

FY 2013 Budget Analysis: PK-12 Education

A Review of the Enacted FY 2013 Budget

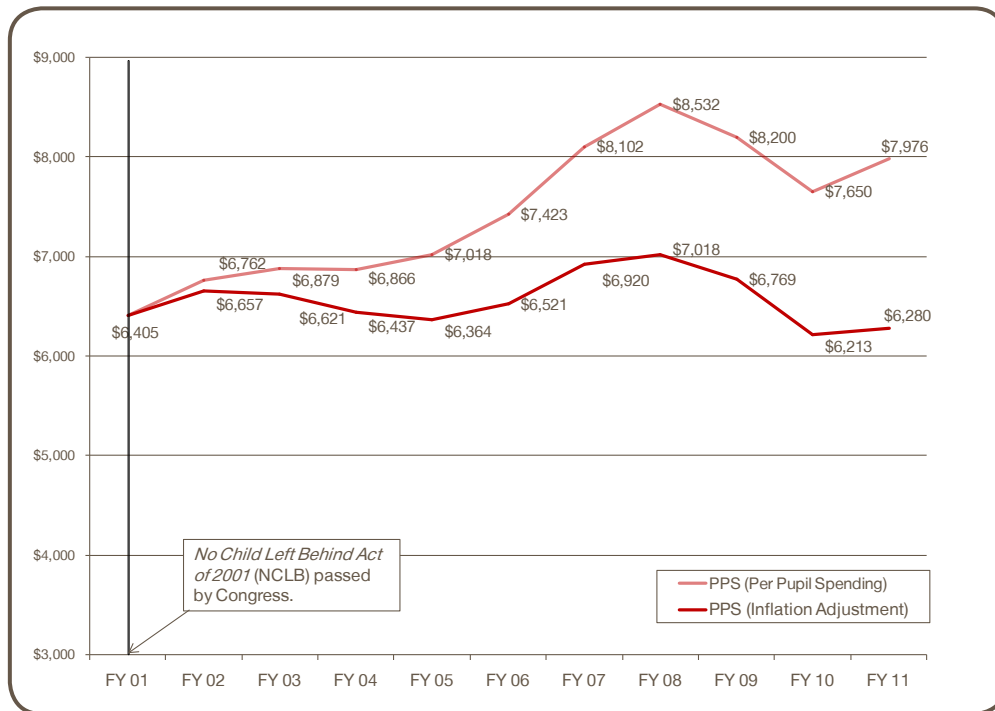
By Cedric D. Johnson, Policy Analyst

Summary

For FY 2013, early childhood and K-12 education leaders face the challenge of educating more than 1.7 million youth in a *new normal* environment – largely defined by fewer available resources at the state and local level and heightened expectations. After significant cuts to K-12 education in recent years, a respite from additional state funding cuts to public education is a welcomed change. However, despite signs of an improving economy, local school systems continue to face fiscal challenges.

The new normal for school systems entails a decade-long trend of cuts in state funding for public education. Consequently, a decade after the passage of the federal *No Child Left Behind Act of 2001*, per pupil spending for FY 2011, adjusted for inflation, was lower than its FY 2001 level.

Chart 1 Total State and Local Revenue per Pupil, FY 2001 - FY 2013



Source: Georgia Department of Education; District School Reports; Revenue and Expenditure reports; FY 2001 and FY 2011.

Note: Per pupil revenue figures includes reported local funds and state QBE funding. Federal funding, state lottery, capital projects, and bonded debt funding is not included in calculations.

Since FY 2001, the state’s core K-12 education funding program, the Quality Basic Education (QBE) Program, has been underfunded by more than \$4.6 billion. Furthermore, less state support has shifted a larger share of K-12 education funding responsibility to local school systems.

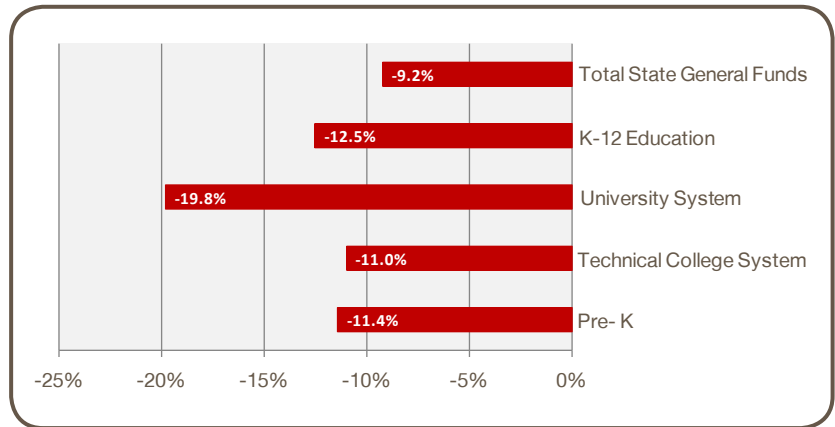
In the wake of the Great Recession, declining local property values continue to have a negative impact on the ability of local school systems to generate sufficient local funding for K-12 education. Moreover, additional costs are on the horizon, as the state plans to increasingly shift employee health-benefit costs onto local school systems.

■ Fiscal Year 2013 Budget

The FY 2013 budget appropriates \$7.17 billion in total state spending for K-12 education – a slight increase from FY 2012. A total of \$298.6 million in lottery revenue is allocated to the state’s universal Pre-K program, resulting in a second consecutive year of funding cuts to the program.

For FY 2013, state funding for K-12 education is 12.5 percent below its FY 2009 funding level (Chart 2). Funding for the Pre-K program will be 11.4 percent below FY 2009 funding, despite an ongoing waitlist for Pre-K slots. Changes to the program in recent years result in an increase in Pre-K classroom size and the elimination of available Pre-K slots for FY 2013.

Chart 2 Percentage Change in Funds Original FY 2009 - FY 2013



Source: FY 2013 Appropriations Bill.

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 FY 2013 budgets 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)

The FY 2013 budget appropriates \$7.17 billion in state funds to educate 1.66 million students – a modest 1.3 percent increase in spending compared to FY 2012. While total state spending for K-12 education increases, the state budget does not begin to replace funding cuts in recent years. When adjusted for inflation, per pupil state funding will remain near its lowest level in over a decade (Chart 3).

Highlights of the FY 2013 budget for K-12 education include:

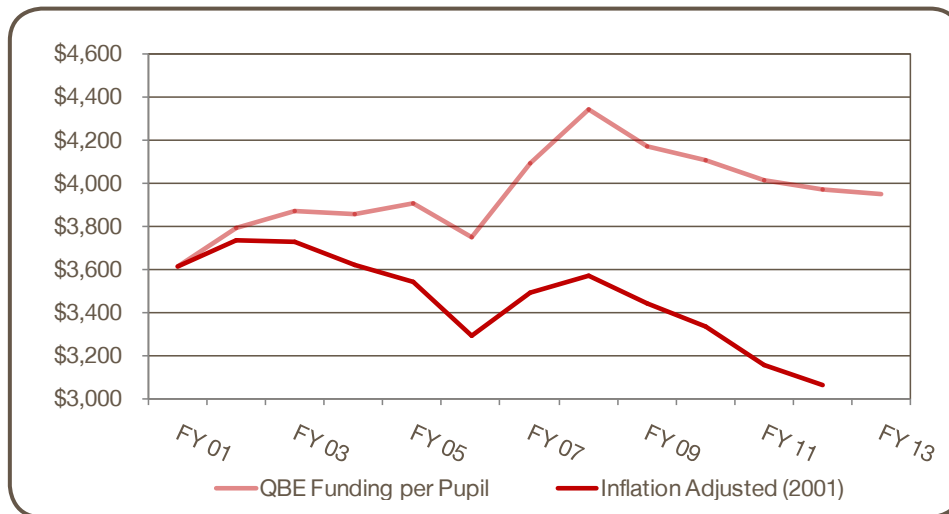
Additions

- Enrollment growth and teacher training and experience (\$112 million)
- Grants to State Special Charter Schools (\$8.6 million)
- School nurses (\$3.6 million)
- Grants to additional charter systems (\$2.8 million)
- Differentiated pay for newly certified math and science teachers (\$2.3 million)

Cuts

- Pupil transportation (\$2.6 million)

Chart 3 K-12 Education QBE Funding per Pupil, FY 2001 - FY 2013



Sources: Amended Appropriation Reports, AFY2001-AFY2012, Appropriations Bill FY 2013, Georgia Department of Education Allotment Sheets, and Consumer Price Index.

Note: QBE funding per pupil for FY 2013 does not include three newly added programs—School Nurses, Pupil Transportation and Special-needs Scholarships.

New Normal: Challenges Ahead

Local school systems across Georgia face the ongoing challenge of educating a growing number of students with fewer resources. Since FY 2008, significant cuts in state funding for K-12 education due to the Great Recession led to the loss of more than 5,400 certified K-12 classroom teachers.¹ Consequently, fewer teachers result in larger classroom sizes. The Georgia Department of Education reports that waivers from classroom size requirements have been one of the most common requests sought by local school systems.

Recent trends in key funding areas for K-12 education highlight the *new normal* environment for public education.

Quality Basic Education (QBE) Program

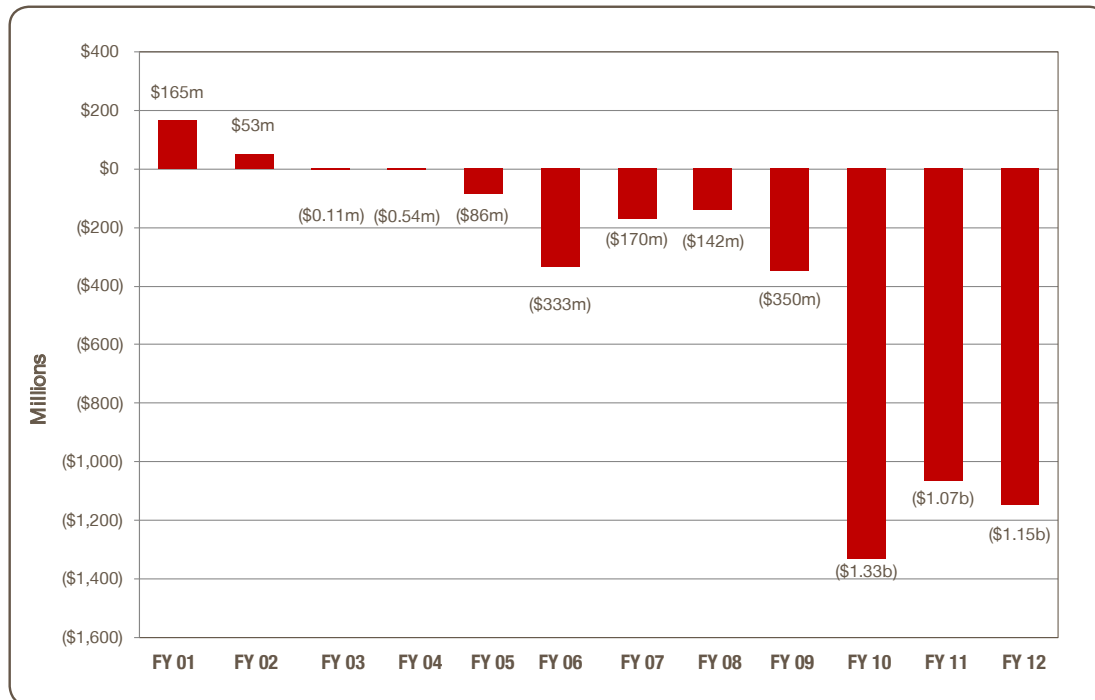
The FY 2013 budget spares the QBE base program from additional austerity cuts. However, the program has not been fully funded for nearly a decade and the budget does not begin to replace previous funding cuts. Since FY 2001, the QBE program has been underfunded by more than \$4.6 billion. For FY 2012, \$6.3 billion in state funding was appropriated to the QBE program, resulting in a \$1 billion funding gap. The K-12 education QBE base program may not be fully funded in the years ahead.

The FY 2013 budget transfers three non-QBE programs into the QBE base funding formula: Pupil Transportation, School Nurses and Georgia Special Needs Scholarships. State funding for the three programs total \$168 million for FY 2013. These transfers are intended to provide local school systems greater flexibility in meeting the needs of their respective schools. However, local school systems are required to spend all state funding for school nurses on school nurses.

Equalization Program

The FY 2013 budget maintains funding for the QBE Equalization program at its FY 2012 level of \$436 million. Similar to the QBE program, the equalization program has not received full funding since FY 2009. Changes were made to the equalization program during the 2012 General Assembly with the passage of [House Bill 824](#), which reduces the total funding level for the program while targeting a larger share of funds toward Georgia's neediest school systems.

Chart 4 Difference in Total QBE Earnings and State Appropriations for QBE Program, FY 2001 - FY 2012



Sources: Amended Appropriation Reports, AFY2001-AFY2012; Georgia Department of Education, Mid Term QBE State Allotment Sheets, FY 2001 – FY 2012.

Note: QBE earning differences exclude the Local Five Share funding required of local school systems.

For FY 2013, earnings for the equalization program under the existing formula would total \$832 million dollars and state funding would represent 52 percent of the program’s earnings. Under the new formula, beginning in FY 2013, equalization earnings total \$492 million and state funding now represents 87 percent of earnings. While changes to the program improve the flow of equalization funds toward Georgia’s poorest school systems, the permanent reduction in the size of the program means fewer funds available to facilitate K-12 education funding equity going forward.

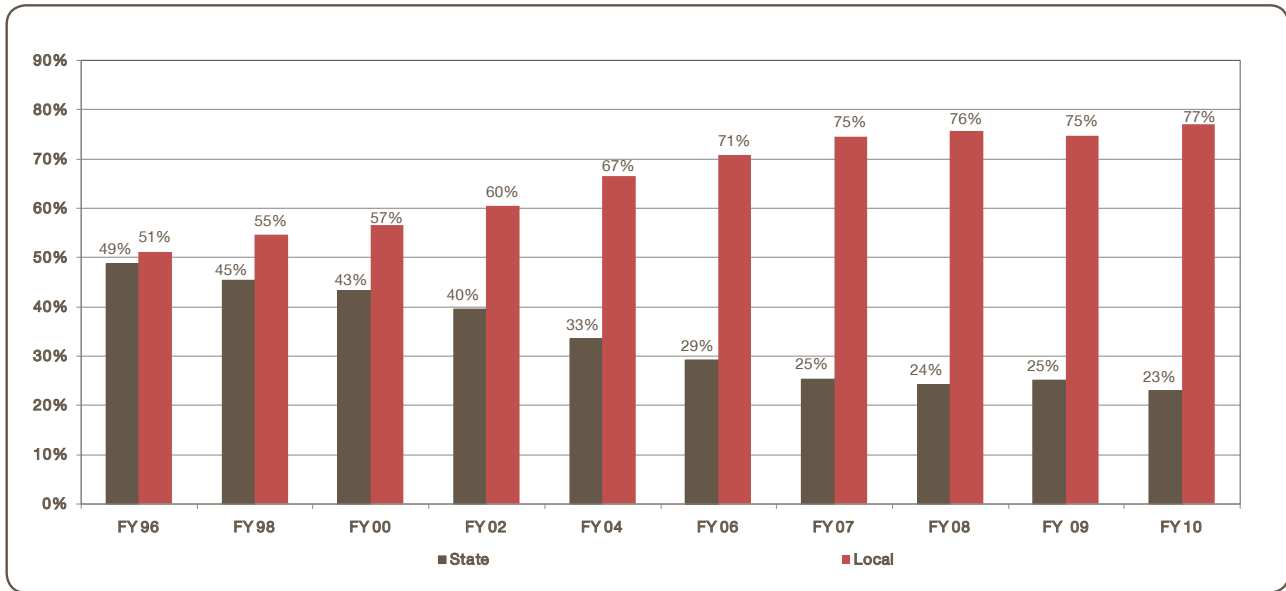
Pupil Transportation Program

The FY 2013 budget provides \$128 million for the Pupil Transportation program. Continuing the decline in state support for transportation, \$2.6 million in state funding is cut from the program.

The state’s Education Finance Study Commission reports that whereas the state provided nearly 50 percent of total pupil transportation expenditures in 1996, today the state provides less than 20 percent of total expenditures (Chart 5).^{2,3} For FY 2011, local school systems earned a total of \$295 million in state funding for transportation; however, only \$133 million in state funds were appropriated to the program.⁴ The underfunding of the transportation program has steadily increased from a \$59 million state funding deficit for FY 2006 to more than \$133 million for FY 2013.

Amidst rising costs associated with providing pupil transportation (e.g. fuel costs), local school systems are challenged with either replacing cuts in state funding with local dollars or limiting transportation services provided to students. A number of school systems have opted to limit transportation service areas – which entails reducing the number of bus stops and reducing the service area that students are picked up and dropped off.

Chart 5 State and Local Share of Pupil Transportation Spending, FY 1996 - FY 2010



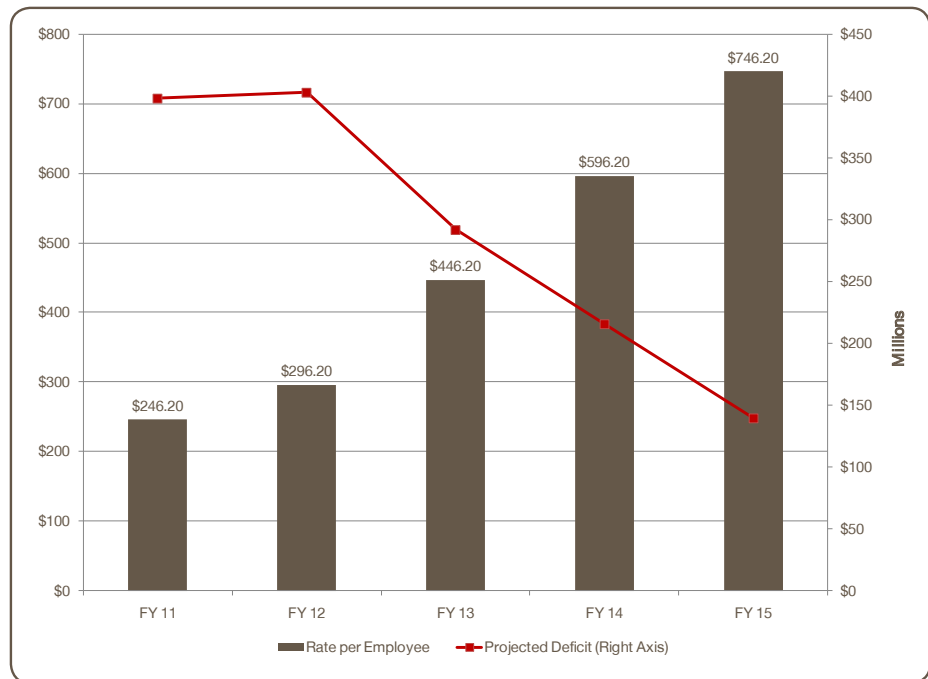
Sources: State Education Finance Study Commission

Shifting Cost of Health Benefits

For FY 2013, local school systems will not receive supplemental state funding for health-benefit costs related to non-certified personnel. From FY 2007 to FY 2011, the state provided \$724 million in total supplemental funding via the Georgia Department of Education. This funding helped local school systems cover the employer share of health-benefit costs for non-certified workers – e.g. bus drivers and cafeteria workers.

The elimination of this supplemental state support shifts more funding responsibility to local school systems in the years ahead. The state increases the per member per month (PM/PM) contributions for school systems by three-fold over the next five years (Chart 6). Local school systems will have to identify additional revenue to absorb these costs. Even after the proposed rate increases, the Department of Community Health projects a \$140 million funding deficit for non-certified personnel health-benefit costs in FY 2015.

Chart 6 Proposed Non-Certified PM/PM Rate Increase and Projected Deficit, FY 2011 to FY 2015



Source: Georgia Department of Community Health.

Policy Outlook

After a decade of steady state funding cuts, Georgia's K-12 education system enters an era of fewer resources, increasing student enrollment and greater expectations. Still, opportunities – as well as challenges – exist.

Opportunities to move K-12 education forward in Georgia exist. The state has been announced as one of six states awarded a \$25.6 million federal Literacy Grant.⁵ Over the next five years, Georgia plans to use the grant funding to advance the reading skills of Georgia youth from birth through the 12th grade.

The state continues to pursue its \$400 million Race to the Top initiative – now in its second year of implementation. As part of the initiative, the state and participating school districts are working to develop an integrated data system that will support cross-agency analyses and help inform the decision-making process to improve student achievement. In addition, the state's Education Finance Study Commission continues to examine opportunities to improve K-12 education funding mechanisms.⁶

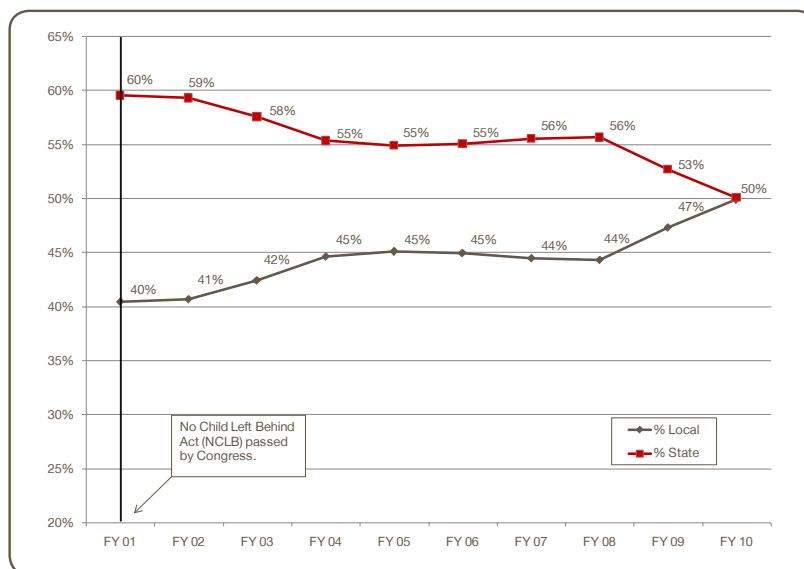
Challenges also persist in efforts to boost student achievement throughout Georgia's K-12 education system.

The Georgia Department of Education (GA DOE) reports that only four out of every 10 graduating high school seniors meet the minimum 3.0 GPA requirement for the Helping Outstanding Pupils Educationally (HOPE) program – the program provides financial assistance to Georgia students pursuing postsecondary education.

The GA DOE also reports a revised state-wide graduation rate of 67 percent for 2011. A review of graduation rates highlights marked disparities within school districts as well as across districts. As the state aims to produce more students who are college and career ready, improving the graduation rate is one performance measure that will determine progress toward this goal.

Great disparities also exist across the state in the ability of local school systems to provide students with the resources and services necessary to learn. Poorer school districts depend on state funding support much more than more affluent counties. As a result, cuts in state support for K-12 education particularly impact Georgia's poorest school systems. The persistent underfunding of the QBE program and the reduction in the total value of the Equalization Program represents missed opportunities to further promote funding equity.

Chart 7 State and Local Share of K-12 Education Funding, FY 2010



Source: Georgia Department of Education.

Learning and student achievement ultimately occurs within classrooms across Georgia's 180 public school systems. While the level of funding for K-12 education is not the sole determinate of student achievement, ensuring that all Georgia students are afforded equal educational opportunities requires an adequate level of funding. State funding cuts to K-12 education in recent years present myriad challenges for local school systems for FY 2013 (Chart 7). How school systems respond and ultimately perform in an environment of fewer resources poses huge implications for Georgia's future workforce and economic prospects.

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

The FY 2013 budget provides \$298.6 million for Georgia's pre-kindergarten program, which is administered by the Department of Early Care and Learning and funded entirely with education lottery funds. Total spending for the Pre-K program is 15.9 percent, or \$56.4 million, below spending in the enacted FY 2011 budget.

Table 1 Bright from the Start (DECAL): Pre-K Program State Funding Changes, FY 2011 - FY 2013

	FY 2011 Enacted Budget	FY 2012 Enacted Budget	FY 2013 Enacted Budget	FY 2012 - FY 2013 Change (\$)	FY 2012 - FY 2013 Change (%)	FY 2011 - FY 2013 Change (\$)	FY 2011 - FY 2013 Change (%)
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%
Total Funding	\$355,016,656	\$300,632,586	\$298,602,245	(\$2,030,341)	-0.7%	(\$56,414,411)	-15.9%

Funding cuts to the Pre-K program continue after changes were made to the program for FY 2012. Major changes to the program included reducing the pre-school year by 20 calendar days, increasing class sizes by two additional students, and reducing the salaries of Pre-K teachers as well as operating funding for Pre-K centers.

With Pre-K teachers exiting Pre-K classrooms as a result of the reduction in salary, the FY 2013 budget provides funding to restore 10 of the 20 eliminated school days. The hope is that this restoration of funding for salaries will attract certified teachers back into Pre-K classrooms. The restored school days are partially funded by eliminating 2,000 available Pre-K slots. However, the elimination of slots does not imply a lack of demand for the Pre-K program. Currently, 8,503 children are on the Pre-K waitlist.⁷ Unfilled Pre-K slots likely result from a shortage of certified Pre-K teachers and Pre-K centers rather than a lack of demand for the program.

Even with the restored school days, the FY 2013 budget cuts \$2.7 million from the Pre-K program. Assuming this funding cut represents savings from the elimination of Pre-K slots, these savings could be reinvested into the Pre-K program.

Continued cuts to the Pre-K program occur on the heels of news that Georgia's Pre-K program received the highest possible quality rating from the National Institute for Early Education Research (NIEER) for 2011. The NIEER rating is based on an assessment of Georgia's Pre-K program prior to the aforementioned changes that went into effect during FY 2012. Many of the criteria that garnered Georgia's high rating—e.g. classroom size, program funding, and access—has been compromised with recent changes to the Pre-K program.

The best way to ensure that Georgia students finish strong is to ensure that Georgia youth start strong. Georgia's Pre-K program is viewed by other states as a model program for providing early childhood learning to 4-year-olds. Funding cuts to the program reduces access to Pre-K centers and threatens the overall quality of the program. Furthermore, disinvestment in early childhood learning weakens Georgia's overall PK-20 education pipeline. As Georgia works to produce more students who are college and career-ready, early childhood learning is an investment that offers significant long-term economic returns.

Appendix

Enacted FY 2013 education budget compared to enacted FY 2012 budget (column D) and enacted FY 2009 budget (column E).

Department of Education (K-12 Education)

State Funding K-12 Education Program	(A) FY 2009 Enacted Budget	(B) FY 2012 Enacted Budget	(C) FY 2013 Enacted Budget	(D) FY 2012 - FY 2013 Change (\$)	(E) FY 2009 - FY 2013 Change (\$)
Academic Coach	\$5,244,353	\$0	\$0	\$0	(\$5,244,353)
Agricultural Education	\$8,985,622	\$7,727,787	\$7,650,509	(\$77,278)	(\$1,335,113)
Central Office	\$41,124,236	\$29,052,221	\$30,301,129	\$1,248,908	(\$10,823,107)
Charter Schools	\$3,480,193	\$2,148,300	\$1,993,546	(\$154,754)	(\$1,486,647)
Communities In Schools	\$1,320,623	\$933,100	\$933,100	\$0	(\$387,523)
Curriculum Development	\$1,574,833	\$1,002,800	\$1,232,744	\$229,944	(\$342,089)
Dropout Prevention	\$53,174,636	\$0	\$0	\$0	(\$53,174,636)
Foreign Language	\$384,375	\$0	\$0	\$0	(\$384,375)
Georgia Virtual School	\$4,123,362	\$4,792,820	\$4,705,955	(\$86,865)	\$582,593
Georgia Youth Science & Technology	\$250,000	\$144,000	\$144,000	\$0	(\$106,000)
Governor's Honor's Program	\$1,443,893	\$962,908	\$959,839	(\$3,069)	(\$484,054)
Information Technology Services	\$7,217,319	\$3,321,803	\$3,321,803	\$0	(\$3,895,516)
National Board Certification	\$12,294,628	\$0	\$0	\$0	(\$12,294,628)
National Science Center and Foundation	\$750,000	\$0	\$0	\$0	(\$750,000)
Non-QBE Formula Grants	\$28,625,373	\$16,867,421	\$6,462,668	(\$10,404,753)	(\$22,162,705)
Nutrition	\$39,823,217	\$23,119,188	\$22,593,223	(\$525,965)	(\$17,229,994)
Preschool Handicapped	\$30,358,072	\$27,891,099	\$28,412,355	\$521,256	(\$1,945,717)
Pupil Transportation	\$170,943,051	\$130,310,693	\$0	(\$130,310,693)	(\$170,943,051)
QBE Equalization	\$548,529,543	\$436,158,587	\$436,158,587	\$0	(\$112,370,956)
QBE Five Mills Share	(\$1,690,849,786)	(\$1,697,504,730)	(\$1,697,504,730)	\$0	(\$6,654,944)
QBE Program	\$8,480,835,299	\$7,816,655,183	\$8,183,012,037	\$366,356,854	(\$297,823,262)
RESAs	\$12,408,840	\$8,571,299	\$8,510,812	(\$60,487)	(\$3,898,028)
School Improvement	\$10,191,533	\$5,161,681	\$5,199,064	\$37,383	(\$4,992,469)
School Nurses	\$30,000,000	\$26,399,520	\$0	(\$26,399,520)	(\$30,000,000)
Severely Emotional Disturbed	\$70,845,875	\$64,275,760	\$62,113,005	(\$2,162,755)	(\$8,732,870)
State Interagency Transfer	\$257,462,021	\$8,497,963	\$8,497,963	\$0	(\$248,964,058)
State Schools	\$23,357,809	\$23,379,119	\$24,244,124	\$865,005	\$886,315
Technology/Career Education	\$17,696,972	\$14,201,164	\$14,059,152	(\$142,012)	(\$3,637,820)
Testing	\$23,243,020	\$13,573,504	\$13,479,209	(\$94,295)	(\$9,763,811)
Tuition for Multi-handicapped	\$1,658,859	\$1,551,946	\$1,551,946	\$0	(\$106,913)
Total	\$8,196,497,771	\$6,969,195,136	\$7,168,032,040	\$198,836,904	(\$1,028,465,731)

Endnotes

¹ Figure based on district-level certified personnel school reports for FY 2008 and FY 2011 available via the Georgia Department of Education.

² For information regarding the Education Study Finance Commission, visit the Georgia Department of Education website at <http://www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Pages/State-Education-Finance-Study-Commission.aspx>

³ State Education Finance Study Commission, Issue Paper: Pupil Transportation, Staff presentation; September 20, 2011.

⁴ Ibid

⁵ U.S. Department of Education press release; September 7, 2011, available online at <http://www.ed.gov/news/press-releases/180-million-awarded-six-states-comprehensive-literacy-program-aimed-children-bir>.

⁶ See endnote 2.

⁷ Pre-K waitlist figure is taken from Governor's FY 2013 Budget Report.