

FY 2013 Budget Analysis: Higher Education

A Review of the Governor's Budget Report – FY 2013

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Summary

Amended FY 2012 Budget

The governor's recommendations for the Amended FY 2012 budget include the following spending and funding cuts for higher education:

University and Technical College Systems

- Cuts \$31 million for the Teaching program within the university system.
- Cuts \$2.1 million for technical education.
- Closes underutilized technical college branch locations, saving \$4 million.

Post-secondary Financial Assistance

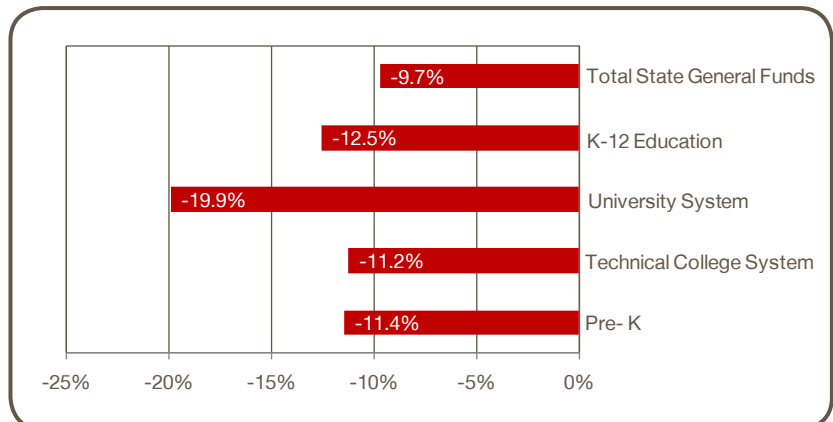
- Cuts \$7.9 million for HOPE grant program to reflect actual HOPE recipients.¹
- Cuts \$3.6 million for HOPE private scholarship program to reflect actual HOPE recipients.
- Provides \$16.3 million for HOPE public scholarship program to reflect actual HOPE recipients.
- Cuts \$3.7 million for tuition equalization grants to reflect actual recipients.
- Transfers \$19.1 million from Zell Miller Scholarship program to traditional HOPE public and private scholarship programs.

FY 2013 Budget

The FY 2013 budgets for higher education provide modest spending increases compared to FY 2012. The budgets provide funding for enrollment growth within both the university and technical college systems; however, the University System's Teaching program and the Technical College System's Technical Education program experience funding cuts.

Accordingly, higher education continues to experience cuts in state funding. The FY 2013 budget reveals a 19.9-percent cut in state funding to the University System and an 11.2-percent cut to the Technical College System since FY 2009 (Chart 1). Thus, serving more students with less state support remains the challenge for higher education in Georgia.

Chart 1 Percentage Change in Funds, FY 2009 - 2013



Source: Governor's Budget Report-FY 2013. (Note: The original FY 2009 budget provides a comparison point prior to the state's recessionary cuts.) Total state general funds include motor fuel funds. Pre-K includes lottery funds.

The higher education system plays an important role in promoting economic development throughout Georgia. Not only is it an engine that builds the workforce, Georgia's research institutions are catalysts for innovation for businesses looking to expand or locate in the state. Furthermore, technical colleges provide flexible and responsive training programs to meet the workforce demands of employers. Thus, continued disinvestment in higher education poses serious challenges to Georgia's economic future.

Board of Regents (University System of Georgia)

Budget Highlights

For FY 2013, the governor allocates \$1.82 billion in state funding to the 35 colleges and universities that comprise the University System of Georgia (USG) – a five-percent increase in spending compared to FY 2012. While the FY 2013 budget provides \$94.5 million for enrollment growth, the Teaching program is subsequently cut by \$35.3 million – resulting in a partial funding, 63 percent, of enrollment growth.

Table 1 University System of Georgia Funding Changes, FY 2009 - FY 2013

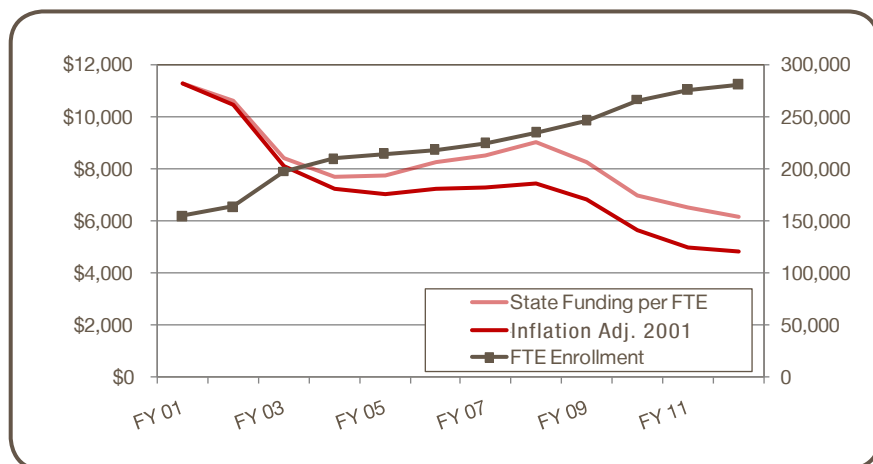
	FY 2009 Original Budget	FY 2012 Original Budget	FY 2013 Governor's Budget	FY 2012 - FY 2013 Change (\$)	FY 2012 - FY 2013 Change (%)	FY 2009 - FY 2013 Change (\$)	FY 2009 - FY 2013 Change (%)
State General Funds	\$2,278,680,052	\$1,738,805,885	\$1,825,680,227	\$86,874,342	5.0%	(\$452,999,825)	-19.9%
Teaching Program	\$1,970,507,554	\$1,553,681,395	\$1,630,095,050	\$76,413,655	4.9%	(\$340,412,504)	-17.3%
Non-Teaching Funding	\$308,172,498	\$185,124,490	\$195,585,177	\$10,460,687	5.7%	(\$112,587,321)	-36.5%

Recent Trends

The majority of state funding for the University System goes toward the Teaching program, which represents 89 percent of the FY 2013 budget. Since FY 2009, the Teaching program has experienced \$340 million in funding cuts and the FY 2013 budget does not begin to restore this funding, it cuts more. The Amended FY 2012 budget cuts the Teaching program by

\$31 million and the cut is carried over for FY 2013, along with an additional \$4.2-million cut, for a total proposed cut of \$35.3 million. Consequently, with no additional funding provided beyond enrollment growth, fewer dollars are available to provide educational instruction and services to a growing number of students within the system.

Chart 2 University System Institutional Allocations per Full-time Equivalent



Sources: Governor's Budget Reports, FY2001-FY2011, University System of Georgia, FTE Reports, Fall Enrollment, FY 2001-FY 2011, and Consumer Price Index.

Proposed state allocations per full-time equivalent (FTE) will remain near its lowest level in over a decade (Chart 2). Since FY 2005, more than 67,000 additional students have enrolled into the University System, a 27-percent increase, while state spending per

pupil decreased by 20.6 percent during this time period. The result is a system that continues to face the challenge of serving more students with less state support.

Outlook and Policy Consideration

Colleges and universities within the University System of Georgia (USG) will continue to face challenges in the years ahead. Since FY 2009, the system has experienced more than \$450 million in funding cuts, with the Teaching program experiencing 75 percent of this total funding cut. As the FY 2013 budget cuts additional funding from the Teaching program, replacing the \$450 million in austerity cuts seems unlikely in the years ahead. Moreover, continued funding cuts to the Teaching program challenge efforts to increase the number of college graduates to meet the workforce demands of the 21st century.

Table 2 USG Enrollment, Tuition and Mandatory Fees, FY 2009 - FY 2012

University System of Georgia	Fall 2011	Fall 2008	Change (%)	Growth Rate Fall 2005 to 2011	Annual Average Fall 2005 to 2011
Total Enrollment	318,027	270,022	17.8%	26.9%	4.5%
Sector Average					
Tuition and Mandatory Fees*	Fall 2011	Fall 2008	Change (%)		
Research Universities	\$9,361	\$5,156	81.6%	108.4%	18.1%
Regional Universities	\$6,625	\$3,920	69.0%	96.6%	16.1%
State Universities	\$6,111	\$3,595	70.0%	95.8%	16.0%
State Colleges	\$3,764	\$2,269	65.9%	39.6%	6.6%
Two-year Institutions	\$3,417	\$2,038	67.7%	93.9%	15.7%
University System Average	\$5,353	\$3,127	71.2%	86.7%	14.4%

Source: University System of Georgia, Fiscal Affairs Division, Tuition and Fee Information, Fall 2008 and Fall 2011. University System of Georgia, Office of Research & Policy Analysis, Enrollment Reports, FY 2001 – FY 2012.

Tuition and fees within the University System have increased as a result of state funding cuts. Since FY 2009, tuition and fees increased, on average, by 71 percent within the University System (Table 2). Increasing tuition and fees is one way the Board of Regents can offset cuts in state funding. Accordingly, further cuts in state funding and unfunded, or underfunded, enrollment growth could result in further increases in tuition and fees in the years ahead.

In recent years, colleges and universities have managed budget cuts by eliminating faculty and staff positions, increasing the proportion of health insurance costs paid by employees, and reducing learning support services, among other actions. The continued trend of declining support for higher education and increasing student enrollment into the university system could result in additional cuts and reductions in instructional resources and learning services. Consequently, continued disinvestment in higher education threatens Georgia's ability to attract good paying goods into the state which will help to grow Georgia's economy.

Technical College System of Georgia

For FY 2013, the governor allocates \$329.6 million in state funds to the Technical College System of Georgia (TCSG) – a 5.2-percent increase in spending compared to FY 2012. The TCSG provides technical education and adult literacy programs, as well as job training through its QuickStart program. While the FY 2013 budget spares any dramatic cuts, the TCSG has experienced \$41 million in state funding cuts since FY 2009, with the Technical Education program experiencing 72 percent of this total funding cut.

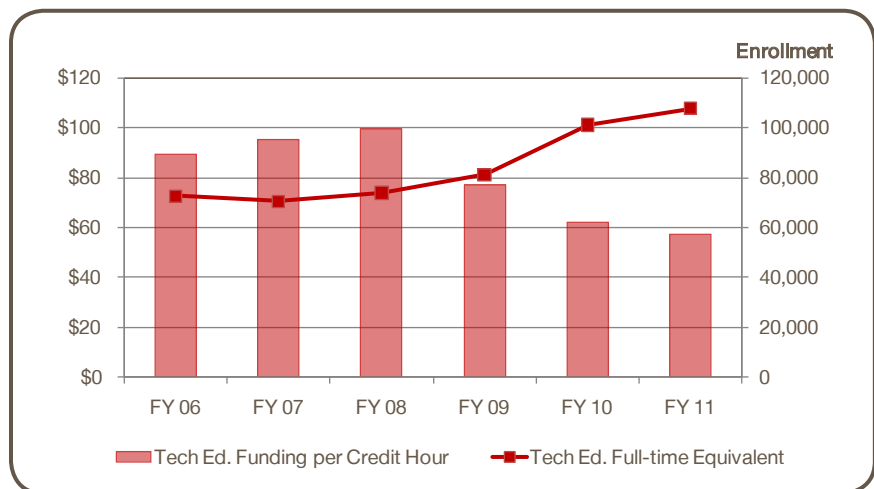
Table 3 Technical College System of Georgia Funding Changes, FY 2009 - FY 2013

	FY 2009 Original Budget	FY 2012 Original Budget	FY 2013 Governor's Budget	FY 2012 - FY 2013 Change (\$)	FY 2012 - FY 2013 Change (%)	FY 2009 - FY 2013 Change (\$)	FY 2009 - FY 2013 Change (%)
State General Funds	\$371,250,007	\$313,270,886	\$329,570,350	\$16,299,464	5.2%	(\$41,679,657)	-11.2%
Adult Literacy	\$16,297,100	\$12,828,054	\$13,473,095	\$645,041	5.0%	(\$2,824,005)	-17.3%
Administration	\$10,213,558	\$7,635,862	\$7,944,927	\$309,065	4.0%	(\$2,268,631)	-22.2%
QuickStart	\$16,744,604	\$12,769,875	\$12,578,020	(\$191,855)	-1.5%	(\$4,166,584)	-24.9%
Technical Education	\$327,994,745	\$280,037,095	\$295,574,308	\$15,537,213	5.5%	(\$32,420,437)	-9.9%

Recent Trends

The FY 2013 budget provides \$16.8 million for enrollment growth in the Technical Education program. However, the budget subsequently cuts \$2 million in operating expenses from the technical education program, resulting in a partial funding, 88 percent, of enrollment growth. Enrollment into technical colleges has steadily increased in recent years and, similar to the USG, the TCSG serves more students with less state support (Chart 3). In addition, the budget eliminates funding for the Commercial Driver's License (CDL) Truck Driving program (\$4.5 million cost saving) and closes underutilized branch locations (\$3.99 million cost saving).

Chart 3 Technical Education Funding per Credit Hour and Enrollment



Sources: Technical College System of Georgia, System Scorecard (online), Technical Education division.

In recent years, the TCSG managed cuts in state funding and enrollment growth by raising tuition (credit hour) rates, increasing class size where allowed, as well as relying on more part-time, adjunct faculty – which comprises 71 percent of TCSG faculty – at lower pay and no benefits.³ This increase in part-time faculty threatens the accreditation status of TCSG. Such efforts continue as enrollment continues to grow and the technical college system is challenged with serving more students with fewer resources. However, TCSG Commissioner Ronald Jackson informs that these cost reductions cannot be replicated indefinitely. Technical colleges serve a vital role in workforce development in Georgia. Businesses look to technical colleges to train and retool workers to meet their changing business demands. Accordingly, as with the USG, disinvestment in technical education poses serious threats to Georgia's economic future.

Georgia Student Finance Commission (HOPE)

For FY 2013, the governor allocates \$642 million in total funding to programs that provide financial assistance for post-secondary education. The majority of the funding, \$605 million, come from the revenue generated from state lottery games and is allocated toward three particular programs: the HOPE grant, the HOPE public scholarship, and the HOPE private scholarship. These three programs constitute 95 percent, \$575 million, of all post-secondary education lottery funding expenditures and 90 percent of total lottery and state funding allocated to financial assistance for post-secondary education (Table 4).

Table 4 HOPE Scholarship and Grant Funding Changes, FY 2011 - FY 2013

	FY 2011 Original Budget	FY 2012 Original Budget	FY 2013 Governor's Budget	FY 2012 - FY 2013 Change (\$)	FY 2012 - FY 2013 Change (%)	FY 2011 - FY 2013 Change (\$)	FY 2011 - FY 2013 Change (%)
Total Funding	\$805,392,439	\$649,840,771	\$642,054,527	(\$7,786,244)	-1.2%	(\$163,337,912)	-20.3%
State General Funds	\$32,756,834	\$37,102,532	\$36,216,981	(\$885,551)	-2.4%	\$3,460,147	10.6%
Lottery Funds:							
Total Lottery Funds	\$772,635,605	\$612,738,239	\$605,837,546	(\$6,900,693)	-1.1%	(\$166,798,059)	-21.6%
Zell Miller Scholarship	\$0	\$19,105,888	\$0	(\$19,105,888)	-100.0%	\$0	0.0%
HOPE Scholarship - Public	\$474,575,353	\$377,666,709	\$408,235,018	\$30,568,309	8.1%	(\$66,340,335)	-14.0%
HOPE Scholarship - Private	\$59,332,133	\$54,501,104	\$54,385,503	(\$115,601)	-0.2%	(\$4,946,630)	-8.3%
HOPE Grants	\$206,318,361	\$130,737,363	\$112,658,625	(\$18,078,738)	-13.8%	(\$93,659,736)	-45.4%

Recent Trends

With the HOPE program facing a perennial structural deficit – annual program expenditures exceed annual lottery revenue – a number of changes were made to the program during the 2011 General Assembly. These changes resulted in a 24-percent funding cut, \$177 million, to the three major HOPE programs for FY 2012 compared to the original FY 2011 budget.

For FY 2013, the governor maintains regular HOPE awards at their current FY 2012 levels, which represents approximately 87 percent of tuition for FY 2012. Accordingly, the budget allocates an additional \$20.5 million to the traditional HOPE public scholarship program and cuts the traditional HOPE private scholarship program by \$3.2 million. The HOPE Grant program receives an \$18-million cut and largely reflects the decline in students eligible for the HOPE grant. Ronald Jackson, commissioner of the Technical College System of Georgia (TCSG), reports that 4,200 students within the TCSG lost the HOPE grant as a result of the 3.0 GPA requirement added in 2011.⁴ Table 5 shows the allocation of lottery funding for the three major HOPE programs for FY 2013.

Another change to the HOPE program was the creation of the Zell Miller Scholarship program, which provides full-tuition scholarships to graduating high school seniors who earn a 3.7 GPA and score at least a 1,200 on the SAT. Zell Miller Scholars must maintain at least a 3.3 GPA in college in order to remain eligible for the full-tuition scholarship. The governor proposes merging the Zell Miller Scholarship program into the regular HOPE public and private scholarship programs in order to streamline the reporting requirements of colleges and universities.

Even with the merger, the Zell Miller Scholars program remains a distinct scholarship program within the HOPE program. The FY 2013 budget includes a \$19.1-million transfer of the Zell Miller Scholarship program to the traditional HOPE public and private scholarship programs. Subsequently, the budget allocates an additional \$4.5 million in lottery funding across the

two scholarship programs to fully cover the cost of the Zell Miller program (Table 5). This additional funding for the Zell Miller Scholars program represent the total cost of the difference between the traditional HOPE award and the full tuition HOPE award provided to Zell Miller scholars.

Outlook and Policy Consideration

Maintaining regular HOPE scholarship and grant awards at FY 2012 funding levels will likely require lottery reserve funds to be used to cover the funding gap between projected annual lottery revenue and HOPE award expenditures. Consequently, the Georgia Student Finance Commission (GSFC) projects lottery reserve funding will not be available beyond FY 2013 to cover any funding shortages in future years.⁷

Table 5 Funding Changes for HOPE Programs, FY 2012 - FY 2013

Hope Program	FY 2012 Original Budget	FY 2013 Governor's Budget	FY 2012 - FY 2013 Change (\$)	FY 2012 - FY 2013 Change (%)
Total Lottery Funds	\$612,738,239	\$605,837,546	(\$6,900,693)	-1.13%
Zell Miller Scholarship ⁵	\$19,105,888	\$0	(\$19,105,888)	-100.00%
HOPE Scholarship - Public	\$377,666,709	\$408,235,018	\$30,568,309	8.09%
Zell Miller Scholarship ⁶	\$0	\$20,527,588	\$20,527,588	
Traditional HOPE (public)	\$377,666,709	\$387,707,430	\$10,040,721	2.66%
HOPE Scholarship - Private	\$54,501,104	\$54,385,503	(\$115,601)	-0.21%
Zell Miller Scholarship	\$0	\$3,067,341	\$3,067,341	
Traditional HOPE (private)	\$54,501,104	\$51,318,162	(\$3,182,942)	-5.84%
HOPE Grants	\$130,737,363	\$112,658,625	(\$18,078,738)	-13.83%

In the absence of additional revenue, the value of HOPE awards in future years will depend solely on the amount of annual lottery revenue allocated to the HOPE program. The GSFC projects that by FY 2016, the traditional HOPE award may cover less than half of the tuition costs for HOPE recipients attending schools within the University System.⁸ Currently, HOPE awards cover approximately 87 percent of tuition costs. Accordingly, the projected decline in tuition coverage by HOPE awards underscores the issue of access to post-secondary education for Georgia students. Unfortunately, the perfect storm of an economic downturn and slow recovery, significant growth in higher education costs and disinvestment in state support for higher education has become the daunting reality in Georgia. Nevertheless, Georgia's ability to attract and retain good paying jobs and grow its economy will largely depend on the quality of its workforce. Thus, access to higher education for Georgians desiring to pursuing a post-secondary education and technical training is critical to the state's economic future.

Endnotes

- ¹During his budget presentation to the Joint Appropriations Committee on January 17, 2012, Ronald Jackson, commissioner of the Technical College System of Georgia (TCSG) reported that 4,200 students within the TCSG lost the HOPE grant due to the 3.0 GPA requirement that was included in changes to the HOPE program during the 2011 General Assembly.
- ²Tuition and mandatory fee rates are for full-time in-state students, as published by the University System of Georgia.
- ³See endnote 1.
- ⁴Ibid.
- ⁵Governor proposes merging Zell Miller Scholarship program into regular HOPE public and private scholarship programs.
- ⁶Line item funding for Zell Miller Scholarship program represents the difference in the full cost of the full Zell Miller Scholars award minus the full cost of the regular HOPE scholarship award (for all Zell Miller Scholars).
- ⁷Tim Connell, President of the Georgia Student Finance Commission, presented status of HOPE program to the Joint Economic Development Committee (Senate and House committee members) on January 9, 2012 and to the Board of Regents during its monthly board meeting on January 10, 2012.
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