

# FY 2013 Budget Analysis: PK–12 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 for Pre-K and K-12 education:

- Provides \$87.9 million from the Revenue Shortfall Reserve Fund for mid-year student enrollment growth for K-12 education.
- Adds \$8.6 million in new funding for state special charter schools.<sup>1</sup>
- Cuts 3.4 million in program funding for nutrition, pupil transportation, and school nurses.

#### FY 2013 Budget

The governor’s budget recommendations for FY 2013 spares dramatic funding cuts to K-12 education but cuts funding for Georgia’s Pre-K program.

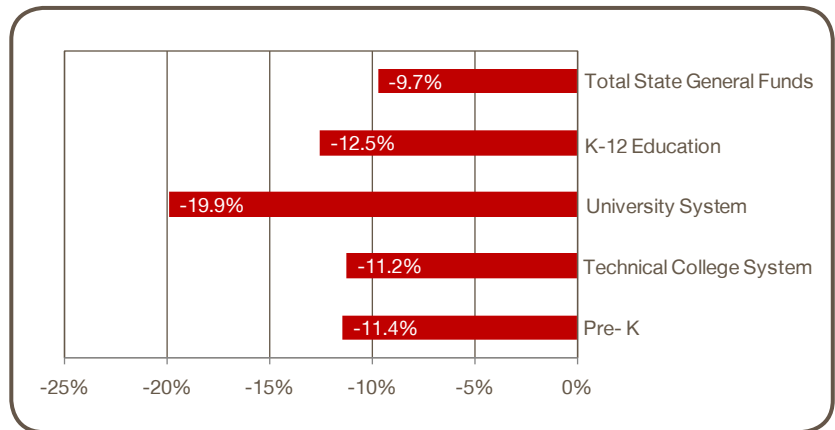
After several years of austerity cuts in K-12 education, there are no additional funding cuts applied to the Quality Basic Education (QBE) base program.<sup>2</sup> The governor proposes a modest increase in state funding per pupil compared to FY 2012; however, this increase is partly a result of including four non-QBE programs in the QBE base formula. Still, the budget does not begin to restore the more than \$1 billion in cuts to K-12 education in recent years.

Furthermore, the governor’s budget attempts to address unintended consequences resulting from recent changes to Georgia’s Pre-K program. In 2011, the General Assembly made several changes to Georgia’s HOPE and Pre-K programs. One change included the elimination of funding for 20 Pre-K school days, which reduced the salaries of Pre-K teachers. As a result, many Pre-K teachers moved to K-12 classrooms. Consequently, access to quality Pre-K centers is now an issue of concern for the Pre-K program. For FY 2013, the governor restores 10 school days to the Pre-K school year but eliminates 2,000 Pre-K slots. The restoration of Pre-K school days will hopefully attract teachers back into Pre-K classrooms.

Amidst a tenuous economic recovery, Georgia remains far from its fiscal position prior to the economic downturn. Even with a modest increase in FY 2013, state funding for K-12 education is 12.5 percent below its funding level for

FY 2009. The Pre-K program will be 11.4 percent below its funding level for FY 2009 (Chart 1). Accordingly, fiscal challenges will likely continue for local school systems across Georgia. With the decline of local property values, local systems struggle to generate enough local revenue to support schools. This challenge is compounded when considering that federal Education Jobs Act funding is not available for FY 2013.<sup>3</sup> If local school systems are unable to replace this lost funding, larger class sizes, fewer support services and reduced professional development for teachers remain possibilities going forward.

**Chart 1 Percentage Change in Funds, FY 2009 - FY 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 following overview discusses the governor's FY 2013 budget

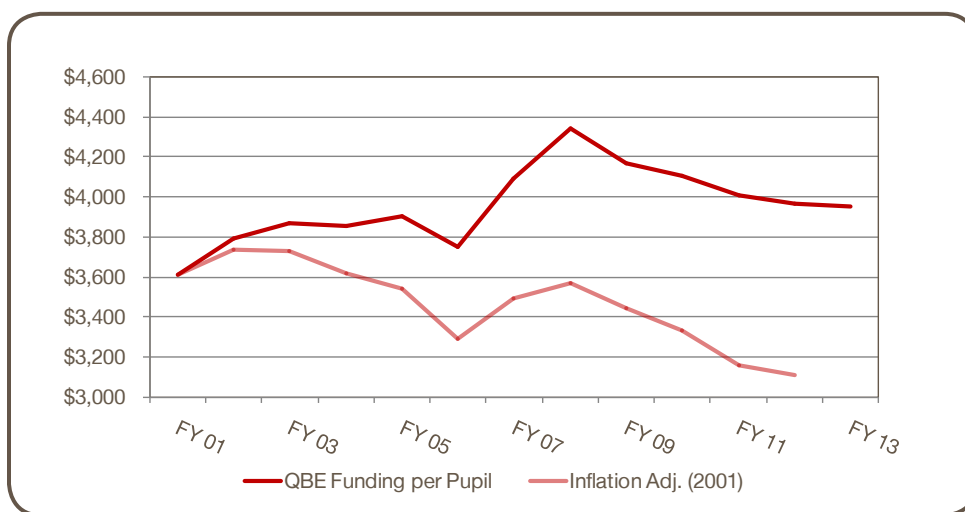
recommendations for the Department of Education and Bright from the Start: Department of Early Care and Learning, which administers Georgia's universal Pre-K program.

## Department of Education (K-12 Education)

### Budget Highlights

For FY 2013, the governor proposes spending \$7.1 billion in state funds to educate 1.66 million K-12 students – a modest 2.9 percent increase in spending compared to FY 2012. The governor includes existing non-QBE programs (Nutrition, Pupil Transportation, School Nurses, and Special-Needs Scholarships) in the Quality Basic Education (QBE) base program. For FY 2013, funding for these four programs total \$183.7 million, compared to \$190.1 million in FY 2012 – representing a 3.4 percent funding cut. Including these programs in the QBE base program artificially biases per pupil QBE spending upward; however, when adjusted for inflation, per pupil funding will remain near its lowest level in over a decade (Chart 2).

**Chart 2 K-12 Education QBE Funding Per Pupil, FY 2001 - FY 2013**



Source: Amended Appropriation Reports, AFY2001-AFY2012, Governor's Proposed FY 2013 Budget, Georgia Department of Education Allotment Sheets, and Consumer Price Index.

Note: Inflation-adjusted QBE funding per pupil for FY 2012 estimated based on inflation for 2011.

Other notable highlights of the FY 2013 budget include:

### Additions

- Enrollment growth and teacher training and experience (\$114 million)
- Differentiated pay for newly certified math and science teachers (\$3 million)
- Grants to state special charter schools (\$8.6 million)
- School nurses (\$3.6 million)

### Cuts

- School nutrition (\$809,141)
- Pupil transportation (\$2.6 million)

## Recent Trends

### Quality Basic Education (QBE) Program

Although the FY 2013 budget spares the QBE base program from additional austerity cuts, funding cuts to the QBE base program total \$472 million since 2009 (Table 1). The FY 2013 budget adjusts the QBE base program by adding \$114 million to account for student enrollment growth and for salary increases. The governor transfers four non-QBE programs into the QBE base funding formula: Nutrition, Pupil Transportation, School Nurses, and Special Needs Scholarships. Funding for three of the four programs – Nutrition, Pupil Transportation, and School Nurses – is cut prior to their transfer into the QBE base program.

### Equalization Program

The budget maintains funding for the QBE Equalization program at its FY 2012 level – which does not fully fund the program. While the QBE equalization formula earned more than \$610 million for FY 2012, the state funded just 71 percent of the earned funding. The equalization program aims to facilitate funding equity across local school systems based on

**Table 1 K-12 Education State Funding Changes, FY 2009 - FY 2013**

	<b>FY 2009 Original Budget</b>	<b>FY 2012 Original Budget</b>	<b>FY 2013 Governor's Budget</b>	<b>FY 2012 - FY 2013 Change (\$)</b>	<b>FY 2012 - FY 2013 Change (%)</b>	<b>FY 2009 - FY 2013 Change (\$)</b>	<b>FY 2009 - FY 2013 Change (%)</b>
Total State General Funds	\$8,196,497,771	\$6,969,195,136	\$7,168,082,873	\$198,887,737	2.9%	(\$1,028,414,898)	-12.5%
QBE Program	\$6,789,985,513	\$6,119,150,453	\$6,317,596,097	\$198,445,644	3.2%	(\$472,389,416)	-7.0%
Nutrition, School Nurses, Special Needs Scholarship, and Pupil Transportation	\$240,766,268	\$190,180,454	\$183,707,738	(\$6,472,716)	-3.4%	(\$57,058,530)	-23.7%
QBE Equalization	\$548,529,543	\$436,158,587	\$436,158,587	\$0	0.0%	(\$112,370,956)	-20.5%
Other Non-QBE Funding	\$617,216,447	\$223,705,642	\$230,620,451	\$6,914,809	3.1%	(\$386,595,996)	-62.6%

Note: Other Non-QBE funding includes programs such as charter schools, curriculum development, Georgia virtual school, Governor's Honors Program, and Regional Education Service Agencies, among other programs. Various programs have been included in the QBE base program in recent years; the QBE program figures in the above table reflects all programs included in the QBE base program.

local tax property wealth. Equalization grants are provided to qualifying school systems, which are allowed to spend the funds to meet the particular needs of their schools. The program has experienced \$112 million in funding cuts since FY 2009, impacting around 134 school systems.<sup>4</sup> With more than \$584.7 million in funding cuts to the QBE base and equalization programs, funding equity remains a concern for K-12 education.

Beyond the QBE base and equalization programs – which represent 97 percent of total K-12 education expenditures in the FY 2013 budget – the remainder of the budget consists of small cuts to various programs.

### Outlook and Policy Consideration

The K-12 education budget funds enrollment growth without any subsequent cuts to the QBE program, which is a positive sign. Nevertheless, local school systems across Georgia will continue to face challenges in the years ahead. Declining property values in the wake of the recent economic downturn continues to impact the ability of local school systems to generate sufficient local revenue needed for K-12 education. Furthermore, data from the 2010 Census highlights that Georgia has increasingly become a more diverse state. Demographer Mathew Hauer at the University of Georgia’s Carl Vinson Institute of Government labels Georgia the “new California,” referring to the state’s significant population growth, which has become more diverse, racially and ethnically, over the past decade.<sup>5</sup> Hauer highlights that the proportion of Georgia’s population under the age of 18 is projected to increase in the years ahead. Accordingly, Georgia’s public education system will be increasingly challenged with providing a quality education to a larger and more diverse body of students.

In assessing the K-12 education landscape, issues that have both short- and long-term implications include:

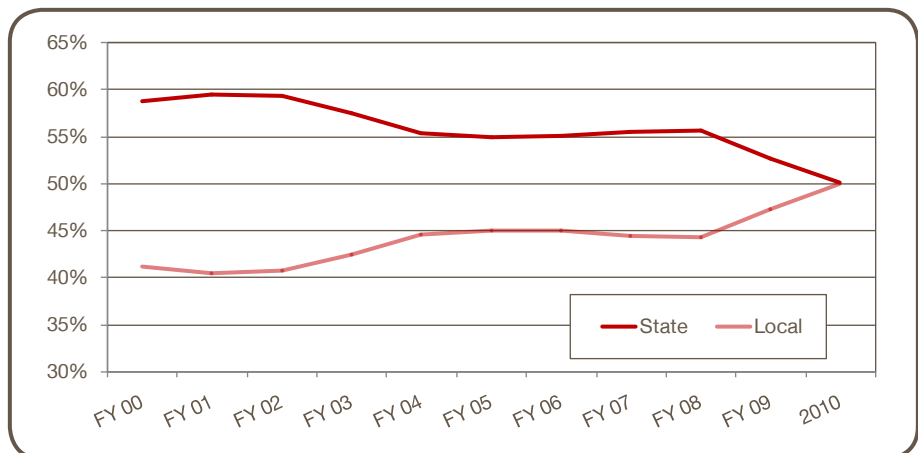
### Funding Adequacy

Since 2009, the economic downturn has led to more than \$1 billion in funding cuts to K-12 education. The FY 2013 budget does not begin restoring the austerity cuts, and as Georgia’s economy recovers in the years ahead, restoring funding to K-12 education is uncertain – as other programs compete for funding. Thus, serving more students with fewer resources will likely be the continued challenge for school systems across Georgia.

### Funding Equity

The ability of local school systems to provide students with the resources and services necessary to learn varies greatly across Georgia. Hauer at UGA’s Carl Vinson Institute segments Georgia into five Georgias. These five segments range from areas with rapid population growth, and relatively strong local economies, to areas with declining population and lagging local economies.<sup>6</sup> During the last decade, responsibility for K-12 education funding has steadily shifted from the state to local school systems (Chart 3). Accordingly, ensuring all Georgia students are afforded equal educational opportunities, regardless of the economic conditions of their local communities, should remain a K-12 education funding priority.

**Chart 3 State and Local Share (%) of K-12 Education Funding, FY 2000 - FY 2010**



Source: Georgia Department of Education, School System Revenue/Expenditure Reports.

## K-12 Finance Study Commission

During the 2011 General Assembly, House Bill 192 passed which established a state finance study commission to “evaluate the Quality Basic Education formula and education funding for public schools.” To date, the commission has proposed a number of recommendations, such as additional funding for school nurses – which is included in the governor’s budget. However, the core elements of the QBE funding formula – e.g. formula weights, funding ratios, and instructional resources – have not yet been tackled.

Changes to the core elements of the QBE formula will likely increase the overall cost of the QBE base program, and thus require a greater funding commitment from the state. This unknown cost remains the “elephant in the room.” Nevertheless, acknowledging that there is a cost to making K-12 education finance in Georgia more equitable, effective, and efficient, policy-makers should continue to thoughtfully examine the funding issues and arrive at a true measure of what is required to educate Georgia students.

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

Georgia’s Pre-K program is administered by the Bright from the Start: Department of Early Care and Learning (DECAL) and is funded solely with lottery revenue. For FY 2013, the governor allocates \$298.6 million in education lottery revenue toward Georgia’s Pre-K program, \$2 million less than FY 2012.

**Table 2 Bright from the Start (DECAL): Pre-K Program State Funding Changes, FY 2011 - FY 2013**

	<b>FY 2011 Original Budget</b>	<b>FY 2012 Original Budget</b>	<b>FY 2013 Governor's Budget</b>	<b>FY 2012 - FY 2013 Change (\$)</b>	<b>FY 2012 - FY 2013 Change (%)</b>	<b>FY 2011 - FY 2013 Change (\$)</b>	<b>FY 2011 - FY 2013 Change (%)</b>
State General Funds	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
Lottery Funds	\$355,016,656	\$300,632,586	\$298,602,245	(\$2,030,341)	-0.7%	(\$56,414,411)	-15.9%
<b>Total Funding</b>	<b>\$355,016,656</b>	<b>\$300,632,586</b>	<b>\$298,602,245</b>	<b>(\$2,030,341)</b>	<b>-0.7%</b>	<b>(\$56,414,411)</b>	<b>-15.9%</b>

Due to legislative changes to Georgia’s Pre-K program for FY 2012, funding was cut by \$54 million and included the following changes:

- Cut Pre-K school year from 180 to 160 days.
- Increased class size from 20 to 22 students.
- Pre-K teachers to receive 90 percent of FY 2011 salaries.
- Pre-K providers to receive 94 percent of the operating funds received for FY 2011.
- Added 2,000 additional state-funded Pre-K slots.

For FY 2013, the governor restores funding for 10 Pre-K school days in an effort to attract teachers back to Pre-K classrooms. Many Pre-K teachers opted to move from Pre-K classrooms and into K-12 classrooms as a result of reduced teacher salaries as part of the changes to the Pre-K program. Consequently, access and quality are two issues of concern for the Pre-K program.

The restoration of school days is partially funded with the reduction of 2,000 Pre-K slots. However, the elimination of Pre-K slots does not imply a lack of demand for the Pre-K program. Currently, 8,503 children are on the Pre-K waitlist.<sup>7</sup> Accordingly, unfilled Pre-K slots likely result from a shortage of certified Pre-K teachers rather than a lack of demand for the Pre-K program. Even with the increase in school days to address the issues of access and quality, the FY 2013 budget cuts \$2.7 million from the Pre-K program. If this funding cut represents savings from the elimination of Pre-K slots, the savings could be reinvested into the Pre-K program.

## Outlook and Policy Consideration

Georgia's Pre-K program is solely funded with lottery revenue. Growth in revenue from lottery games has slowed in recent years and is expected to remain flat in the years ahead. Accordingly, the Pre-K program will face funding challenges.<sup>8</sup> Any major changes to the HOPE program may impact the Pre-K program. Therefore, access and quality remain issues of concern for the Pre-K program.

## Endnotes

<sup>1</sup>In 2011, the Georgia Supreme Court declared the Georgia's state charter commission to be unconstitutional. This court decision impacts the level of public funding charter schools approved by the state charter commission qualifies for. For more information regarding the court ruling, see "Court: Only Local School Boards Can Create Charter Schools", by D. Aileen Dodd, Atlanta Journal Constitution, May 16, 2011.

<sup>2</sup>The Quality Basic Education (QBE) foundation program is the largest K-12 education program in the state budget. Local school systems earn state funding based on full-time student enrollment.

<sup>3</sup>In the summer of 2010, \$321 million in funding was allocated to Georgia for K-12 education as part of the federal Education Jobs Act. Local school systems used these funds to reduce cuts to educational and related services during the FY 2011 and FY 2012 school years. This funding has expired and is not available for FY 2013.

<sup>4</sup>Equalization overview (white paper) presented to State Finance Study Commission in fall 2011. Presentation of white paper can be found on Georgia Department of Education website.

<sup>5</sup>Matt Hauer's presentation The Changing Demographics of Georgia obtained from the Georgia Partnership for Excellence in Education.

<sup>6</sup>Ibid

<sup>7</sup>Pre-K waitlist figure is taken from governor's FY 2013 budget report.

<sup>8</sup>For more information on the HOPE program, see GBPI's FY 2013 Budget Analysis: Higher Education (A Review of the Governor's Budget Report: FY 2013), accessible online at [www.gbpi.org](http://www.gbpi.org).

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