



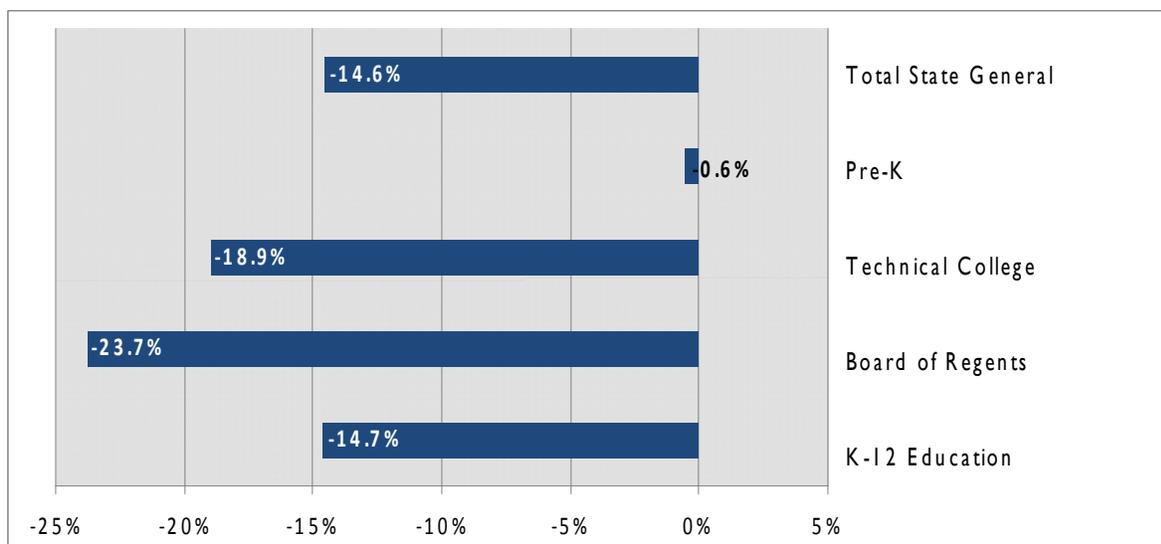
Governor's FY 2012 Education Budget Proposals: The Cuts Continue

By Cedric D. Johnson, Policy Analyst

Summary

Education does not escape the governor's proposed cuts to agencies for the upcoming fiscal year. The proposed budget for FY 2012 offers a postmortem view of the impact of cuts to education in the absence of federal American Recovery and Reinvestment Act funding. Adjusted for inflation, per student state spending on K-12 education and the Board of Regents will fall to their lowest levels in over a decade. Inflation-adjusted per student spending for technical colleges will drop to the lowest level in eight years, while enrollment has reached record levels. The proposed budget for Georgia's HOPE program will experience drastic cuts to reflect projected lottery revenues and funding for the state's pre-K program is cut.

Chart 1: Percentage Change in Funds, Original FY 2009 to Proposed FY 2012



Sources: Governor's Budget Report, FY 2012. (**Note:** The original FY 2009 budget provides a comparison point prior to the state's recessionary cuts.) "Total state general funds" includes motor fuel funds. Pre-K includes lottery funds.

With Federal Recovery Act funds no longer available, the governor is afforded no additional funding to lessen the severity of cuts to education. Comparing proposed FY 2012 spending to the original FY 2009 budget, which preceded the recessionary budget cuts, state funding for K-12 education is cut by 14.7 percent, with cuts to post-secondary education even larger.¹

Despite signs of modest recovery in Georgia's economy, the state is far from its fiscal position prior to the economic downturn. In 2010, state economists projected weak revenues for several years to come, and in 2011 predict the state will not regain the FY 2007 level of revenues until FY 2015.² With K-12 and post-secondary education comprising more than half of state spending, without new revenue sources, additional cuts going forward are possible. Consequently, larger class sizes in K-12 schools, more adjunct faculty at colleges and universities, reduced pay for teachers and instructors, and reduced supportive services such as tutoring, advising, and professional development remain likely consequences.

The following overview discusses the governor's proposed budget for the Department of Education, Board of Regents, Technical College System of Georgia, Bright from the Start: Department of Early Care and Learning, and post-secondary grants and scholarships.

Department of Education (K-12 Education)

The governor proposes spending \$6.99 billion in state funds to educate 1.66 million K-12 students in FY 2012. The proposed spending equals a 14.7 percent cut from the original FY 2009 budget, which included austerity cuts to the education funding formula. With spending for FY 2012 equivalent to spending in FY 2011, a projected growth in student enrollment and the elimination of federal American Recovery and Reinvestment (Recovery Act) funds results in state spending per pupil falling to the lowest level in over a decade.

Continuing the trend since FY 2009, the majority of the cuts can be found in the state's funding formula, Quality Basic Education (QBE). The governor's proposed budget adjusts the QBE base by adding \$91.3 million to account for 0.57 percent enrollment growth and training and experience salary increases. Beyond that adjustment, however, the proposed budget cuts QBE by \$60.8 million, on top of existing QBE cuts carried forward from prior years, and does not replace \$141 million in Recovery Act funds that are no longer available in FY 2012. The budget spares additional cuts to equalization grants, which provide funds for low-property wealth districts to increase equity across school districts. In total, school systems will receive \$790 million less than QBE funding budgeted in FY 2009 (Table 1).

Table 1: K-12 Education: State Fund Changes for FY 2009 to FY 2012

	FY 2009 Original Budget	FY 2011 Original Budget	2012 Recommended Budget	FY 2011 - FY 2012 Change (\$)	FY 2011 - FY 2012 Change (%)	FY 2009 - FY 2012 Change (\$)	FY 2009 - FY 2012 Change (%)
State General Funds	\$8,195,597,771	\$6,989,931,274	\$6,994,740,752	\$4,809,478	0.1%	-\$1,200,857,019	-14.7%
QBE Base	\$6,789,985,513	\$6,089,014,556	\$6,119,567,811	\$30,553,255	0.5%	-\$670,417,702	-9.9%
Recovery Act Funds	\$0	\$140,709,507	\$0	-\$140,709,507	-100.0%	\$0	0.0%
QBE Equalization	\$556,507,932	\$436,158,587	\$436,158,587	\$0	0.0%	-\$120,349,345	-21.6%
TOTAL QBE FUNDING	\$7,346,493,445	\$6,665,882,650	\$6,555,726,398	-\$110,156,252	-1.7%	-\$790,767,047	-10.8%

The proposed budget eliminates state support for several programs, including:

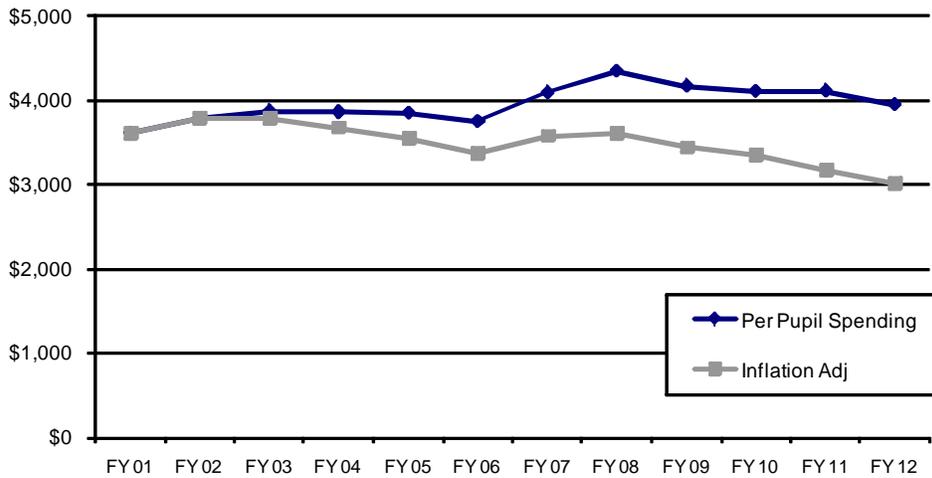
- Georgia Youth Science and Technology (\$150,000), which aims to increase students' interest in science, math, and technology;
- National Science Center and Foundation (\$200,000), which promotes students' interest in math and science by offering educational programs and helping schools implement educational technology;
- Migrant Education grants (\$249,113), which provides supplemental educational and support services to migrant students;
- Education Technology Centers (\$1.5 million).

Additional programs are reduced, including nutrition, school nurses, agricultural education, and services for students with autism or severe emotional behavior problems, among others.

With no additional Recovery Act funds available for FY 2012, the governor's proposed budget assumes that a portion of federal Education Jobs Act funds received by local school systems in 2010 will be budgeted for FY 2012. A total of \$321 million in Education Jobs Act funds were allocated to local school systems for the purpose of reducing cuts to educational and related services in K-12 education during FY 2011. Local schools systems were encouraged to incorporate this funding into their FY 2011 and FY 2012 budgets. As local school systems are required to spend all Education Job Act funds during FY 2011, incorporating this federal funding into their FY 2012 budgets will entail transferring local funds budgeted for FY 2011 into reserve accounts. This additional reserve funding can then be used by local school systems to fund their FY 2012 budgets.

After accounting for inflation, per student state funding through the QBE formula will drop to its lowest level in over a decade (Chart 2). State spending per pupil in FY 2012 (\$3,022) will be 16.3 percent lower than per pupil spending in FY 2001 (\$3,610) when adjusted for inflation.³ This difference in per pupil spending amounts to \$976 million in additional QBE funding that would be required to equate spending in FY 2012 to spending levels in FY 2001.

Chart 2: K-12 Education: QBE Funding Per Pupil (FY 2001-FY 2012)



Sources: Governor's Budget Reports, FY2001-FY2012; Georgia Department Of Education Allotment Sheets; National Center for Education Statistics; Consumer Price Index; and Congressional Budget Office, CPI Forecast

The governor pronounced that his proposed budget will end teacher furloughs and keep students in school for a full 180-day school year. However, the budget does not account for more than \$790 million in austerity cuts to K-12 education since FY 2009. Thus, the proposed budget for FY 2012 establishes a lower funding base relative to the FY 2009 budget and funds only 152 days for FY 2012.⁴ If all \$321 million in Education Job Act funds are budgeted for FY 2012, only 159 school days will be funded. Accordingly, larger class sizes, salary cuts, and less support for technology training and professional development remain possibilities in FY 2012.⁵

- Policy Question: *How have local school systems budgeted Education Job Act funds? What measures will school systems take in FY 2012 if most, or all, of this federal funding was used to cover budget gaps in FY 2011?*
- Policy Question: *How will communities with increasing student enrollment balance cuts, particularly those communities that will receive both a per pupil spending cut in QBE and equalization grants?*

FY 2011 Amended Budget Proposal

The FY 2011 Amended Budget provides an additional \$136 million to K-12 education. The budget provides:

- \$96 million for enrollment growth and pay for newly certified math and science teachers; and
- \$56 million for non-certified personnel health care insurance.

The budget excludes \$14.5 million in Recovery Act funds that were used during FY 2010.

Board of Regents (University System)

The budget proposes spending \$1.74 billion in state funds on the state's 35 colleges and universities in FY 2012. This is a \$174 million cut in state general funds, and a total cut of \$197 million after excluding federal Recovery Act funds that are no longer available, even as student enrollment continues to grow.

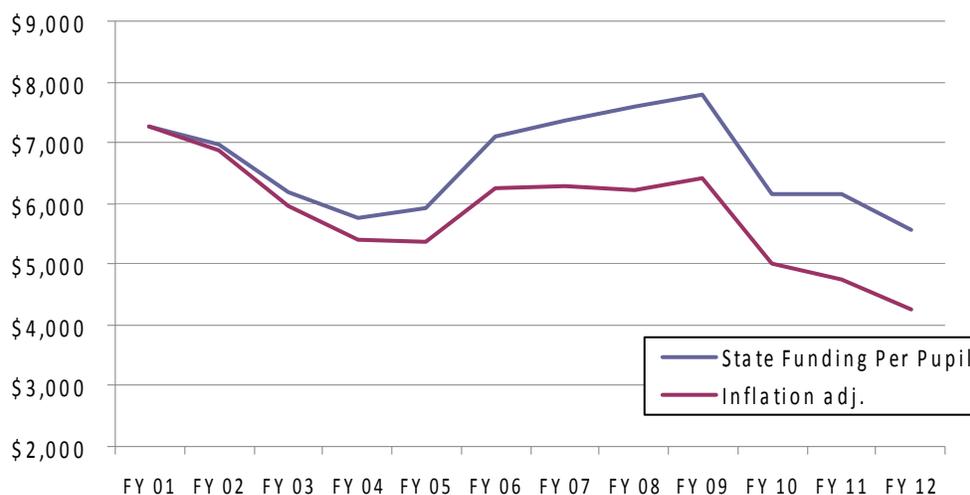
Table 2: University System of Georgia: State Fund Changes for FY 2009 to FY 2012

	FY 2009 Original Budget	FY 2011 Original Budget	2012 Recommended Budget	FY 2011 - FY 2012 Change (\$)	FY 2011 - FY 2012 Change (%)	FY 2009 - FY 2012 Change (\$)	FY 2009 - FY 2012 Change (%)
State General Funds	\$2,279,240,052	\$1,912,057,897	\$1,738,084,865	-\$173,973,032	-9.1%	-\$541,155,187	-23.7%
Recovery Act Funds	\$0	\$23,186,142	\$0	-\$23,186,142	-100.0%	\$0	0.0%
TOTAL FUNDING	\$2,279,240,052	\$1,935,244,039	\$1,738,084,865	-\$197,159,174	-10.2%	-\$541,155,187	-23.7%

Similar to K-12 education funding, the majority of these funds are formula-driven. The proposed budget does not provide funding for enrollment growth and increases for maintenance and operations. The University System of Georgia projects enrollment growth and related maintenance and operation costs of \$177 million for FY 2012.⁶ The budget includes a \$146 million cut to the teaching formula and excludes \$23 million in federal Recovery Act funds that will not be available in FY 2012. Across programs, the proposed budget reduces salaries and operating expenses, such as the research consortium, agricultural experiment station, public libraries, and cooperative extension services, among others.

Proposed state allocations per full-time equivalent (FTE) in FY 2012 will fall to the lowest level in over a decade (Chart 4). Since FY 2009, more than 41,000 additional students have enrolled in the university system, yet proposed state spending will be 23.7 percent below FY 2009 levels.⁷ With Recovery Act funds no longer available, state spending will decline by 10.2 percent in FY 2012 compared to spending in FY 2011.

Chart 3: University System Institutional Allocations per FTE Student



Sources: Governor's Budget Reports, FY 2001-FY2012, University System of Georgia, FTE Reports, Fall Enrollment, FY 2001-FY2011, Consumer Price Index and Congressional Budget Office, CPI forecasts.

To manage previous budget cuts, universities eliminated thousands of positions, increased the proportion of health insurance costs paid by employees, and instituted an institutional student fee of \$100 to \$200, among other actions.⁸ To manage cuts in the proposed budget for FY 2012, possible actions may include additional cuts to learning support services such as tutoring and advising, increasing tuition and/or fees, increasing the percentage of part-time and adjunct faculty, and deferring maintenance, among others.

- *Policy Question: Will cuts to the Board of Regents result in additional increases in tuition or fees for Georgians enrolled in colleges and universities? If so, how will those increased costs affect access for low- and moderate-income students?*

Technical College System of Georgia

The governor proposes spending \$301 million in state funds in FY 2012 on the Technical College System of Georgia (TCSG), which provides technical education, adult literacy programs, and job training through QuickStart. The budget is a \$19 million cut in state general funds from FY 2011 and excludes \$7 million in Recovery Act funds no longer available in FY 2012. Proposed state spending will be 18.9 percent below FY 2009 levels.

Table 3: Technical College System of Georgia: State Fund Changes for FY 2009 to FY 2012

	FY 2009 Original Budget	FY 2011 Original Budget	2012 Recommended Budget	FY 2011 - FY 2012 Change (\$)	FY 2011 - FY 2012 Change (%)	FY 2009 - FY 2012 Change (\$)	FY 2009 - FY 2012 Change (%)
State General Funds	\$371,250,007	\$319,910,401	\$300,957,811	-\$18,952,590	-5.9%	-\$70,292,196	-18.9%
Recovery Act Funds	\$0	\$7,011,000	\$0	-\$7,011,000	-100.0%	\$0	0.0%
TOTAL FUNDING	\$371,250,007	\$326,921,401	\$300,957,811	-\$25,963,590	-7.9%	-\$70,292,196	-18.9%

The proposed budget cuts technical education by \$16 million in FY 2012 and represents 89 percent of total cuts. This cut occurs during a time of record enrollment, as the TCSG has seen some of the most extensive service demand in recent years as a result of a down economy. Enrollment in the technical colleges grew by 22 percent from FY 2009 to FY 2010, the largest ever annual enrollment level.⁹ Much of this demand comes from workers hit by the recession; enrollment increased by 32 percent for students age 40 and over.¹⁰

The budget does not include \$63 million to account for projected enrollment growth and related maintenance and operating cost in FY 2012.¹¹ To manage enrollment increases beyond state funding levels, in previous years the TCSG raised tuition and increasingly has relied on more part-time, adjunct faculty, who now comprise 73 percent of faculty. Proposed funding cuts for FY 2012 will likely result in an increase in tuition once again.

- *Policy Question: With Georgia's unemployment rate at 10.2 percent and 1.3 million adults lacking a high school diploma or GED, how will cuts to technical education and adult literacy affect Georgians transitioning to new jobs or seeking skills advancement? How will these cuts affect Georgia's long-term economic position?*

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

The proposed budget for the Department of Early Care and Learning, which administers the pre-kindergarten program, is \$336 million, funded almost entirely through lottery funds (\$335 million). Proposed spending will be 5.6 percent below FY 2011 levels.

Georgia's pre-K program will not escape cuts in the governor's proposed budget. While lottery funds have withstood the recession better than other revenues, total lottery expenditures for Georgia's pre-K and HOPE programs are projected to exceed annual lottery revenue in FY 2012. The proposed budget for FY 2012 cuts the pre-K program by \$19.7 million, which would amount to 4,549 fewer slots based on funding and total slots in FY 2011. If total Pre-K slots for FY 2012 remain at FY 2011 levels, pre-K providers will face a cut in reimbursement per slot.

Table 4: Bright From the Start - DECAL: State Fund Changes for FY 2009 to FY 2012

	FY 2009 Original Budget	FY 2011 Recommended Amended Budget	2012 Recommended Budget	FY 2011 - FY 2012 Change (\$)	FY 2011 - FY 2012 Change (%)
State General Funds	\$4,574,106	\$1,143,058	\$1,131,462	-\$11,596	-1.0%
Lottery Funds	\$337,018,148	\$355,016,059	\$335,294,298	-\$19,721,761	-5.6%
TOTAL FUNDING	\$341,592,254	\$356,159,117	\$336,425,760	-\$19,733,357	-5.5%

Post-Secondary Grants and Scholarships

In the FY 2012 proposed budget, \$497 million in lottery funds provide scholarships and grants, the largest of which are HOPE scholarships to public colleges and universities (\$303 million), HOPE grants to technical colleges (\$131 million), and HOPE scholarships to private colleges (\$38 million). Proposed spending for these three programs are cut 36.1 percent from FY 2011 levels and reflects projected lottery revenue in FY 2012.

The Georgia Student Finance Commission, the agency that administers the HOPE program, estimates total expenditures for HOPE scholarships, to public and private colleges, and HOPE grants to be \$831 million in FY 2012. The proposed budget for the three programs will only cover 57 percent of those projections for HOPE expenditures, with \$358 million in projected HOPE expenditures left unaccounted.

In total, lottery-funded scholarships and grants will decrease by \$306 million from FY 2011 levels. Reduction to HOPE scholarships to public schools and HOPE grants receive the largest cuts, \$190.2 million and \$88.5 million, respectively. HOPE scholarships to private colleges will be cut \$16.7 million. With the total number of awards for HOPE scholarships and grants projected to increase in FY 2012, changes will likely be made to the HOPE program in order to align annual lottery expenditures with revenue.

Other lottery funded scholarships and grants will be cut from FY 2011 levels, including:

- ACCEL program (36 percent cut), which allows high school students to pursue post-secondary study while receiving dual high school and college credit.
- College Opportunity grants (36 percent cut), which provide need-based grants to assist with the affordability of college.
- HOPE GED program (36 percent cut), which awards vouchers to students receiving a GED diploma award by the TCSG.

The proposed budget eliminates funding for the Leveraging Educational Assistance Partnership (LEAP) program, which provides grants to Georgia residents with substantial financial need to attend post-secondary institutions in Georgia.

Table 5: HOPE Scholarships and Grants: State Fund Changes for FY 2009 to FY 2012

	FY 2011 Recommended Amended Budget	2012 Recommended Budget	FY 2011 - FY 2012 Change (\$)	FY 2011 - FY 2012 Change (%)
State General Funds	\$30,087,519	\$29,500,654	-\$586,865	-2.0%
<i>Lottery Funds:</i>				
Total Lottery Funds	\$803,687,856	\$497,107,958	-\$306,579,898	-38.1%
HOPE Scholarship - Public	\$493,531,474	\$303,307,959	-\$190,223,515	-38.5%
HOPE Scholarship - Private	\$54,663,937	\$37,920,023	-\$16,743,914	-30.6%
HOPE Grants	\$220,407,829	\$131,861,043	-\$88,546,786	-40.2%

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Endnotes

¹ Funds include state general funds and motor fuel funds. Tobacco Settlement and lottery funds are not included, except for pre-K. \$69,101,154 in remaining American Recovery and Reinvestment Act state stabilization funds are allocated towards federal programs.

² Ken Heaghey, "Georgia's Revenue Outlook," Presentation to Joint House and Senate Appropriations Committee, January 18, 2011.

³ State funding per pupil is based on QBE program and equalization grant appropriations in FY2001 to FY 2010 amended budgets. QBE program and equalization grant appropriations for FY 2011 and 2012 are based on original budgets.

⁴ QBE and equalization funding amounts are taken from DOE state allotment sheet for FY 2011 and are used to represent funding 180 schools days. Proposed QBE funding for FY 2012, and is divided by average daily spending for FY 2009 to calculate total schools days funded.

⁵ Ibid.

⁶ University System of Georgia President Erroll Davis, "Presentation to the Joint House and Senate Appropriation Committee," January 18, 2011.

⁷ Enrollment reports, FY2001-FY2011; University System of Georgia; Fall FTE enrollment taken for each fiscal year.

⁸ "Highlights of the Governor's FY 2011 Education Budget Proposals", Sarah Beth Gehl; Georgia Budget and Policy Institute; January 25, 2010.

⁹ "South Georgia Tech and TCSG Sets Enrollment Record with Highest-Ever One Year Increase"; TCSG website; press release date July 26, 2010; based on fall enrollment numbers.

¹⁰ Technical College System of Georgia President Ron Jackson, "Presentation to the Joint House and Senate Appropriation Committee," January 18, 2011.

¹¹ Ibid.