



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 26, 2026

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
Senate Bill 498 (LC 49 2637)

Dear Chairman Hufstetler:

This bill establishes the Georgia Charter School Facilities Authority (GCSFA) to provide charter schools with revolving loan funds to build, renovate, or repair educational facilities. Specifically, the bill applies to "qualified charter school organizations" (as defined in current law) and limits the duration of loans to five years or the remaining length of an organization's current charter agreement (whichever is shorter). Loans would cover up to 20% of the cost (or a maximum of \$2 million) of a new project, while renovations and smaller modernization projects would receive loans of up to \$200,000. Additionally, the bill amends existing law to allow the Georgia State Financing and Investment Commission (GSFIC) to issue general obligation bonds specifically intended for loans to charter school facilities. While the bill assigns the GCSFA to the Georgia Department of Education (GaDOE) for administrative purposes, the new entity would be an independent public corporation.

Although the Georgia Constitution allows general obligation (GO) bonds for educational facilities and equipment for county and independent school systems, the Governor's Office of Planning and Budget (OPB) and the Georgia State Financing and Investment Commission (GSFIC) raised concerns about the bill's provisions permitting the issuance of such bonds to fund loans for educational facilities for charter schools, which are not defined as a county or independent school system as provided for under Ga. Const. Art. VII, § IV, Para. I. The concern is that the state is constitutionally prohibited from issuing GO debt for any purposes other than those expressly enumerated in Para. I, which does not include establishing a loan program for charter schools or providing funding for capital assets not owned by the state or its political subdivision.

Costs of Debt Issuance

Assuming the bill is lawful, additional spending would occur only if the General Assembly authorizes the issuance of general obligation bonds for purposes described in the bill and appropriates funds for the resulting annual debt service. For example, with an estimated loan demand of approximately \$50 million¹, annual debt service would range from \$4.6 million to \$12.0 million depending on whether the bonds are issued on a 5-year or 20-year term, based on data

¹ Estimated loan demand is based on State Charter School Commission data showing interest from 27 state charter schools. The Georgia Department of Education provided a lower estimate of \$17.6 million for state and local charter schools based on fiscal year 2027 facility improvement applications submitted by school districts, which they used to approximate potential charter school requests.

provided by GSFIC (see **Table 1**). Costs would be lower if actual demand falls below the \$50 million estimate.

Table 1: Estimated Costs of Issuing General Obligation Bonds

	20-year Debt	5-year Debt
Par (Face Value)	\$50,000,000	\$50,000,000
Interest ¹	\$42,557,000	\$9,753,750
Total Debt Service	\$92,557,000	\$59,753,750
Maximum Annual Debt Service	\$4,630,375	\$11,953,125
Cost of Issuance (0.25% of Par)	\$125,000	\$125,000
Total	\$4,755,375	\$12,078,125

¹ Interest is based on the FY 2027 general obligation sinking fund debt service factors.

Costs to Administer GCSFA

To estimate costs for the new authority, we used the Georgia Development Authority (GDA) as a benchmark due to similar size and scope. Based on GDA data, GCSFA could incur annual operating costs of approximately \$1.18 million (see **Table 2**), with lower start-up costs likely. While funding may be needed in Year 1 to cover costs prior to bond issuance, no additional state appropriation would be required for ongoing expenses because the bill permits using loan proceeds to cover the authority's administrative costs.

Table 2: Estimated Annual Operating Costs of GCSFA

Expense Type	Annual Costs ¹
Personnel/Payroll Expenses	\$965,381
Occupancy Expenses	\$65,260
Equipment Expenses	\$16,074
IT Expenses	\$37,000
Other Operating Expenses	\$99,800
Total	\$1,183,515

¹ Annual cost is based on GDA's 2026 budget but exclude expenses related to vehicles and marketing which are more relevant to GDA's agricultural mission.

Other Administrative Costs

The bill requires the Department of Law to provide legal services for GCSFA. No additional resources are needed for general representation, but if billed, costs could be \$50,000 annually. For bond financing transactions, costs could rise significantly, ranging from \$100,000 to \$500,000.

Additional Information and Assumptions

- The analysis uses GDA (which provides agricultural loans for rural rehabilitation projects) as a comparison to estimate the administrative burden of establishing and operating the GCSFA. Currently, GDA has nine full-time staff members: an Executive Director, Assistant Executive Director, Accounting Manager, two Accounting Assistants, two Loan Processors, and two Loan Specialists. Costs associated with vehicles and marketing are additional expenses for GDA, but are not included in estimated costs for GCSFA. If these expenses are relevant for GCSFA, costs could increase.
- GDA currently manages \$123 million in annual loans, averaging \$1.3 million each, and reports \$1.8 million in annual bad debt expense. While credit risk for charter school loans

may differ, potential losses would likely be mitigated by the bill's provision allowing the state to withhold funds from charter schools to recover debts.

Respectfully,

A handwritten signature in blue ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in blue ink, appearing to read "Richard Dunn".

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/nk