



# New School Finance Oversight Laws:

## HB 1164 & SB 472 Plain Language Summary

### Overview

The Georgia General Assembly passed two companion bills in 2026 — House Bill 1164 (HB 1164) and Senate Bill 472 (SB 472) — that substantially expand the Georgia Department of Audits and Accounts’ (DOAA) authority over the financial oversight of local school systems and state charter schools. Together, these laws create new tools to identify fiscal problems earlier, intervene when needed, and hold school officials accountable.

HB 1164 takes effect July 1, 2026. SB 472 took effect upon the governor’s signature. Full statewide implementation of the monitoring program is expected by the 2028–2029 school year.

### Why This Matters

Georgia has over 180 local school districts and numerous state charter schools, all receiving public funds. These laws give DOAA new and expanded tools to:

- Detect fiscal problems in school systems before they become crises
- Provide structured support and intervention to struggling schools
- Hold local school boards and superintendents accountable for financial management
- Protect state funds and ensure they are used appropriately for students

### New Four-Tier Fiscal Monitoring Program

The centerpiece of HB 1164 is a new Progressive Fiscal Monitoring Program that DOAA must develop and begin implementing by July 1, 2026. Full implementation of the program will take place by 2028-2029 school year. Every local school system and state charter school in Georgia will be assessed and assigned to one of four tiers based on its fiscal health:

Tier	What It Means
<b>Tier 1: Fiscally Sound</b>	No signs of fiscal stress. Routine monitoring only — no intervention needed.
<b>Tier 2: Fiscal Watch</b>	Signs of financial stress are present. The school system must follow a state-approved corrective action and fiscal recovery plan. Designated moderate-risk.
<b>Tier 3: Fiscal Distress</b>	Serious financial problems exist. A comprehensive fiscal plan is required, with a specified timeframe to return to stability. Designated high-risk.
<b>Tier 4: Critical Fiscal Emergency</b>	The most severe level. Strict compliance with a state intervention plan is required. Limits apply to advance state funding distributions. Designated high-risk. May trigger school board member suspension under SB 472.

DOAA will assess various categories of fiscal indicators — such as fund balance levels, revenue, cash flow, debt, pension obligations, enrollment trends, and audit findings — to determine each system’s tier. The program will be developed in collaboration with the State Board of Education, the Office of Student Achievement, and the State Charter Schools Commission.



## New Annual Certification Requirement

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Beginning December 31, 2026, every local school system and state charter school must submit two annual certifications to DOAA:

- Audit Readiness Certification — confirming the system is prepared for its annual audit
- Financial Obligations Certification — confirming the system is current (not delinquent) on required payments to the State Health Benefit Plan, the Teachers Retirement System, the Georgia Public School Employees Retirement System, and the Department of Labor

These certifications must be signed by the superintendent (or chief administrator), the chief financial officer, and the board chair. Failure to submit required certifications will result in an automatic high-risk designation.

## Expanded Audit and Investigation Authority

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### Annual Audits Extended to Charter Schools

HB 1164 formally extends DOAA's annual financial and compliance audit responsibility to include state charter schools for the first time. Previously, the audit requirement applied only to local school systems. All moderate-risk and high-risk designated entities will be audited by DOAA regardless of normal audit scheduling.

### New Investigation Authority

Both bills give the state auditor explicit authority to investigate any local school system or state charter school when facts, records, or circumstances indicate possible financial mismanagement or misconduct by any official or employee. This mirrors the state auditor's existing authority over state government agencies and takes effect July 1, 2026.

### CPA Engagement Framework

Given the scale of the expanded audit universe, HB 1164 creates a structured framework allowing DOAA to authorize certified public accountants (CPAs) to conduct required audits. All CPA engagements require written authorization from the state auditor. To protect independence, the same CPA or organization may not perform both the required financial audit and audit readiness services for the same entity without explicit written authorization — limited to exceptional circumstances involving cost or scarcity of local providers. To avoid disrupting arrangements already in place, existing plans may continue for audits scheduled to begin after July 1, 2026, until DOAA issues formal guidance on this provision in fall 2026. DOAA is also exploring financial statement preparation resources and training to support systems through this transition.

## School Board Accountability (SB 472)

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SB 472 adds significant new governance accountability tools that go beyond HB 1164. These provisions apply to local school systems on or after July 1, 2026.

### Board Member Suspension

Under SB 472, the governor may suspend local school board members with pay under two new circumstances:

- A school system is designated by the state auditor as requiring the highest level of monitoring (Tier 4); or
- The state auditor finds financial mismanagement or misconduct following a formal investigation involving the local board, a board member, the school system, or the superintendent

The process works as follows: the state auditor notifies the State Board of Education within three business days. The state board's audit committee reviews and recommends action. The full state board votes, then schedules a hearing. If the state board recommends suspension, the governor may suspend eligible board members (those



serving at the time of the triggering event) and appoint temporary replacements in consultation with the state board.

## Reinstatement Process

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A suspended board member may petition the governor for reinstatement no earlier than 30 days and no later than 60 days after suspension. The governor or a designee will conduct a formal hearing under the Georgia Administrative Procedure Act. If reinstatement is not granted, the suspension becomes permanent removal, and the temporary replacement serves out the remainder of the term.

## Superintendent Contract Accountability (SB 472)

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SB 472 adds mandatory default provisions to local school superintendent employment contracts entered or renewed on or after July 1, 2026. Under these provisions, it is an act of default — allowing the local board to terminate the contract for cause — if:

- The state auditor finds the superintendent engaged in financial mismanagement or misconduct following a formal investigation; or
- The state auditor finds the superintendent knowingly failed or refused to comply with a material requirement of a Tier 4 intervention plan

In addition, HB 1164 limits contract extensions to no more than 12 months at any time a school system is designated as high-risk. Both requirements apply together for superintendents in high-risk systems.

## Cap on Advance State Funding Distributions (SB 472)

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SB 472 places a new limit on the amount of state Quality Basic Education (QBE) funds that can be distributed to local school systems in advance of normal periodic allotments. The aggregate of advance distributions may not exceed 50 percent of the local unit's total state allotted funds from the preceding fiscal year.

A school system may request an exception above the 50 percent cap only if:

- The state auditor provides a written opinion that the advance distribution is necessary and appropriate, and
- DOAA develops a monitoring and intervention plan (in consultation with the Department of Education and the local unit), and
- The local board adopts a resolution committing to strict compliance with the plan within 30 days

The State Board of Education may not authorize an advance distribution above the cap without a written recommendation from the state auditor. The monitoring plan remains in effect until the state auditor concludes it in writing.



## Key Timelines at a Glance

When	What Happens	Who Is Affected
Upon governor approval of SB 472 (May 2026)	SB 472 general provisions take effect; investigation authority active	DOAA, all school systems
July 1, 2026	HB 1164 takes effect; DOAA begins monitoring program; expanded audit universe active; investigation authority active	All local school systems and state charter schools
July 1, 2026	Board suspension and superintendent default contract provisions apply	Local boards and superintendents
December 31, 2026	First annual certification deadline	All local school systems and state charter schools
2028-2029 school year	Full statewide monitoring program implementation	All local school systems and state charter schools

## How HB 1164 and SB 472 Work Together

HB 1164 builds the foundation: it creates the monitoring program, establishes audit authority over charter schools, sets up the annual certification system, and gives the state auditor investigation authority over school systems.

SB 472 adds consequences and accountability: it uses the monitoring tiers and investigation findings from HB 1164 to trigger board member suspension, superintendent contract defaults, and limits on advance state funding. The two laws are designed to work together as a comprehensive fiscal oversight framework.

### Questions?

For more information, please contact:

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