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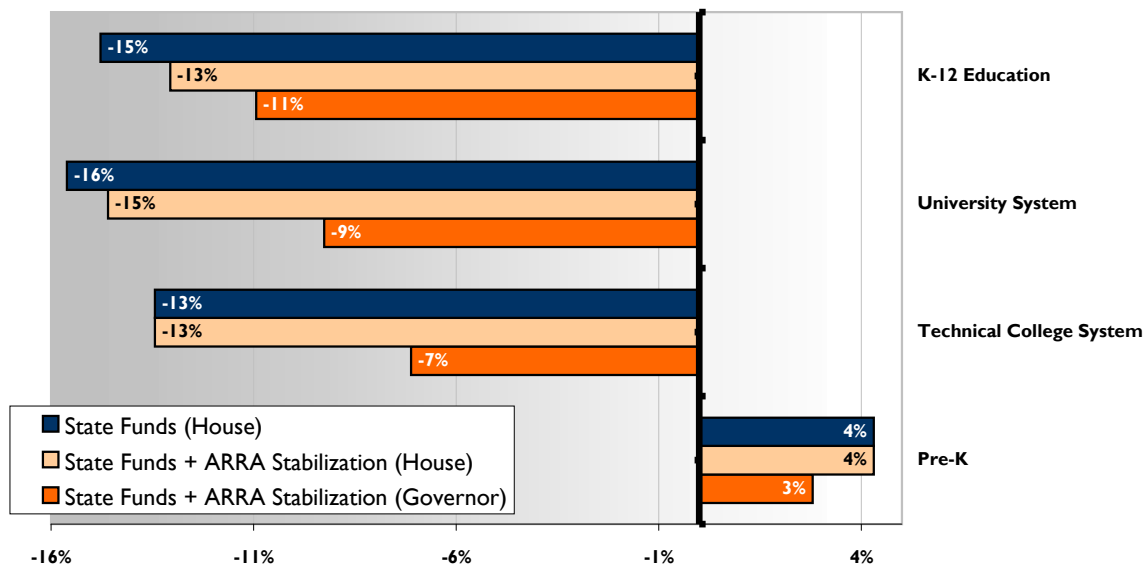
Highlights of the House's FY 2011 Education Budget Proposals

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Summary

Revenues declined more severely than anticipated after the governor released his budget proposal in January, leading the governor to reduce the revenue estimate for both fiscal year (FY) 2010 and FY 2011 and move federal Recovery Act funds from the FY 2011 budget into FY 2010. In response to those changes and limited new revenues, the House of Representatives' FY 2011 budget proposal cuts education — K-12, University System, and Technical College System — by an additional \$318 million more than the governor's January proposal. The House increases funds for Pre-Kindergarten by using additional lottery funds.

Chart 1 House Proposal Cuts Education Agencies by 13% to 15% Compared to FY 2009 Budget



Source: Author's calculations using Governor's FY 2011 Budget Report and HB 948, the House's budget.

Notes: The original FY 2009 budget provides a comparison point prior to the recessionary cuts. Pre-K includes lottery funds.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

Comparing FY 2011 to the original FY 2009 budget, which preceded the recessionary budget cuts, the House proposal cuts K-12 education by 13 percent in state funds and federal Recovery Act state stabilization funds. Its cuts to higher education — 15 percent for the University System and 13 percent for the Technical College System — are significantly higher than the governor’s proposal, as nearly all of the Recovery Act funds are removed from the FY 2011 budget for these agencies.¹ Pre-K gains four percent due to the continued strength of lottery revenues.

Adjusted for inflation, per student state spending on K-12 education and the University System will fall to their lowest levels in a decade if the House’s version is enacted.² Inflation-adjusted per student spending for technical colleges likewise will drop to the lowest level in at least six years, and waiting lists have already developed for the Adult Literacy program.

These cuts mean larger class sizes, salary cuts and layoffs, more adjunct faculty at colleges and universities, and reduced supportive services such as tutoring, advising, and professional development, as well as more drastic measures for certain institutions. In response to the current cuts, one K-12 school system has already moved to a four-day school week, while another system has shortened the school calendar from 180 days to 160 days.³

State economists project weak revenues for several years to come, predicting the state will not regain the FY 2007 level of revenues until FY 2014.⁴ This could mean more cuts in the coming years; without new revenue sources, K-12 and post-secondary education (which comprise more than 50 percent of state spending) likely will continue to face cuts.

Department of Education (K-12 Education)

The House proposes spending \$6.98 billion in state funds and \$140 million in federal Recovery Act state stabilization funds to educate 1.6 million K-12 students in FY 2011. Although it keeps state funds relatively stable from the governor’s proposed budget (\$6.96 billion compared to \$6.98 billion), the House cuts Recovery Act stabilization funds from \$343 million to \$140 million. The House proposal equals a 13 percent cut from the original FY 2009 budget, which itself included austerity cuts to the education funding formula.

After accounting for inflation, per student state funding for K-12 education will drop to its lowest point in a decade, even after including federal Recovery Act stabilization funds.⁵

The majority of the cut can be found in the state’s funding formula — Quality Basic Education (QBE). The House, like the governor, adjusts QBE by adding \$121 million to account for 0.67 percent enrollment growth as well as training and experience salary increases. However, the House cuts QBE by \$427 million in state funds and \$272 million in federal Recovery Act stabilization funds, compared to the governor’s January proposal of \$527 million cut in state funds and \$70 million cut in Recovery Act funds. The House cut to QBE follows the governor’s recommendations when he lowered the revenue estimate in March. In total, the state will allocate almost \$950 million less to school systems than the QBE formula directs, even after offsets from federal Recovery Act funds.⁶

The budget does not likely reflect full enrollment growth for FY 2011 and does not include cost-of-living salary increases. Although enrollment growth has slowed in recent years, even 0.67

percent growth requires more than \$100 million. If further enrollment growth occurs, it will need a mid-year adjustment using reserve funds, which currently totals only \$103 million.

The House makes many additional cuts to programs to account for the lowered revenue estimate and lack of new state revenues. Compared to the governor's proposal, the House:

- Eliminates Sparsity Grants, which provide additional funding to small school systems.
- Eliminates Migrant Education, certain tests (such as CRCT for first and second graders), and funds for AAASP, Spelling Bee, Science Olympiad, and Academic Decathlon competition, with the intention of seeking corporate or foundation sponsors.
- Includes additional cuts for nutrition, pre-school handicapped program, Communities in Schools, curriculum development, services for children with autism, charter school planning grants, School Improvement, IT services, and Georgia Virtual School.
- Partially restores funding for Regional Education Service Agencies (RESA), which provide curriculum consultation, professional development, and technology training. The House folds the Education Technology Centers, School Improvement, and Math Mentors into the RESA program, and eliminates the remaining funds for Academic Coaches.
- Partially restores funding for agriculture education, the Georgia Youth Science and Technology Center, and state schools for the hearing- and visually-impaired.
- Increases funds for Special Needs Scholarships for students to attend private or public schools.

The House agreed to several of the governor's proposals, including:

- Underfunding equalization grants by more than \$200 million.⁷ These provide funds for low-property wealth districts to increase equity across school districts.
- Eliminating funds for National Board Certification (which provides a salary increase for teachers who are board certified), National Science Center and Foundation, and salary supplements for cafeteria managers.
- Reducing funds for school nurses, tech/career education, residential treatment centers, and Central Office, among others.

The House includes \$10 million in the FY 2011 Department of Revenue budget to fund Forest Land Protection grants. These grants reimburse local school systems for funds lost due to new property tax breaks for owners of large tracts of forest land.

Similar to the governor's budget, the House proposal includes \$675 million in additional Recovery Act funds for FY 2011 beyond the stabilization funds. Although stabilization funds can be used broadly across school systems and for many purposes, the other Recovery Act funds are restricted. These restricted funds include Title I and IDEA funds, which go directly to schools serving low-income and special needs populations and cannot serve the general student population. Title I funds cannot serve 58 percent of Georgia students because they are not low-income, and IDEA funds cannot serve 90 percent of students because they do not have special needs.⁸ These funds cannot be used for textbooks, items funded by state or local dollars in the prior year, or salaries for teachers required by QBE.⁹ In short, while useful for their purposes, these federal funds are not a substitute for state support as state stabilization funds are.

Board of Regents (University System)

The House proposes spending \$1.9 billion in state funds and \$23 million in Recovery Act stabilization funds on the state's 35 colleges and universities in FY 2011. Similar to K-12 education, the House proposal keeps state funds stable compared to the governor's proposed budget, but reduces Recovery Act stabilization funds from \$140 million to \$23 million.

Since Recovery Act funds were in the teaching formula, the majority of the new cut is in teaching. The House includes the governor's proposed \$113 million addition for enrollment growth and increases for maintenance and operations, as well as the \$224 million cut in the teaching formula. The House removes the governor's addition of \$48 million in Recovery Act stabilization funds and cuts another \$69 million in stabilization funds, which the governor moved to the FY 2010 teaching formula.

In addition to the teaching formula, the proposed House budget cuts an additional 3.4 percent from most University System programs over the governor's proposed budget.

Proposed state allocations per full-time equivalent student will be lower in FY 2011 than at the start of the decade. Since FY 2009, 42,000 additional students have enrolled in the University System, yet the House proposed state spending will be 15 percent below FY 2009 levels (even after the addition of Recovery Act funds).¹⁰ The governor's proposed budget cut the University System by 9 percent compared to FY 2009; however, by removing the Recovery Act funds from FY 2011 and proposing additional cuts due to the revised revenue estimate, the House brings that cut up to 15 percent.

Technical College System of Georgia

The House proposes spending \$321 million in state funds and no Recovery Act stabilization funds in FY 2011 on the Technical College System of Georgia. The proposed state spending will be 13 percent below FY 2009 levels, almost double the 7 percent cut the governor proposed in January, even as enrollment in technical education grows by 27 percent.¹¹

The House removes the governor's addition of \$8 million in Recovery Act stabilization funds to technical education and cuts another \$15 million, for a total of \$23 million less in Recovery Act funds than the governor's proposal. The House includes the governor's proposed \$27.5 million addition for enrollment and square footage growth, as well as the \$35.8 million cut in state funds to technical education.

The House agrees to the governor's proposed cuts to Adult Literacy (\$1.4 million), QuickStart (\$1.3 million), and administration (\$0.9 million). It proposes cutting Adult Literacy and administration an additional \$26,781 and \$31,903, respectively. The House does not increase cuts to QuickStart. The House's proposed FY 2011 appropriation is below the FY 2007 level for the Adult Literacy program, even as 1.3 million Georgians lack a high school diploma or GED and the number of high school dropouts outnumber the number of GEDs awarded each year.¹² Already the FY 2010 cuts are causing waiting lists at some Adult Literacy sites, and an estimated 2,386 students will not be served.¹³

Bright From the Start: Department of Early Care and Learning (Pre-K)

The House proposes spending \$356 million in state funds, almost all of which are lottery funds, on the Department of Early Care and Learning (DECAL), which administers the pre-kindergarten program (Pre-K). Since lottery funds have withstood the recession better than other revenues, Pre-K continues to avoid the severe cuts proposed for other agencies. The House proposal for DECAL exceeds the governor's recommendation by about \$5 million and the FY 2010 budget by \$3 million.

The House agreed with the governor to provide 2,000 additional Pre-K slots, bringing the total to 84,000 slots. However, the House did not agree with the governor to eliminate funding for Resource Coordinators in order to fund those 2,000 slots. The House restored half of total funding for Resource Coordinator grants (\$9.25 million), which fund social workers who provide supportive services to low-income families enrolled in Pre-K.

Student Finance Commission (Post-Secondary Grants and Scholarships)

In the House's FY 2011 proposed budget, \$773 million in lottery funds provide scholarships and grants, the largest of which are HOPE scholarships to public colleges and universities (\$475 million), HOPE grants to technical colleges (\$206 million), and HOPE scholarships to private colleges (\$74 million). Additionally, the House uses \$27 million in state funds to provide scholarships and grants (primarily to restore the Tuition Equalization Grants), compared to \$713,380 by the governor.

The House changes to the governor's recommendation include:

- Restoring funds for Engineer Scholarships.
- Providing a smaller increase in HOPE scholarships for private schools (\$32 million addition compared to the governor's \$36 million). The governor proposed increasing these scholarships from \$3,500 to \$4,250, while the House proposes increasing the award amount to \$4,000.
- Restoring Tuition Equalization Grants to \$600 per student, for \$22.5 million in state funds. The governor proposed eliminating the grants in FY 2011, which offer grants to students attending private colleges or universities in Georgia.
- Maintaining state funding for North Georgia ROTC grants, North Georgia Military Scholarship grants, HERO scholarships, and Leveraging Educational Assistance Partnership (LEAP) program. The governor recommended using lottery funds for these grants, which the House noted was unconstitutional.

The House agreed with the governor on the following:

- Increasing HOPE scholarships to public schools (\$84.5 million), HOPE grants (\$75.9 million), and other scholarships to meet projected need.
- Eliminating PROMISE scholarships, Teachers scholarships, and Guaranteed Educational Loans.

Endnotes

¹ Author's calculation using House Bill 948 and the Governor's FY 2011 Budget Report. Funds include State General funds and American Recovery and Reinvestment Act state stabilization funds. Tobacco settlement and lottery funds are not included, except for Pre-K.

² Author's calculation using Bureau of Labor Statistics Consumer Price Index, Georgia Department of Education data, and data provided by the Senate Budget and Evaluation Office.

³ Both systems maintain the equivalent student hours as other systems by adding more time to each school day.

⁴ Ken Heaghney, "Georgia's Revenue Outlook," presentation to Joint House and Senate Appropriations Committee, January 19, 2010.

⁵ Author's calculation using Bureau of Labor Statistics Consumer Price Index and Georgia Department of Education data.

⁶ Author's calculation using House Bill 948 and a calculation by Georgia School Superintendents Association using data provided by the Governor's Office of Planning and Budget.

⁷ Cut includes over \$120 million reduction from FY 2009 to FY 2010, as well as the lack of \$80 million for growth in the formula that should have occurred.

⁸ State Superintendent Kathy Cox, "Presentation to the Joint House and Senate Appropriations Committee," January 20, 2010.

⁹ Ibid.

¹⁰ Chancellor Erroll Davis, "FY 2011 Budget Presentation: Building Georgia's Future," presentation to the Joint House and Senate Appropriations Committees, January 20, 2010. (Note: Enrollment figure only.)

¹¹ Commissioner Ron Jackson, "Technical College System of Georgia AFY10 & FY11 Budget Request," Presentation to the Joint House and Senate Appropriations Committees, January 20, 2010.

¹² Ibid.

¹³ Data provided by the Technical College System of Georgia Office of Adult Literacy, January 22, 2010.

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