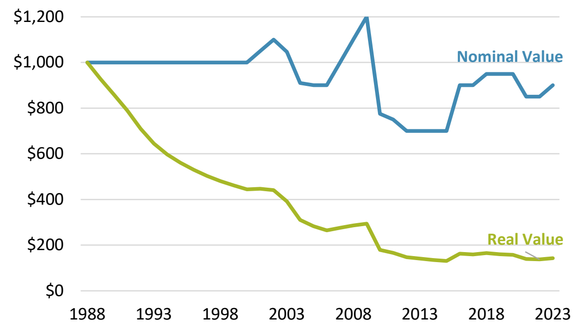
This report is intended to answer questions posed by the Senate Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

The Tuition Equalization Grant (TEG) does not cover a significant portion of student costs at eligible postsecondary institutions, and the annual award amount is smaller than similar grants in other states. The number of TEG recipients has declined; however, most are employed in Georgia after receiving the grant.

TEG covers a small portion of costs on its own but is frequently part of a larger financial aid package.

- TEG's impact on costs fell as tuition increased. Nominally, the current $900 annual award is 10% lower than in the late 1980s, but its real value has fallen 86% once tuition increases are considered—from $1,000 to $143.
- TEG currently covers 4.1% of tuition and fees on average, compared to 31% when the program began. TEG covers an average of 2.6% of the cost of attendance when room and board are factored in.



- Most TEG recipients also receive other financial aid, including other state aid, institutional aid, and federal aid. For example, during the 2021-2022 academic year, 58% of TEG recipients received the merit-based HOPE or Zell Miller Scholarship.
- The TEG award is smaller than similar grants for private college students in other southern states. However, when state-funded scholarships are considered, Georgia's combined award amount (TEG plus HOPE) is in line with other states.

The number of TEG recipients has declined over time.

- Since the 2009-2010 academic year, the number of TEG recipients declined by 33%.
- Lower overall enrollment at TEG-eligible institutions was the largest single factor contributing to the decline. Other factors included schools that closed or lost eligibility (resulting in fewer TEG-eligible institutions), more students attending part-time (since TEG requires full-time enrollment), and students transferring to non-TEG eligible schools (e.g., University System of Georgia).

Like Georgia, other states offer financial aid to promote workforce development in specific fields. However, TEG-like grants are not used for this purpose.

- Other southern states with grants for private college students do not restrict them to certain fields of study. However, all of the states we reviewed do offer a variety of other financial aid programs that target specific majors or occupations.
- These financial aid programs are typically service cancelable loans or scholarships that require the recipient to work in the state and in the targeted field. They most frequently target occupations in K-12 education, healthcare, or the military.
- TEG recipients work in a variety of industries in Georgia, including healthcare and social assistance, retail trade, administrative and support services, and educational services. Nearly 90% of TEG recipients were employed in Georgia after receiving their last TEG award, and nearly 75% remained employed in Georgia after 10 years.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Exemption on the Sale of Lottery Tickets

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 1992, the Lottery for Education Act established the Georgia lottery as a means of increasing state funding for education. In 2022, sales totaled $5.8 billion with $1.47 billion going to fund education. Of the 50 states, 45 currently operate a lottery. However, Alabama is one of the five that do not have a lottery, so Georgia benefits from Alabama residents buying tickets. In almost all states, and Georgia, lottery tickets are exempt from sales tax.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The primary purpose of the sales tax exemption does not appear to be an immediate increase in economic activity but instead to provide additional education funds. However, the Institute was able to estimate economic activity associated with lottery ticket sale, including the creation of more than 36,000 jobs.

Ticket sales (and jobs) would exist even without the exemption. If lottery tickets were taxed, the Institute estimated a decrease in sales equal to the tax rate of 7.64%. As a result, the exemption is responsible for that portion of economic activity (36,549 jobs*7.64% = 2,775).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 6,174 jobs and $306.7 million in value added to the economy.

2,775 Jobs

$199.1M Value Added

$153.1M Labor Income

$321.4M Economic Output

Note: Economic activity attributable to exemption

REVENUE

The exemption is estimated to increase from $229.8 million in FY 2024 to $263.1 million in FY 2028. In FY 2024, the increased ticket sales due to the exemption are estimated to result in $123.6 million in additional education funds and $7.6 million in tax revenue.

The Institute estimated that the alternate use of the exemption funds would have generated $243 million in additional tax revenue.

$229.8M State Tax Expenditure

$123.6M Additional Education Funds

$7.6M State Tax Revenue Generated

Note: 2024 estimates

COST

The Institute did not note administrative costs associated with the exemption.

PUBLIC BENEFIT

The Institute cited the additional funding for education as the associated public benefit. It also noted that research indicates that lower income consumers are significantly more likely to purchase lottery tickets and that the sales taxes have a greater effect on lower income consumers.

Industry, Insurance, and Labor

Contains Recommendations

Secretary of State Grant Administration

Unemployment Insurance Pandemic Response

Contains No Recommendations

Tuition Equalization Grant

Special Tax Deduction for Life Insurance Companies

Performance Audit Division
Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Secretary of State Grant Administration

Requested Information on Help America Vote Act Funds and Compliance

BACKGROUND

The House Appropriations Committee requested this special examination of Help America Vote Act (HAVA) funds. Based on the request, we determined: (1) how much revenue was available to the state from HAVA grants, state matching funds, and interest; (2) how the state spent these HAVA funds; (3) how much of the revenue from these grants remains; and (4) whether HAVA-related grant funds were spent in accordance with state and federal requirements.

The federal Help America Vote Act of 2002 established grant programs to distribute election funds to states. Since 2018, Congress appropriated election funds for states through three new grant programs: the 2018 Election Security grant, the 2020 Election Security grant, and the 2020 Coronavirus Aid, Relief, and Economic Stability Act (CARES) supplement.

The Office of the Secretary of State (SOS) administers federal election funds awarded to the state. SOS is responsible for determining how to spend grant funds, submitting required federal reports, and ensuring compliance with applicable state and federal laws and regulations regarding the use of these funds. SOS received $34.8 million from HAVA grants between fiscal years 2018 and 2021.

KEY RECOMMENDATIONS

To implement an adequate system of internal controls related to contracting and procurement, SOS should:

- Participate in and use the statewide p-card program as required and discontinue the use of outside credit cards.
- Avoid transacting business with its employees.
- Become knowledgeable of and implement processes that comply with state procurement policy and federal grant documentation requirements.

KEY FINDINGS

SOS spent HAVA funds on goods and services that were allowed, with few exceptions in the sample we reviewed. However, nearly half of the transactions we examined had at least one non-compliance issue related to state procurement requirements and thus did not meet federal requirements.

SOS spent grant funds for purchases that were generally allowed by the HAVA grants reviewed.

- Between fiscal years 2018 and 2021, SOS received $34.8 million from Section 251 funds, 2018 and 2020 Election Security grants, and the 2020 CARES Act supplement. SOS also received $135,513 from interest earned on these funds.
- SOS has spent nearly 90% ($30.4 million) as of June 30, 2021. Most expenditures were from the 2020 CARES Act supplement and the 2018 Election Security grants. SOS's expenditures were for goods and services generally allowed under the grants. The largest percentage of HAVA expenditures (33% or $10.1 million) was dedicated to communications and media services.
- Nearly $7.0 million in HAVA grant revenue, including $1.9 from carryover, remains as of June 30, 2021—primarily from Title II Funding and 2020 Election Security grants. This revenue will remain available until expended. All revenue available from the 2018 Election Security and the 2020 CARES Act grants has been expended.

Almost half of the grant transactions examined had at least one noncompliance issue related to state purchasing requirements.

- Instead of participating in the state p-card program utilized by approximately 100 other state entities, SOS personnel acquired and routinely used a separate credit card. In addition, SOS had a practice of reimbursing employees for agency business expenses (nontravel) paid with personal credit cards. Unlike the state p-card program, outside credit cards are not subject to the same system of controls used across state government to detect and deter fraud, misuse, and abuse.
- Rather than using the available mandatory statewide contract, SOS independently contracted with vendors for public relations and information technology services without seeking a waiver as required.
- SOS hired its COO/CFO as a contractor to provide consulting services (including services related to the implementation of the new statewide voting system) while they were still an employee, which may not comply with state law. The requirements for competitive bidding and emergency procurements were not followed.

Noncompliance with state purchasing requirements, unsupported costs, and unallocable costs raise questions about federal grant compliance.

- SOS did not provide adequate documentation as required for federal grants for 12% of the transactions in our sample. For most transactions, SOS provided documentation but it did not contain the necessary detail to determine whether the items purchased were consistent with allowed grant uses.

Secretary of State Grant Administration

Final Status Pending – Follow-Up Review will be completed in 2024

Finding 1: Between fiscal years 2018 and 2021, SOS received $34.8 million from HAVA grants awarded to the state and $135,513 from interest earned on these funds.

No recommendations

Finding 2: Between fiscal years 2018 and 2021, SOS spent approximately $30.4 million from the HAVA grants reviewed.

No recommendations

Finding 3: Nearly $6.5 million in HAVA grant revenue remains as of June 30, 2021—primarily from the Title II Funding and the 2020 Election Security grants.

No recommendations

Finding 4: While SOS spent HAVA funds on goods and services that were allowed, the method by which SOS purchased the goods and services did not always comply with state procurement guidance and/or state law.

SOS should discontinue the use of credit cards outside of the state p-card program, including the use of: a. Personal credit cards for non-travel regular operating expenses for SOS, and b. Agency credit cards from a non-approved financial institution.	Fully Implemented
SOS should participate in and comply with the statewide p-card program as required.	Fully Implemented
SOS should immediately comply with state purchasing requirements, which include but are not limited to: a. SOS should request waivers from mandatory statewide contracts as required. b. SOS should use a purchase order for all nonexempt purchases greater than $2,500. c. Agency credit cards from a non-approved financial institution.	Fully Implemented
To avoid conflict of interest, SOS should not transact business with its employees.	Fully Implemented

Finding 5: SOS should take steps to improve its compliance with federal grant requirements.

SOS should maintain documentation that describes the goods or services purchased and the reason for the expense.	Fully Implemented
SOS should limit the use of HAVA funds to expenditures that are necessary for the administration of activities funded under the applicable grant.	Fully Implemented
SOS should submit required progress and financial reports for each active grant by the required due date.	Fully Implemented
SOS should record equipment associated with the statewide voting system in the inventory system and conduct an inventory every two years.	Partially Implemented

Performance Audit Division
Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

GDOL's Unemployment Insurance Pandemic Response

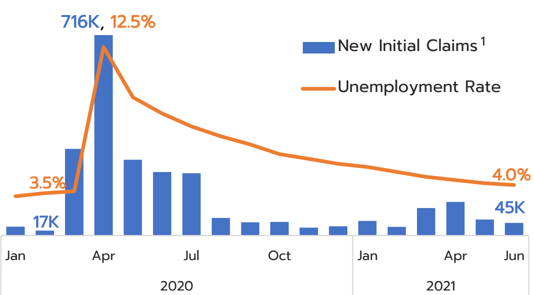
Many factors contributed to payment delays

BACKGROUND

Unemployment insurance (UI) provides payments to eligible individuals who have become unemployed through no fault of their own. The program is administered by the Georgia Department of Labor and overseen by the U.S. Department of Labor.

During the COVID-19 pandemic, Georgia's unemployment rate increased to 12.5%, compared to a previous rate of 3.5%. UI claims also increased significantly.

The House and Senate Appropriations Committees requested an evaluation of the timeliness of UI benefits paid during the COVID-19 pandemic, as well as staff hiring and training.



[1] Estimated new initial claims, excludes federal pandemic programs

KEY RECOMMENDATIONS

To prepare for future increases in claim volume, GDOL should:

- Incorporate lessons learned from the pandemic into a formal recession plan.

To better manage the UI program, GDOL should:

- Collect additional, reliable information to manage the UI program, particularly related to customer service.

To improve its service to claimants, GDOL should:

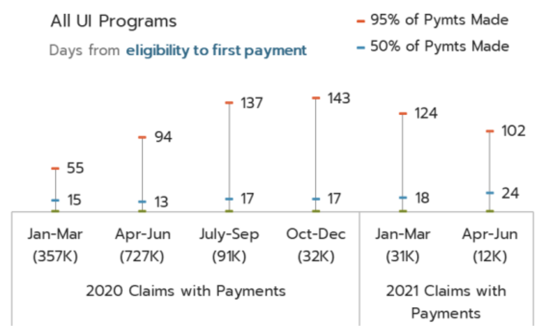
- Increase automation of its claims processing.
- Improve its claimant communications regarding claim status and document submission.
- Identify ways to make the application process clearer.

KEY FINDINGS

During the COVID-19 pandemic, claims for UI benefits increased significantly, and many claimants experienced lengthy delays in receiving payments. While the unprecedented volume of claims made some delays inevitable, the Georgia Department of Labor's (GDOL) claims management and customer service systems were also factors. GDOL should continue planned improvements to both and create a formal recession plan.

Many claimants experienced significant delays in their UI benefit payments.

- Half of UI payments were made in less than three weeks of the first week the claimant was eligible for benefits. However, approximately 37,400 initial payments were made more than 120 days after initial eligibility.



- Some delays were inevitable due to the unprecedented volume of claims—which spiked to approximately 716,000 within two months and remained elevated for more than a year.

Delays were driven by several underlying causes.

- GDOL's claims processing requires significant staff involvement, with limited automation. GDOL increased hours devoted to UI by diverting staff, encouraging overtime, and hiring contractors and retirees.
- The claim surge included many first-time filers who were unfamiliar with UI, and errors were more likely because key communications were unclear and claimants could not reach GDOL for assistance.
- Other factors contributing to delays included the implementation of new federal benefit programs, system controls to prevent fraud, and some employers' untimely certification of unemployment.

GDOL was unable to adequately respond to claimants' customer service needs.

- Call volume increased significantly during the pandemic; however, only 4% of calls were answered; most were not connected due to limited phone system capacity.
- Inquiries were directed to staff in the career centers and other GDOL divisions, who also assisted with claims. GDOL expanded its dedicated customer service unit to 16 staff in April 2021 but did not hire contractors for customer service.

GDOL needs better data to manage the UI program, particularly when claims increase.

- While GDOL has significant information in its claims management system, it does not produce sufficient reporting to help evaluate performance, identify areas for improvement, or set priorities.
- GDOL does not have adequate systems to track call volume or typical customer service performance metrics, or to ensure claimant inquiries have been addressed.

Full report available at: https://www.audits2.ga.gov/reports/summaries/unemployment-insurance-pandemic-response/

Unemployment Insurance

Final Status Pending – Follow-Up Review will be completed in 2024

Finding 1: Benefit payment delays were driven by unprecedented volume, limited automation of claims processing, and other factors.	
No recommendations	
Finding 2: GDOL lacks information that would assist UI program management with planning and decision making.	
To manage the UI program more systematically, GDOL should collect additional information and ensure all information is reliable and accurate.	Partially Implemented
Finding 3: A documented plan would help GDOL better manage future increases in claim volume.	
To prepare for future increases in claim volume, GDOL should create a formal recession plan that considers lessons learned during the pandemic.	Not Implemented
Finding 4: While GDOL has made key updates to its claims management system, the system could better facilitate claims processing and communication with claimants.	
GDOL should increase automation of its claims processing.	Partially Implemented
GDOL should continue to improve its communications with claimants through the portal—particularly with regard to status updates and document submission.	Partially Implemented
The General Assembly should consider additional funding to upgrade/modernize GDOL's UI systems. The General Assembly could require a list of planned projects and periodic status reports for the additional funds provided, similar to oversight reports found in O.C.G.A. 50-25-7.1	Not Implemented[1]
Finding 5: The number of GDOL employees has declined over time, resulting in fewer employees to address the surge in claims.	
No recommendations	
Finding 6: GDOL's staffing actions to address the claims increase were similar to strategies used by other state UI programs.	
GDOL should work with the General Assembly to create an exception to the retiree work limit during periods of high unemployment. In future situations like the public health emergency, GDOL could work with the Office of the Governor to include a waiver in any related executive order.	Not Implemented
Finding 7: GDOL's staffing actions to address the claims increase were similar to strategies used by other state UI programs.	
GDOL should identify and implement ways to make the application process clearer for claimants (e.g., clarifying language for questions, verification prompts for illogical answers).	Partially Implemented
GDOL should provide plain language explanations in its determination letters.	Partially Implemented

[1] GDOL has indicated they are using federal funds to update the system.

GDOL should use surveys or focus groups to test the clarity of language with claimants and/or employers.	Partially Implemented
When changes are made to processes, GDOL should ensure all communications are updated so claimants understand what steps they should follow.	Partially Implemented
Finding 8: GDOL adjusted policies to reduce claims processing times but could have considered additional steps.	
GDOL should include language in the determination letters to notify claimants of the option to request a redetermination or reconsideration.	Not Implemented
Finding 9: GDOL's requirement that employers file claims on behalf of certain claimants led to faster processing of many claims but to delays or overpayments in some cases.	
No recommendations	
Finding 10: Career center closures allowed staff to focus on claims processing but increased challenges for claimants.	
No recommendations	
Finding 11: The need for claimant assistance grew exponentially during the pandemic, but many claimants were unable to obtain a response.	
No recommendations	
Finding 12: GDOL does not have systems in place to track claimant inquiries, which leads to unfulfilled requests, delays in claims processing, and additional inquiries.	
GDOL should develop a system to track which contacts have received a response to ensure timely responses and to minimize duplication of effort.	Fully Implemented
GDOL should centralize communications to improve efficiency.	Fully Implemented

Performance Audit Division

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Tuition Equalization Grant

Requested Information on the Grant's Purpose and Impact

BACKGROUND

The Senate Appropriations Committee requested this special examination of the Tuition Equalization Grant (TEG). Based on the request, we reviewed trends in TEG enrollment, fields of study, and education outcomes. We also evaluated TEG's impact on student costs, as well as employment outcomes for TEG recipients. Finally, we reviewed TEG's provisions in comparison to other financial aid programs in supporting workforce needs.

TEG was created in 1971 to provide financial assistance to Georgia residents attending in-state, independent institutions. Recipients must be enrolled full-time at an approved school but do not have to meet requirements related to merit or financial need. The current annual award is $900.

State law and regulation set requirements, such as accreditation, for approved institutions. These institutions may be nonproprietary (nonprofit) or proprietary (for-profit), although 2011 legislation limited the proprietary institutions to those that were eligible at the time. For the 2022-2023 academic year, 33 schools are approved for TEG, 31 (94%) of which are nonproprietary.

TEG is administered by the Georgia Student Finance Authority. In the 2021-2022 academic year, approximately 24,400 students received the award, with expenditures totaling $18.1 million.

KEY RECOMMENDATIONS

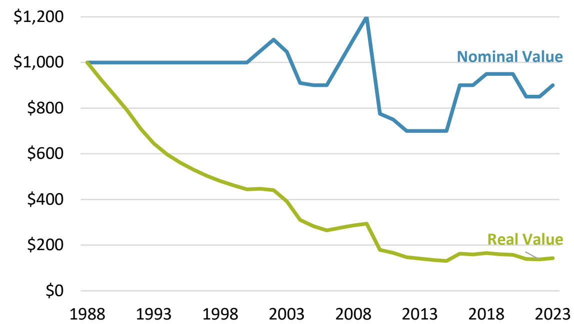
This report is intended to answer questions posed by the Senate Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

The Tuition Equalization Grant (TEG) does not cover a significant portion of student costs at eligible postsecondary institutions, and the annual award amount is smaller than similar grants in other states. The number of TEG recipients has declined; however, most are employed in Georgia after receiving the grant.

TEG covers a small portion of costs on its own but is frequently part of a larger financial aid package.

- TEG's impact on costs fell as tuition increased. Nominally, the current $900 annual award is 10% lower than in the late 1980s, but its real value has fallen 86% once tuition increases are considered—from $1,000 to $143.
- TEG currently covers 4.1% of tuition and fees on average, compared to 31% when the program began. TEG covers an average of 2.6% of the cost of attendance when room and board are factored in.



- Most TEG recipients also receive other financial aid, including other state aid, institutional aid, and federal aid. For example, during the 2021-2022 academic year, 58% of TEG recipients received the merit-based HOPE or Zell Miller Scholarship.
- The TEG award is smaller than similar grants for private college students in other southern states. However, when state-funded scholarships are considered, Georgia's combined award amount (TEG plus HOPE) is in line with other states.

The number of TEG recipients has declined over time.

- Since the 2009-2010 academic year, the number of TEG recipients declined by 33%.
- Lower overall enrollment at TEG-eligible institutions was the largest single factor contributing to the decline. Other factors included schools that closed or lost eligibility (resulting in fewer TEG-eligible institutions), more students attending part-time (since TEG requires full-time enrollment), and students transferring to non-TEG eligible schools (e.g., University System of Georgia).

Like Georgia, other states offer financial aid to promote workforce development in specific fields. However, TEG-like grants are not used for this purpose.

- Other southern states with grants for private college students do not restrict them to certain fields of study. However, all of the states we reviewed do offer a variety of other financial aid programs that target specific majors or occupations.
- These financial aid programs are typically service cancelable loans or scholarships that require the recipient to work in the state and in the targeted field. They most frequently target occupations in K-12 education, healthcare, or the military.
- TEG recipients work in a variety of industries in Georgia, including healthcare and social assistance, retail trade, administrative and support services, and educational services. Nearly 90% of TEG recipients were employed in Georgia after receiving their last TEG award, and nearly 75% remained employed in Georgia after 10 years.

DOAA
Georgia Department
of Audits & Accounts

December 2023

Tax Incentive Evaluation: Special Tax Deduction for Life Insurance Companies

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia imposes a state premium tax of 2.25% but, unlike most states, also allows local governments to collect premium taxes. O.C.G.A. § 33-8-8.1 allows life insurance companies to deduct their 1% local tax amount from the premium taxes owed to the state. The purpose of the special deduction is not stated but is presumably to reduce the cost of doing business for these companies.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

To determine the economic activity attributable to the special tax deduction, the Institute estimated the difference between the current premiums and the premiums expected if the deduction did not exist and higher prices reduced demand for policies.

As noted on the right, the Institute estimated that the deduction results in almost 1,200 jobs and a contribution of nearly $160 million to the state economy.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 5,836 jobs and $289.9 million in value added to the economy.

As noted above, the purpose of this special deduction may not be to spur economic development but to keep the total premium tax comparable to rates charged by other states.

1,177 Jobs

$159.6M Value Added

$88.6M Labor Income

$286.8M Economic Output

Note: Economic activity attributable to the tax deduction

REVENUE

The deduction is estimated to increase from $217.2 million in FY 2023 to $263.5 million in FY 2028. The resulting economic activity was estimated to bring in $8.8 million in state revenue in FY 2023, with the amount growing to $10.7 million by FY 2028.

Finally, the Institute estimated that the alternate use of the revenue would have generated $12.7 million in state revenue in FY 2023.

$217.2M State Tax Expenditure

$8.8M State Revenue Generated

Note: 2023 estimates

COST

The Institute did not calculate administrative costs but noted that the deduction (compared to a lower rate) adds complexity to the taxation system. Complexity adds costs to both payers and Office of the Commissioner of Insurance.

PUBLIC BENEFIT

The Institute noted that lower premium taxes likely decrease the costs of life insurance policies and that higher costs are generally borne by new policy holders without "locked in" premiums.

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Full report available at: Special Tax Deduction for Life Insurance Companies

Justice

Contains Recommendations

DJJ Incident Response and Management

Performance Audit Division
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DJJ Incident Response and Management

Problems Identified in Various Incident Response Processes

BACKGROUND

Established in 1992, the Georgia Department of Juvenile Justice (DJJ) provides supervision, detention, and rehabilitation of youth offenders committed to the state's custody. DJJ is responsible for ensuring youth's safety and protection of youth rights within its secure facilities.

DJJ currently operates 25 secure facilities across the state—19 Regional Youth Detention Centers (short-term facilities) and 6 Youth Development Centers (long-term facilities). In fiscal year 2022, DJJ had an average daily population of 969 youth in secure facilities with a total bed capacity of nearly 1,800. Secure facilities accounted for 68% ($229 million) of DJJ's $335 million expenditures in fiscal year 2022.

KEY RECOMMENDATIONS

To improve data collection and analysis and provide additional management oversight, DJJ should:

- Centrally track grievance data and implement controls to ensure isolation and disciplinary data are complete and accurate
- Routinely review data to identify potential problems, such as overuse of isolation
- Improve oversight of the employee discipline process to ensure appropriate action is always taken with substantiated allegations
- Conduct facility audits more frequently and hold facilities accountable for addressing internal audit findings

To strengthen processes and policies and ensure policies are executed as intended, DJJ should:

- Establish maximum isolation times, streamline the administrative requirements for imposing youth discipline, and clarify grievance resolution procedures
- Maintain adequate staffing and enhance training

KEY FINDINGS

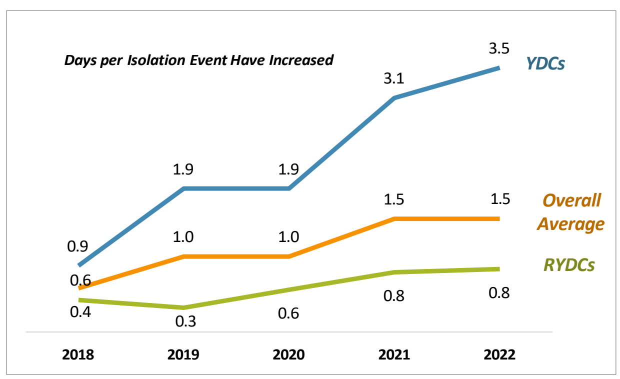
While the number of incidents decreased between fiscal years 2018 and 2022, we identified issues with agency responses to the incidents that did occur. Issues related to incident reporting, isolation, discipline, and investigations can impact DJJ's ability to ensure a safe and secure environment and hold youth and staff accountable for their actions.

Improved data and additional oversight are needed in multiple areas.

- Youth grievances are not centrally tracked and therefore cannot be easily monitored to ensure timely and appropriate resolutions. Furthermore, systemic issues and problems involving particular facilities and staff may be missed.
- Isolation data and youth disciplinary data are centrally tracked, but we identified limitations in both data sets. For example, isolation usage is under-reported, and the data is not tracked in a way that allows for easy analysis of duration and frequency or comparisons among facilities.
- Internal audits, which serve a valuable monitoring function, are not conducted as frequently as required and identified issues are often not corrected.

Policies and processes align with best practices in some respects, but we identified weaknesses.

- While DJJ policies related to grievances, isolation, and discipline align with many best practices, we identified some weaknesses in how the policies and processes are designed. For example, DJJ lacks a maximum time for isolation, and isolation duration has increased since 2018.



Staffing, training, and culture impact compliance with policies.

- Nearly 40% of survey respondents indicated that incidents are not always reported for reasons including lack of consequences for those involved, unawareness of reporting requirements, and fear of retaliation from other staff.
- While most investigations are completed in a timely manner, 41% (122 of 294) of those related to sexual abuse and sexual harassment in fiscal years 2020-2022 were not completed within DJJ's 30-day goal.

Full report available at: https://www.audits2.ga.gov/reports/summaries/djj-incident-response/

DJJ Incident Response and Management

Final Status Pending – Follow-Up Review will be completed in 2025

Finding 1: DJJ should resolve grievances in a timely and appropriate manner and track submissions to identify potential issues.	
DJJ should improve protocols to ensure the regional administrators' QAR reviews are conducted thoroughly and consistently.	Status Pending
Finding 2: DJJ should better ensure that facilities consistently adhere to incident reporting requirements and timelines.	
DJJ should better ensure that facilities consistently meet all SIR requirements and evaluate whether additional staff are resources are necessary to do so.	Status Pending
DJJ should continue to expand strategies that encourage a culture of accountability, such as periodically assessing facility culture, recognizing positive behaviors, ensuring staff can access advice and assistance with any concerns, and consistently taking action when staff fail to report known incidents.	Status Pending
DJJ should provide additional training on reporting requirements to ensure incidents are properly reported with complete paperwork.	Status Pending
DJJ should improve the quarterly regional administrator reviews and SIR monitoring tool to ensure problems are identified and corrected.	Status Pending
Finding 3: DJJ should improve controls to ensure isolation is utilized appropriately.	
DJJ should require staff to record the specific reason for placing a youth in isolation and extending the isolation period in the data.	Status Pending
DJJ should revise the approval continuum to clarify procedures and ensure management is fully informed of isolation duration. As part of this effort, DJJ should continue plans to integrate the approval continuum with isolation alerts to automate this process and require a response (approval or denial) by the designated authorizer.	Status Pending
DJJ should establish maximum time limits for isolation and requirements for any exceptions allowed.	Status Pending
DJJ should implement additional management controls to ensure that isolation events are always entered into the data.	Status Pending
DJJ should improve data tracking methods to ensure that the data is reliable and can be easily analyzed to allow for comparisons across facilities or identification of trends.	Status Pending
DJJ should implement a routine management review of isolation data to ensure consistency and accuracy and to identify any issues (e.g., isolation length, use as a discipline).	Status Pending
DJJ should establish procedures to ensure that regional administrators review isolation practices and document findings.	Status Pending
DJJ should enhance staff training and provide clear directions for utilizing isolation appropriately.	Status Pending
Finding 4: DJJ should modify the disciplinary process to improve accountability, consistency, and efficiency.	
DJJ should review the disciplinary process and identify areas to ease requirements, streamline, and reduce paperwork.	Status Pending
DJJ should ensure that facilities maintain sufficient staffing to execute the disciplinary process and that staff receive adequate training.	Status Pending

DJJ should establish additional protocols for integrating PBIS into the disciplinary process.	Status Pending
DJJ should improve management oversight of the disciplinary process, sanctioning, and PBIS implementation. For example, DJJ management should: a) Routinely monitor the number of incidents resulting in discipline across facilities; b) Begin tracking disciplinary reports that are dismissed for administrative reasons; and c) Require staff to enter sufficient details regarding sanctions (e.g., hours of early bedtime, description of "other" sanctions) and routinely review the sanctions for consistency and compliance with policy.	Status Pending
Finding 5: DJJ management should better ensure that investigations are conducted in a timely manner and that appropriate action is taken when allegations against staff are substantiated.	
DJJ should improve its process to meet timeliness requirements, particularly for PREA investigations. For example, improvements could involve additional tracking of milestone dates, review of trend data to identify issues (e.g., with specific investigators or facilities), and a more formal approval process for investigations exceeding 30 days.	Status Pending
DJJ should improve management controls (e.g., the notification process) to ensure all incidents requiring investigation are assigned for investigation.	Status Pending
DJJ should ensure the PREA unit is adequately staffed to manage their full caseloads.	Status Pending
DJJ management should implement additional measures to better ensure that staff are appropriately disciplined when allegations are substantiated. Measures could include more centralized tracking and oversight and additional training on disciplinary policies for facility directors.	Status Pending
Finding 6: DJJ has not been auditing facilities as frequently as agency policy requires, and issues often remain unaddressed following the audits.	
OCI should track and monitor relevant audit milestone dates to ensure they are being met.	Status Pending
DJJ should ensure the audit tool is consistent with best practices regarding summaries of key findings and audit work documentation.	Status Pending
DJJ should audit more facilities each year to comply with policy requirements and ensure that serious problems are identified. To achieve this, DJJ may need to evaluate whether additional resources are necessary or whether the process can be conducted more efficiently.	Status Pending
DJJ should develop mechanisms to ensure that facilities address internal audit findings. For example, DJJ could implement more specific protocols for CAP submittal and review and track facility progress.	Status Pending
OCI should improve communication of the audit process and audit results with facility directors.	Status Pending
DJJ should continue to update and improve the auditor training guide and ensure its dissemination and use by auditors.	Status Pending
Finding 7: While the number of incidents in DJJ facilities have decreased in the last five years, we identified issues with DJJ's response to the incidents that did occur.	
No recommendations	

Finding 8: DJJ should resolve grievances in a timely and appropriate manner and track submissions to identify potential issues.	
DJJ should clarify grievance policies and provide additional training to all involved staff on issues including emergency grievances, grievances submitted on weekends, grievance responses, and the appeals process.	Status Pending
DJJ should explore a mechanism to provide youth a copy of their grievance for proof of submission (e.g., carbon copy, scanning grievances directly into a system, kiosk submission).	Status Pending
DJJ should electronically track grievances for monitoring purposes. Central office management could review data to 1) ensure compliance with timeliness requirements; 2) ensure that more serious grievances are documented in special incident reports and fully investigated if warranted; 3) identify trends across facilities; 4) identify potential problems with specific facilities and staff; and 5) ensure that resolutions adequately address the problem (i.e., not "discussion with youth").	Status Pending
Finding 9: DJJ should better ensure that facilities consistently adhere to incident reporting requirements and timelines.	
DJJ should provide additional training on reporting requirements to ensure incidents are properly reported with complete paperwork.	Status Pending

Public Safety and Law Enforcement

Contains Recommendations

Cost of Training DPS Troopers

Performance Audit Division

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Cost of Training DPS Troopers

Requested Information on the Cost of Trooper Schools

BACKGROUND

The House Appropriations Committee requested this special examination of the cost of Trooper Schools. Based on the request, we reviewed: (1) how much it costs to train state troopers and (2) how expenditures for trooper schools compare to the amounts appropriated specifically for this purpose between fiscal years 2017 and 2021.

Statute establishes the Department of Public Safety's (DPS) Uniform Division, in which members are designated as the "Georgia State Patrol" (GSP). To become a GSP trooper, candidates must successfully complete the application, testing, and interview screening process. Those selected become full-time DPS employees, at the cadet rank, when trooper school begins.

Trooper schools are 34-week programs that are a combination of classroom training, critical skills training, and field training. The first 21 weeks are spent in residence at the Georgia Public Safety Training Center (GPSTC) in Forsyth, Georgia. The next 12 weeks are spent at post locations, where field training is overseen by assigned troopers. The final week is in residence at GPSTC. Attrition rates by class varied from 23% to 69% from 2017 to 2021.

Historically, at least two to three trooper school classes have been held each fiscal year.

KEY RECOMMENDATIONS

Should the General Assembly wish to track and account for trooper school expenditures separately from other Field Offices and Services (Field Ops) expenditures, it could establish a separate budgetary program for trooper schools and define the related costs to ensure revenues and expenditures are accounted for at this level.

KEY FINDINGS

Because trooper schools are not a separate budget program within DPS, it is not possible to isolate exactly how much was spent to support trooper schools. However, we constructed cost estimates by trooper, trooper school, and year for purposes of this request. Between fiscal years 2017-2021 the Georgia Department of Public Safety (DPS) expended an estimated average of $7.8 million annually to recruit, screen, and train troopers.

From fiscal year 2017-2021, DPS expended an estimated average of $7.8 million per year, or $3.3 million per graduating class, to train new state troopers.

- Between fiscal years 2017 and 2021, we estimate that DPS expended between $6.3 and $9.4 million per year to recruit, screen, and train troopers—an average of $7.8 million per year. The majority of costs (70%) were incurred during training.
- The estimated "weighted" cost per graduate is $125,000. This estimate includes costs DPS incurs for all candidates and cadets—regardless of whether they complete the process. The estimated weighted cost per trooper school is $3.3 million.
- Costs incurred for individuals as they move through the various steps in the process are included in the estimated weighted cost of a successful graduate. Estimated costs in each phase of the process were driven by salary and benefits allocated for the cadets and DPS staff.

Estimated "Weighted" Cost Per Graduate

Recruitment $21K + Application & Screening $16K + Training $88K = $125,000

Estimated "Weighted" Cost for One Complete Trooper School

Cost per Graduate $125K x Average Number of Graduates per Class 26 = $3.3 Million

In fiscal years 2017 to 2021, we estimate that DPS spent the annual line-item appropriation designated for trooper schools, plus funds from the Field Ops budget to recruit and train troopers.

- The estimated $7.8 million spent each year to recruit and train troopers is more than the General Assembly's annual line-item appropriations for trooper schools. Each line-item appropriation has increased DPS's annual operating budget (rather than serving as a one-time allocation). However, under Program Based Budgeting, once the prior years' line-item increases are absorbed into the larger Field Ops budget, DPS can spend those funds on trooper schools and other expenses related to the Field Ops program.
- Over the period reviewed, line-item increases have added approximately $10.7 million to DPS's Field Officers and Services (Field Ops) program budget, of which trooper schools are a part.

Full report available at: https://www.audits.ga.gov/PAO/21-16_Trooper_Schools_Cost.html

DPS Trooper Training

Final Status Pending - Follow-Up Review will be completed in 2024

Finding 1: From fiscal year 2017 to 2021, DPS expended an estimated average of $7.8 million per year, or $3.3 million per graduating class, to train new state troopers.

No recommendations

Finding 2: In fiscal years 2017 to 2021, we estimate that DPS spent the annual line-item appropriation designated for trooper schools, plus funds from the Field Ops budget to recruit and train troopers.

Should the General Assembly wish to track and account for trooper school expenditures separately from other Field Ops expenditures, it could establish a separate budgetary program for trooper schools and define the related costs to ensure revenues and expenditures are accounted for at this level.	Status Pending

Transportation and Motor Vehicles

Other Reports

Motor Fuel Funds

Performance Audit Division

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Motor Fuel Funds

Slowed growth in motor fuel funds did not impact current transportation projects

BACKGROUND

This special examination of Motor Fuel Funds was conducted at the request of the House Appropriations Committee.

Motor Fuel Taxes

The state imposes an excise tax on motor fuel in the state. The excise tax applies to gasoline, fuel oils (diesel), liquid petroleum gas, aviation, and special fuel. The current rate is $0.287 per gallon for gasoline and $0.322 per gallon for diesel.

Tax Administration

The Department of Revenue (DOR) is responsible for performing the functions necessary to administer motor fuel taxes, including licensing and collecting payments for motor fuel taxes. An average of $1.8 billion has been collected from motor fuel taxes annually since fiscal year 2016.

Use of Motor Fuel Funds

Motor fuel funds are primarily appropriated to the Georgia Department of Transportation (GDOT) and must be spent on the construction and maintenance of state roads and bridges. In fiscal year 2020, about $1.9 billion from motor fuel funds were appropriated to GDOT. Motor fuel funds accounted for half of GDOT's total appropriations for fiscal year 2020 and 96% of all state funds. While each GDOT program except Intermodal receives motor fuel funds, Routine Maintenance,

Capital Construction, and Local Maintenance and Improvement Grants received 76% of the amount appropriated to GDOT.

KEY RECOMMENDATIONS

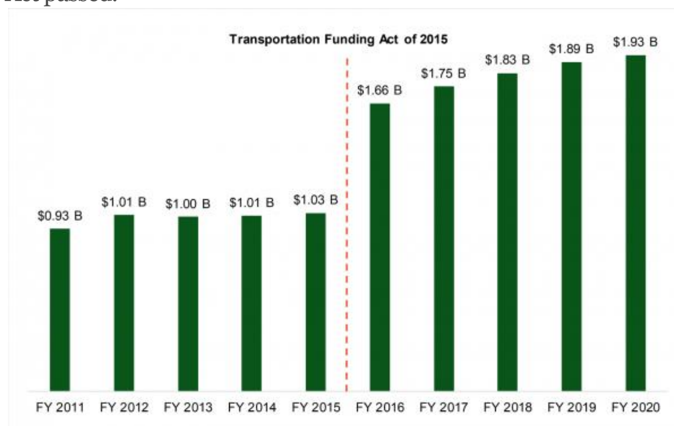
This report is intended to answer questions posed by the House Appropriations Committee. It does not include findings with recommendations.

KEY FINDINGS

While motor fuel revenue and its related appropriations have increased annually over the past five fiscal years, the growth rate has slowed. The slowed growth in motor fuel revenue has not impacted current state transportation projects.

Motor fuel tax revenue growth resulting from the Georgia Transportation Funding Act of 2015 has slowed in recent years.

- In the five years prior to the Georgia Transportation Funding Act of 2015, annual motor fuel tax revenue averaged approximately $1.0 billion, compared to $1.8 billion since the Act passed.



- Motor fuel tax revenue increased annually from almost $1.7 billion in fiscal year 2016 to almost $2.0 billion in fiscal year 2020. About 96% of fiscal year 2020 motor fuel tax revenue was derived from the state excise, while interest accounted for about 4% of total revenue.
- Ideally key findings are included in the report WWF and the creation of this section simply requires pulling the existing key finding statements and converting the primary points in the WWF paragraphs into bullets.

Gasoline and diesel consumption are key drivers of motor fuel tax revenue, which is also affected by the annual tax rate adjustment.

- Factors affecting gasoline and diesel fuel consumption, which comprise nearly all monthly taxable gallons sold, explain changes in motor fuel tax revenue.
- Strong relationships were found between fuel consumption and key factors, including the labor force, transit usage and vehicle miles traveled.
- Between fiscal years 2017 and 2020, adjustments to the state excise tax rate resulted in approximately $228.3 million more revenue than if the state excise tax rate were not adjusted.

Slower growth in motor fuel tax revenue has not significantly impacted current state transportation projects.

- The Georgia Transportation Funding Act of 2015 generated approximately $4 billion in additional revenue, which allowed GDOT to increase the number of funded transportation projects.

In order to maintain budgetary compliance, GDOT's committed funds must be reported in the year in which they are spent. As a result, between 6% and 24% of GDOT's annual appropriations has been reserved.