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Thoughtful Analysis...Responsible Policy

Highlights of the FY 2011 Education Budgets

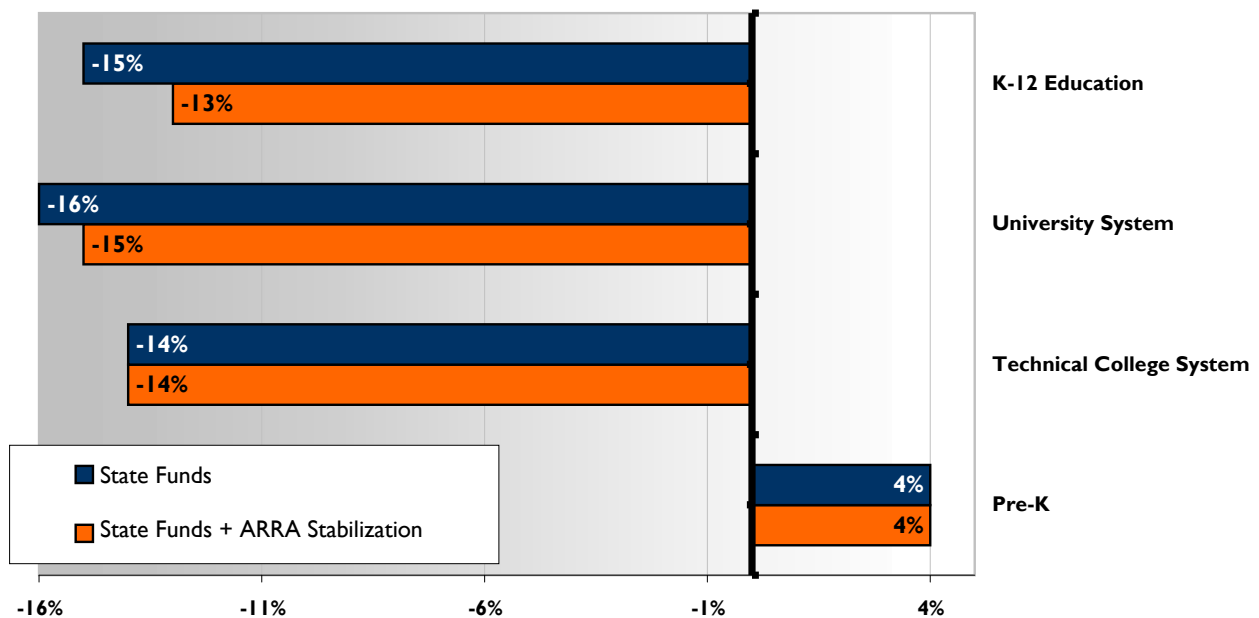
... And the Four Options for the Future

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Summary and Policy Implications

Georgia faces its worst fiscal crisis in more than 70 years as a result of the “Great Recession.” State revenues have dropped dramatically over the past two years, leaving multi-billion dollar budget deficits. In response to continued revenue declines and limited new revenue measures, lawmakers cut education — K-12, University System, and Technical College System — by 13 to 15 percent for fiscal year (FY) 2011 when compared to the Original FY 2009 General Budget, which preceded the recessionary budget cuts (Chart 1). Pre-K gains four percent due to the continued strength of lottery revenues.

Chart 1 Education Agencies Cut by 13% to 15% Compared to FY 2009 Budget



Source: Author's calculations using House Bill 948.

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

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

Adjusted for inflation, per student state spending on K-12 education will fall to its lowest level in a decade, when the fiscal year begins on July 1.¹ Even without adjusting for inflation, per student state spending for the University System will be almost 25 percent below 2001 levels.² Technical colleges will likewise experience significant drops in spending per student, and waiting lists have already developed at Adult Literacy sites.

These cuts mean larger class sizes, salary cuts, thousands of layoffs for teachers and staff, 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, a few K-12 school systems have already moved to a four-day school week or shortened the school calendar from 180 days to 160 days.³ The State Board of Education eliminated class size limits for the FY 2011 school year on May 24th.

Since education systems are labor-intensive and thus some of the largest employers in Georgia counties, continued cuts will affect not only students and faculty, but also local economies across the state as thousands of Georgians are laid off. Local school districts are among the top 10 largest employers in every county, according to Department of Labor data. In fact, **96 school systems are the number one largest employer in their county.**⁴ Public post-secondary institutions were a top 10 employer in 27 counties. Some counties have multiple education systems as top employers. Fulton County, for example, includes Fulton County School System, Atlanta Public Schools, and Georgia Tech among its 10 largest employers.

FY 2012 looks equally bleak, as federal Recovery Act funds are set to expire. The remaining \$163 million in federal Recovery Act funds for K-12 and post-secondary education will expire at the same time other one-time funds run out, causing a \$1 billion to \$2 billion budget gap in FY 2012, on top of existing cuts. Beyond FY 2012, state economists project weak revenues for several years to come, predicting the state will not regain the FY 2007 level of revenues until FY 2014.⁵ 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.

Some proposals in Congress have called for additional temporary Recovery funds for education, as several states face the cliff of expiring funds in FY 2012. Federal Recovery Act funds provided a partial cushion for three-years for Georgia schools, allowing state lawmakers time to assume responsibility for the dire revenue situation and take action to correct it for the coming years. Georgia lawmakers did not take significant steps to shore up the state's revenue system for education.

Education Systems One of Top 10 Largest Employers in All Counties

K-12 school system is a top 10 employer in all counties

Public Post-Secondary Institution Is a Top 10 Employer

BALDWIN
BEN HILL
BLECKLEY
BULLOCH
CARROLL
CLARKE
CLAYTON
COBB
COLQUITT
DECATUR
DOUGHERTY
EMANUEL
FULTON
HARALSON
LAMAR
LOWNDES
LUMPKIN
MUSCOGEE
PEACH
RICHMOND
SPALDING
SUMTER
TIFT
TOOMBS
WALKER
WASHINGTON
WAYNE

Source: Georgia Department of Labor

The Four Options for Georgia's Future Education Budgets

For the coming years, Georgia leaders are left with the following options as revenues remain weak and federal funds expire:

1. Seek additional federal Recovery funds for education by encouraging Georgia's Congressional delegation to approve federal extensions, which could be attached to federal appropriations bills in the coming weeks.
2. Enact revenue measures in the 2011 Georgia legislative session, such as expanding the sales tax base, increasing the cigarette tax rate, or repealing the deduction of state income taxes from state income taxes, among numerous alternatives. Lawmakers enacted a 2010 Tax Reform Council to propose legislation for the 2011 session, which could prevent further cuts to education if additional revenues are included.
3. Shift cost of services to local governments and students by raising local property taxes for K-12 education and raising tuition for technical colleges, colleges, and universities.
4. Make additional cuts to education, thereby further increasing class sizes, teacher layoffs, salary and wage reductions, and waiting lists for programs.

Continuing to rely on the final two options — property tax and tuition increases, as well as education cuts — raises several concerns. Pushing more of the responsibility for education funding from the state level to the local level raises concerns about equity and community resources, while additional tuition increases in FY 2012 and beyond will affect post-secondary affordability and HOPE solvency.

Relying on additional cuts raises numerous policy concerns, such as:

- How will larger class sizes and less student support affect student achievement?
- How will furloughs and salary cuts affect Georgia's ability to attract high quality teachers, professors, and researchers?
- How will communities balance these cuts? Will some communities be able to offset the cuts with local resources, while communities with limited means cannot?
- With unemployment continuing to exceed 10 percent and 1 million adult Georgians already lacking a high school diploma or GED, how will cuts to adult literacy and technical education affect those transitioning to new jobs or seeking skills advancement? How will these cuts affect Georgia's long-term economic position?
- Will the cuts to technical colleges cause even greater loss of full-time faculty? Will this shift from full-time faculty to part-time, adjunct instructors endanger accreditation? In its principles of accreditation, the Commission on Colleges requires "the number of full-time faculty is adequate to support the mission of the institution and to ensure the quality and integrity of its academic programs." Adjunct instructors now comprise 73 percent of faculty in the TCSG, up from 63 percent in 2001. Additional budget cuts, and thus additional adjunct instructors, raise concerns over how high Georgia can go before accreditation becomes a concern.

(Sources: Commission on Colleges, www.sacscoc.org/; Technical College System of Georgia)

The following provides an overview of the FY 2011 state appropriations for K-12 education, the University System, the Technical College System, Pre-K, and post-secondary scholarships and grants.

Department of Education (K-12 Education)

The FY 2011 General Budget includes \$7 billion in state funds and \$140 million in federal Recovery Act state stabilization funds to educate 1.6 million K-12 students. State funds plus Recovery Act stabilization funds have been cut by \$1 billion over the past two years, for a 13 percent cut from the Original FY 2009 General Budget, even as enrollment has increased.

Table 1 DOE's State General Fund Changes from FY 2009 to FY 2011

Original FY 2009 State Funds	Original FY 2010 State + ARRA Stabilization Funds	FY 2011 State + ARRA Stabilization Funds	FY 2010 – FY 2011 Change (\$)	FY 2010 – FY 2011 Change (%)	FY 2009 – FY 2011 Change (%)
\$8.2 billion	\$7.8 billion	\$7.1 billion	-\$676 million	-9%	-13%

The majority of the cut can be found in the state's funding formula — Quality Basic Education (QBE). Compared to the Original FY 2010 General Budget, the FY 2011 budget adjusts QBE by adding \$121 million to account for 0.67 percent enrollment growth as well as training and experience salary increases, \$43 million for teachers' retirement, and \$100 million to restore funds. However, the budget also cuts QBE by \$527 million in state funds and \$272 million in federal Recovery Act stabilization funds, which were moved to fill the growing deficit in FY 2010. 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 total only \$103 million.

Many additional programs are cut to account for declining revenues and lack of new revenue measures. Compared to the Original FY 2010 General Budget, the FY 2011 budget:

- Underfunds equalization grants by more than \$200 million.⁸ These provide funds for low-property wealth districts to increase equity across school districts.
- Eliminates funds for National Board Certification (which provides a salary increase for teachers who are board certified), Alternative Sparsity grants, salary supplements for cafeteria managers, certain tests (such as CRCT for first and second graders), and membership dues for the Education Commission of the States. It also eliminates funds for Spelling Bee, Science Olympiad, and Academic Decathlon competition, with the intention of seeking corporate or foundation sponsors.

*After accounting for inflation, per student state funding for K-12 education is dropping to its lowest point in a decade, even after including federal Recovery Act stabilization funds.*⁷

- Reduces funds for school nurses, Communities in Schools, agricultural education, Georgia Virtual School, Georgia Youth Science and Technology Center, Governor’s Honors Program, National Science Center and Foundation, preschool handicapped program, services for children with autism, tech/career education, residential treatment centers, state schools for the hearing- and visually-impaired, and Central Office.
- Reduces funds for Regional Education Service Agencies (RESA), which provide curriculum consultation, professional development, and technology training. The budget folds the Education Technology Centers, School Improvement, and Math Mentors programs into the RESA program, and eliminates the remaining funds for Academic Coaches.
- Includes \$25 million in bonds for school buses.
- Increases funds for Special Needs Scholarships for students to attend private or public schools.
- Reduces state funds for charter schools by almost \$500,000, but increases federal funds by \$5.4 million to meet projected need.

Forest Land Grants
 HB 948 includes \$10.6 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. The grants were not funded in the Amended FY 2010 budget.

The DOE budget 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.⁹ 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.¹⁰ In short, while useful for their purposes, these federal funds are not a substitute for state support as Recovery Act state stabilization funds are.

Board of Regents (University System)

The FY 2011 General Budget includes \$1.9 billion in state funds and \$23 million in Recovery Act state stabilization funds for the state’s 35 colleges and universities in FY 2011. This is a 15 percent cut (\$343 million) in state general funds and federal Recovery Act funds since FY 2009, even as student enrollment continues to grow.

Similar to K-12 education funding, the majority of these funds are formula-driven. Compared to the Original FY 2010 General Budget, the FY 2011 budget adds \$113 million for enrollment growth and increases for maintenance and operations, but cuts \$237 million in state funds from the teaching formula. Recovery Act funds are reduced to \$23 million in the teaching formula as well. See Table 2 below.

Table 2 **Regents' State General Fund Changes from FY 2009 to FY 2011**

Original FY 2009 State Funds	Original FY 2010 State + ARRA Stabilization Funds	FY 2011 State + ARRA Stabilization Funds	FY 2010 – FY 2011 Change (\$)	FY 2010 – FY 2011 Change (%)	FY 2009 – FY 2011 Change (%)
\$2.28 billion	\$2.16 billion	\$1.94 billion	-\$220 million	-10%	-15%

Public libraries will receive \$35 million in state funds for FY 2011, a 9 percent cut from FY 2010 and a 16 percent cut from FY 2009. Across programs, the budget reduces salaries and operating expenses, such as Advanced Technology Development Center, Agricultural Experiment Station, Cooperative Extension Service, Medical College of Georgia hospitals and clinics, Georgia Research Alliance, Georgia Cancer Coalition, and Public Service Initiatives, among others. It eliminates funding for several programs entirely, including the Seed Capital Fund, Food Industry Partnership, Traditional Industries, Vaccine Collaboration Grants, and the Bio-Refinery programs.

State allocations per student will be lower in FY 2011 than in 2001 – almost 25 percent lower – even without taking inflation into account.¹¹ Since FY 2009 alone, 42,000 additional students have enrolled in the University System, yet state spending has fallen by \$343 million from FY 2009 to FY 2011.¹²

To manage a portion of state spending cuts, the Board of Regents voted in May to raise tuition for FY 2011, generating \$80 million.¹³ Tuition increases will vary by type of institution, ranging from an additional \$50 per semester at two-year colleges up to an additional \$500 per semester at four-year research universities beginning in the fall semester. The Regents requested need-based aid for students attending research universities to assist in these tuition increases.

Technical College System of Georgia

The FY 2011 General Budget spends \$320 million in state funds and no Recovery Act stabilization funds on the Technical College System of Georgia (TCSG). State spending will be 14 percent below FY 2009 levels in FY 2011, even as enrollment in technical education has grown by 30,000 between FY 2009 and FY 2010 (20 percent) and is expected to continue to grow in FY 2011.¹⁴ Much of this demand comes from workers hit hardest by the recession, with the most pronounced enrollment growth among students age 40 and over.

Technical colleges lose \$23 million in Recovery Act stabilization funds for FY 2011 compared to FY 2010, as those funds were moved into FY 2010 to help fill the growing deficit. The budget adds \$27.5 million for enrollment and square footage growth, but cuts \$37.1 million in state funds to technical education.

Federal Perkins Grants

The federal Carl D. Perkins grant program provides funds to states for technical and career education. To receive Perkins funds, states must maintain a certain level of maintenance-of-effort (MOE) dollars. The FY 2011 budget does not meet the MOE requirements for Perkins, and Georgia risks losing tens of millions of dollars in federal Perkins funds that currently flow to the K-12 and TCSG systems, unless a federal law change eases the MOE requirements.

To manage the state spending cuts, tuition at technical colleges will rise from \$40 per credit hour to \$45 per credit hour in the summer of 2010. This 12.5 percent increase in tuition will raise an estimated \$21 million, according to the TCSG, with an estimated \$15 million of the increase covered by HOPE grants.¹⁵

The budget also cuts:

- Adult Literacy by \$1.4 million. The 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.¹⁶ The FY 2010 cuts caused waiting lists at some Adult Literacy sites, and an estimated 2,386 students are not being served.¹⁷
- QuickStart by \$1.3 million. QuickStart provides customized training as part of economic development incentives for business attraction and expansion.
- Administration by approximately \$900,000.

Table 3 **TCSG’s State General Fund Changes from FY 2009 to FY 2011**

Original FY 2009 State Funds	Original FY 2010 State + ARRA Stabilization Funds	FY 2011 State + ARRA Stabilization Funds	FY 2010 – FY 2011 Change (\$)	FY 2010 – FY 2011 Change (%)	FY 2009 – FY 2011 Change (%)
\$371 million	\$347 million	\$320 million	-\$27 million	-8%	-14%

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

The FY 2011 Budget includes \$356 million in state funds, almost all of which are lottery funds, for 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 other agencies are enduring. State spending will be four percent above the Original FY 2009 Budget.

Pre-K gains 2,000 additional slots compared to FY 2010, bringing the total to 84,000 slots. Resource Coordinator grants, which fund social workers who provide supportive services to low-income families enrolled in Pre-K, are cut by \$9.25 million.

An annual licensing fee for child care centers was created under House Bill 1055, with fees going into the State General Fund.

Student Finance Commission (Post-Secondary Grants and Scholarships)

In the FY 2011 Budget, \$773 million in lottery funds and \$33 million in state general funds provide post-secondary 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 (\$59 million).

Compared to the FY 2010 budget, the FY 2011 budget:

- Adjusts Tuition Equalization Grants to \$750 per student, for total grants of \$28.1 million in state funds (\$1.6 million less than FY 2010) for students attending private colleges and universities.
- Increases HOPE scholarships to public schools by \$84.5 million, HOPE grants by \$75.9 million, and other scholarships to meet projected need.
- Increases award amount for HOPE scholarships to private colleges from \$3,500 to \$4,000 for \$11.8 million more in lottery funds.
- Eliminates PROMISE scholarships, Teachers scholarships, and Guaranteed Educational Loans.

One major addition compared to FY 2010 is the creation of College Opportunity Grants, a need-based grant program for college education. Existing college grants (i.e. HOPE scholarships) are merit-based, making Georgia one of the few states without state, need-based financial assistance for colleges and universities. The newly created College Opportunity Grants provide \$15 million in lottery-funded, need-based grants for college-goers.

Conclusion

In response to continued revenue declines and limited new revenue measures, lawmakers cut education — K-12, University System, and Technical College System — by 13 to 15 percent for FY 2011 when compared to the Original FY 2009 General Budget, which preceded the recessionary budget cuts. FY 2012 looks equally bleak, as federal Recovery Act funds are set to expire and 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. 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.

Federal Recovery Act funds provided a partial cushion for three-years for Georgia schools, allowing state lawmakers time to assume responsibility for the dire revenue situation and take action to correct it for the coming years. Georgia lawmakers did not take significant steps to shore up the state's revenue system for education.

Endnotes

¹ Author's calculation using Bureau of Labor Statistics Consumer Price Index and Georgia Department of Education data.

² University System of Georgia, "Regents Approve Fiscal Year 2011 University System Budget: Set Tuition," Press release, May 11, 2010.

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

⁴ Data provided by the Georgia Department of Labor on May 20, 2010.

⁵ Ken Heaghey, "Georgia's Revenue Outlook," presentation to Joint House and Senate Appropriations Committee, January 19, 2010.

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

⁸ Cut includes more than \$120 million from FY 2009 to FY 2010, as well as an additional \$80 million for growth in the formula that lawmakers did not fund.

⁹ State Superintendent Kathy Cox, "Presentation to the Joint House and Senate Appropriations Committee," January 20, 2010.

¹⁰ Ibid.

¹¹ University System of Georgia, "Regents Approve Fiscal Year 2011 University System Budget: Set Tuition," Press release, May 11, 2010.

¹² 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.)

¹³ University System of Georgia (2010)

¹⁴ Commissioner Ron Jackson, "Technical Colleges' Spring Enrollment Climbs," Press release, May 4, 2010.
http://www.tcsg.edu/press_detail.php?press_id=157.

¹⁵ Data provided by the Technical College System of Georgia, email correspondence, May 18, 2010.

¹⁶ Commissioner Ron Jackson, "Technical College System of Georgia AFY10 & FY11 Budget Request," Presentation to the Joint House and Senate Appropriations Committees, January 20, 2010.

¹⁷ Data provided by the Technical College System of Georgia Office of Adult Literacy, January 22, 2010.

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