

STATE AGENCIES ADVISED

Deal: Get primed for more cuts

By Lee Shearer

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Gov. Nathan Deal is asking state agencies, including the University of Georgia, to prepare for more budget cuts.

Instructions from the Governor's Office of Planning and Budget direct state agencies to reduce spending by 2 percent in budget proposals due to the office by Sept. 1.

"State government has weathered the economic downturn by focusing on its core services and finding more efficient ways to deliver those services," according to instructions posted on the budget office's website. "The attention to core services and a more efficient government will continue."

The instructions apply to both the 2012 fiscal year, which began July 1, and the following year, the 2013 fiscal year.

Funding for K-12 schools, Medicaid and prisons are exempt from the requirement to cut 2 percent, according to the instructions.

State revenue collections were up by a healthy 8 percent this year, about twice the growth rate the current budget is based on. That means more than \$1 billion in additional revenue came in. The state will put between \$250 million and \$310 million of that extra money into the state's reserve fund, said Brian Robinson, a spokesman for the governor.

But Deal doesn't expect revenue will grow fast enough to compensate for increased demand for some state services.

"Revenue growth for FY 2013 will likely be modest compared to growth in key state services such as education, health care and public safety," according to the published instructions.

"We are conservative in our budget approach because we face so many budget uncertainties," Robinson said.

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"We're going to plan for the worst case and hope for the best case."

Besides general uncertainty over the health of the state and national economies, state leaders don't know how much the federal government may reduce funding to the state. The state gets billions of dollars every year in federal aid to help pay for state services.

"We're also planning for the impact of federal cuts, should that spigot get turned off," Robinson said.

State leaders already have cut the budget for UGA and other colleges and universities by about \$540 million, or 23.4 percent, since 2009, according to the Georgia Budget and Policy Institute.

A record enrollment this fall will help UGA collect more tuition and fee money from students to help offset the impact of any more budget cuts.

But administrators at some colleges believe enrollment may drop at their schools this year, reducing operating revenues even more.

Gainesville State College could see enrollment decline as much as 5 percent this fall compared to fall 2010, said Gainesville State College President Martha Nesbitt.

Part of the reason is that UGA accepted more freshman applications than last year, including some students

who would have enrolled at Gainesville State planning to transfer to UGA later.

But student applications also were down this year, probably because of the weak economy and because the HOPE Scholarship doesn't pay as much this year as last, Nesbitt said.

Fewer students may enroll in the Technical College System of Georgia this fall than a year ago, but no one knows for sure, said system spokesman Mike Light.

A 2 percent reduction in the technical college system budget would be about \$6.2 million, but administrators have not yet identified where they would make the next round of cuts, he said.

Deal is right to plan conservatively, said UGA economic forecaster Jeff Humphreys.

"The risk of recession is much higher than it was even a month ago," he said. Humphreys put the odds of another recession at about 25 percent a month ago; the odds now are 40 percent, he said.

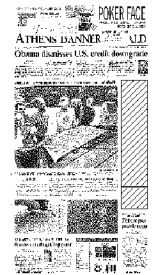
"There's very little room for a policy mistake or an exogenous shock, like a hurricane," he said.

But there's good economic news as well as bad lately, Humphreys said.

The country has been adding jobs for 10 straight months, and there's a better-than-even chance the economy won't slide into a recession, he said.

And even if we do sink into a recession, it won't be as painful as the one that began in 2008, he said.

"I don't think it would last too long," he said.



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