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

School System Spending

Coin-Operated Amusement Machines Sales Tax Exemption

* Until the follow-up review is completed, recommendation status shown is based on the agency's response and is subject to change.

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:

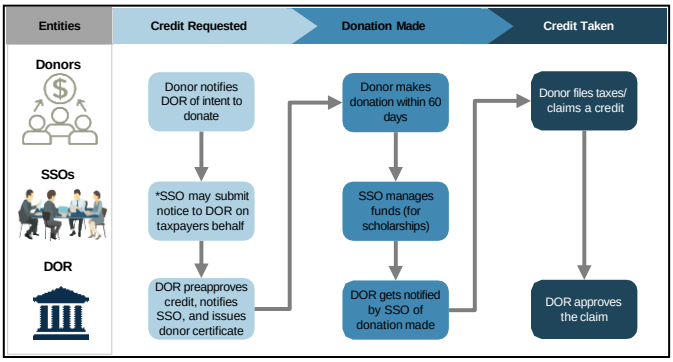
- Develop processes to ensure claimed credits do not exceed the tax liability as appropriate.
- Review SSO compliance audits to ensure required verified information is included and notify SSOs appropriately.
- Work with GaDOE to ensure the active provider list is current.

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

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

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

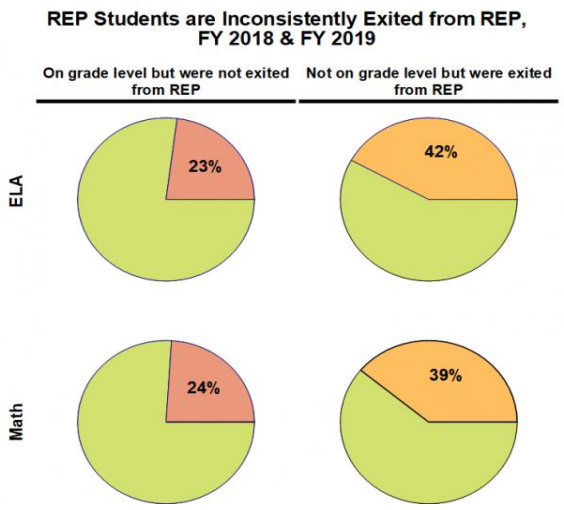
Although the Georgia Department of Education's (GaDOE) Remedial Education Program (REP) has existed for nearly 40 years, its impact on students has only been evaluated once in 2005. With the statewide adoption of system flexibility waivers in fiscal year 2016, school systems have more discretion in how 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.



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

Remedial Education Program
Follow-Up Review Completed April 2023

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

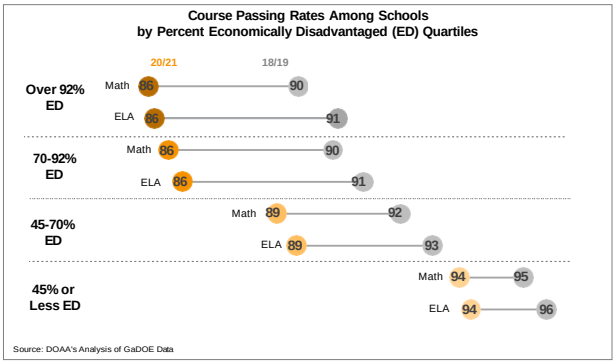
COVID-19 significantly altered the 20-21 school year, as many students continued to learn virtually for part or all of the year. The learning gaps continued to grow and could further compound over time, impacting long- term academic outcomes. To mitigate this risk, GaDOE must ensure that American Rescue 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.

Full report available at: https://www.audits.ga.gov/PAO/21-03_Covid19_Education_Impact.html

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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:

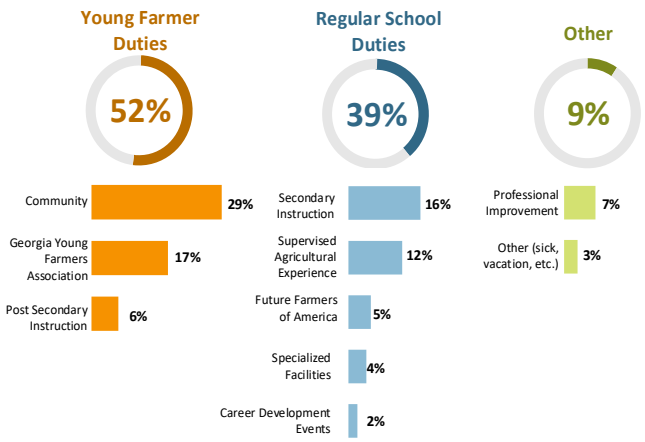
- Take steps to ensure clear, measurable goals exist for the YF program and that performance measures (including outcomes and outputs) and program requirements are tied to the goals.
- Establish a policy clarifying responsibility for monitoring the YF program and ensuring the program is monitored at 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.

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

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Gifted Program

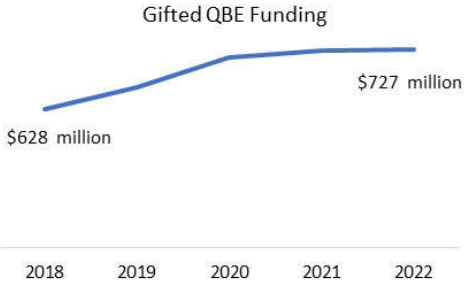
Services are not aligned with funding intent

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:

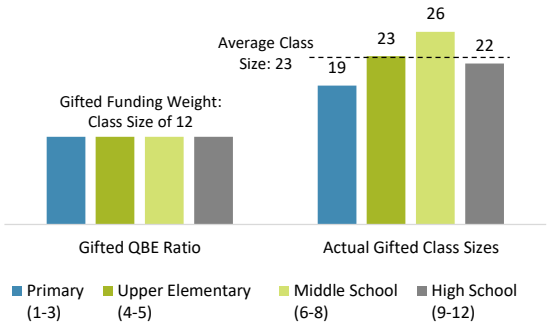
- Implement data controls to ensure Gifted QBE funding is only given for classes that meet state requirements.
- Review class data to determine the extent to which services align with the Gifted program's intent.
- Include additional guidance on identification strategies in its Gifted Resource Manual.

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.

Gifted Program

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

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.	Not Implemented
Even if universal screening is not made a requirement, GaDOE should incorporate guidance into its Gifted Resource Manual.	Partially Implemented
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.	Not Implemented
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.	Partially Implemented
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.	Partially Implemented
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.	Partially Implemented
GaDOE should explore options to address discrepancies between the FTE and Student Class datasets.	Partially Implemented
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.	Not Implemented
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.	Not Implemented
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.	Not Implemented
Finding 5: Most Gifted-eligible students are taking at least one Gifted class.	
No recommendations	

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

Education Standards

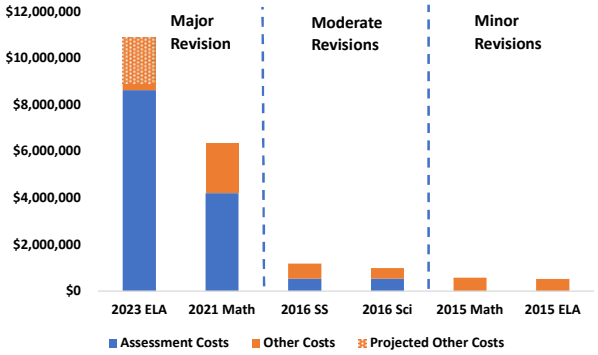
Requested Information on Education Standards

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	

Performance Audit Division
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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.

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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

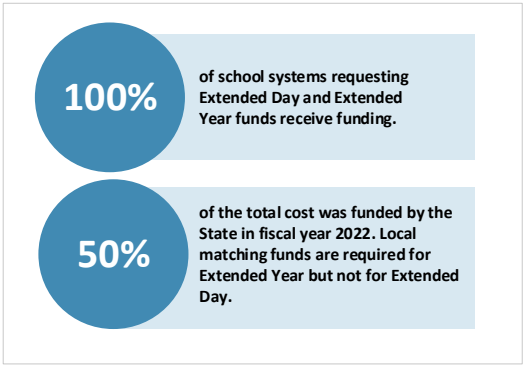
This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

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.



- 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/.

Performance Audit Division
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Georgia Military College

Requested Information on Revenue and Governance Options

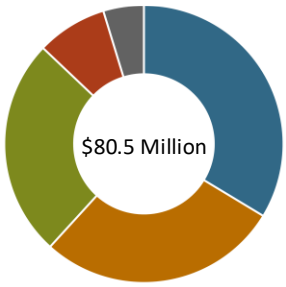
BACKGROUND

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



Net Tuition and Fees	$27.1M
Federal Grants/Contracts	$22.6M
State Grants/Contracts	$20.4M
Auxiliary	$6.6M
Other Sources	$3.8M

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.

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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.

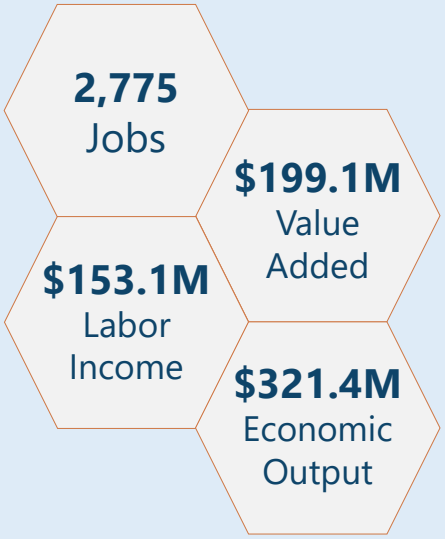
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

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.

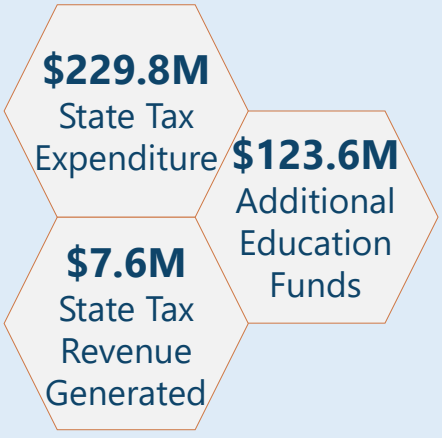


Note: Economic activity attributable to exemption

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.



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.

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Full report available at: Exemption on the Sale of Lottery Tickets

Performance Audit Division
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Teach for America

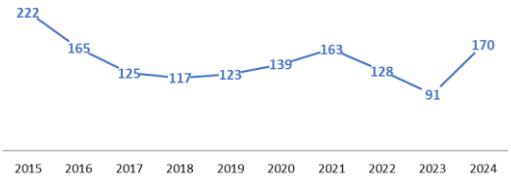
Corps members positively impact student achievement but do not remain in the classroom long term

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).

TFA-Metro Atlanta Corps Members



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.

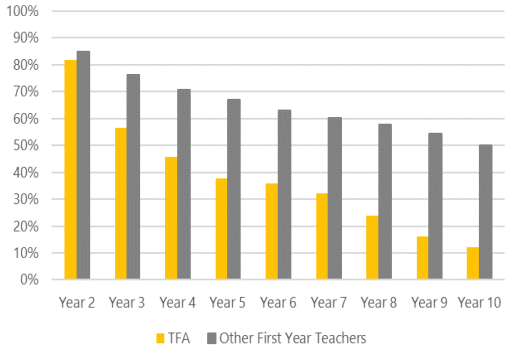
KEY FINDINGS

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.

Average Retention in GA



- 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/

Performance Audit Division
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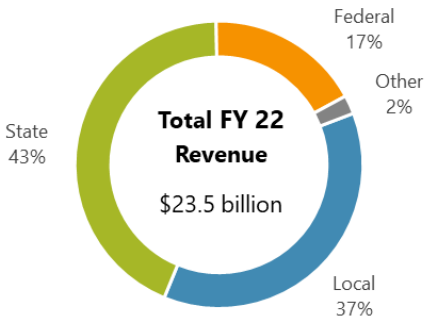
School System Spending

System flexibility permits variation in systems' allocation of resources

BACKGROUND

Georgia's public education is administered by 180 county and city school systems, as well as state charter schools.

According to audited financial statements, county and city systems spent approximately $23.5 billion in fiscal year 2022. Approximately 43% is state funding—primarily through Quality Basic Education (QBE) allotments, which represent the amount needed to fund and provide quality basic education for students. QBE funding is determined by full-time equivalent student counts in 18 instructional programs. Other sources include local property taxes (37%), federal grants (17%), and other funds (2%).



The Georgia Department of Education is largely responsible for overseeing QBE details, including component waivers and additional factors that may impact funding. Since 2008, systems have been permitted to waive certain state laws and rules in return for more accountability toward increased performance. This is known as school system flexibility.

KEY RECOMMENDATIONS

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

KEY FINDINGS

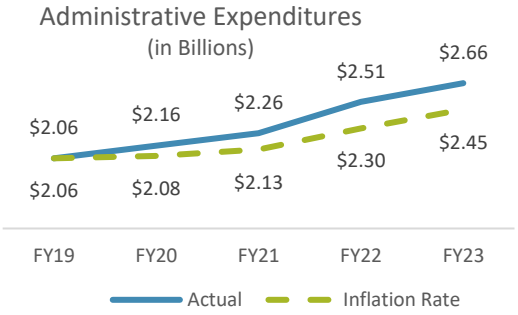
Under school system flexibility, local school systems can choose to spend Quality Basic Education (QBE) funds differently than calculated under the formula. The state does not monitor program expenditures or require standardized reporting at this level. As such, systems' reporting methods vary. Expenditures for direct instruction and administration have increased in recent years, though higher spending does not ensure greater system performance due to other factors such as student demographics.

Total expenditures exceed state QBE amounts, but it was not possible to compare individual QBE programs.

- In academic year 2023, city and county school systems reported spending nearly $15 billion on instruction, nearly twice the $7.8 billion of state funds allotted through the QBE formula. Systems also employed about 119,000 full-time teachers, slightly above the 116,000 earned through QBE.
- A review of the resources dedicated to individual QBE programs (e.g., Kindergarten vs. Kindergarten Early Intervention Program) is not possible using the expenditure data currently available for all 180 systems. Because systems' allocation of resources across QBE programs is not monitored, information collected and reported can vary across the systems.
- An analysis of personnel data was able to confirm that fewer expenditures in certain programs did not necessarily indicate fewer services. For example, systems reported fewer expenditures—but dedicated more teachers—than the QBE amount earned for elementary early intervention programs.

Administrative expenditures have increased since fiscal year 2019, with central office spending outpacing school administration.

- Administrative expenditures grew by nearly 30% from fiscal year 2019-2023. This rate of growth was higher than inflation but consistent with other expenditure types (e.g., instruction, support services).



- Central office spending (i.e., local system administration) increased at a higher rate (43%) than school-level administration (19%).

Higher per pupil spending does not always result in improved system performance due to other contributing factors such as poverty.

- The relationship between school system spending and student outcomes is difficult to assess due to the complexity of variables impacting performance. However, published statistical analyses have found positive association between total spending and student test scores but noted the importance of targeted spending.
- Our analysis of Georgia systems found differences in system performance were more pronounced when examining student demographics versus spending.

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

DOAA
Georgia Department of Audits & Accounts

December 2024

Tax Incentive Evaluation: Coin-Operated Amusement Machines Sales Tax Exemption

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

Georgia provides a sales tax exemption for coin-operated amusement machines (COAMs). While Georgia does not charge sales tax on game play, it does receive revenue in two ways from the Class B machines that allow players to obtain non-cash rewards: 1) the sale of master and location licenses and 2) the receipt of 13% of net revenue from each machine (i.e., revenue after payout to winners). The Georgia Lottery Corporation (GLC) monitors all Class B machines, and the state revenue is directed through GLC to HOPE and Pre-K.

PURPOSE

The purpose of the COAM sales tax exemption is not explicitly stated in law; however, the state already receives a portion of proceeds from COAM revenue without charging sales tax.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

CBAER did not analyze the economic impact of the exemption itself. It instead compared the revenue-sharing model to an alternate model in which the state collects sales taxes on gross COAM revenue in lieu of revenue sharing. While CBAER found that this should result in slightly higher state revenue, it noted that the collection of sales taxes would have administrative costs that reduce the financial benefit.

CBAER found that an alternate model of sales tax collections on gross COAM revenue would have generated $203.6 million in FY24, compared to the actual revenue collection of $146.3 million. If the state had collected and expended the additional $57.3 million, 590 jobs would have been created and $15.4 million would have been added to the state economy. However, the revenue gain—and resulting economic activity—would be lower in future years. The state share of net revenue increased from 10% to 13% late in FY24. Had the state collected 13% for the entire year, the additional revenue obtained through a sales tax model would have been only $10.4 million.

Impact of Replacing Revenue-Sharing with Sales Tax

Employment		Economic Impact		Revenue Impact	
Jobs	Labor Income	Output	Value Added	Additional State Tax (Compared to Actual FY24 Collections)	Additional State Tax (Compared to New 13% Revenue Share)
590	$38.5M	$85.0M	$15.4M	$57.3M	$10.4M

ANCILLARY IMPACTS

CBAER noted that the current model of GLC receiving a share of net revenue has long-term benefits due to the funds being directed to educational program such as HOPE scholarships and Pre-K slots. The HOPE scholarship promotes higher education accessibility, helps build a skilled workforce, and retains talent in the state, benefitting the state economy.

OTHER STATES

CBAER found that among Southeastern states, Georgia is unique with its direct revenue-sharing model and the direct regulation of the machines by a state entity. Most other states reviewed charge sales taxes on receipts, while some may charge a license fee for the machines in addition to, or in lieu of, sales tax.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

CBAER's analysis found that the current sharing of net revenue generates slightly less state revenue than a sales tax; however, the difference is not significant when considering administrative costs and compliance related to sales tax.

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Full report available at: Tax Incentive Evaluation: Coin-Operated Amusement Machines Sales Tax Exemption