

■ **Overview of Georgia's Fiscal 2014 Budget for Higher Ed** **Georgia Balances the Books by Making Higher Ed Less Accessible**

By Claire Suggs, Senior Policy Analyst

Georgia plans to continue down a path that makes its university and technical college education less available to all but its highest achieving or most affluent students.

While the university system is set for a slight budget increase in the 2014 fiscal year, the money is for an increase in the number of students and employee benefits. Spending for teaching — instructional and student support programs — in the university system continues to fall, leaving fewer resources to help students succeed.

Funding for the technical college system is to be cut in the coming year partly as a result of falling student enrollment. This is connected to higher eligibility requirements for the HOPE financial aid programs that the legislature approved in 2011. The new requirements caused a drastic decline in the number of students in the technical college system who receive a HOPE grant and many dropped out.

Georgia's aspirations for its students are not supported by its spending plans for education. The state's goal is to have 250,000 more students earning a postsecondary degree or certificate by 2020.

It is important to the economic future of Georgia for its investment in education to affirm its commitment to workforce development. Continued cuts to university and technical college programs and staff threaten to undermine Georgia's higher education goals.

Amended 2013 Fiscal Year Budget Cuts Money for Teaching

Georgia's two postsecondary systems face another round of significant cuts in the governor's proposed amended 2013 budget, ending June 30. Funding for the University System of Georgia (USG) would be cut by \$83.7 million. Money directly tied to teaching accounts for 94 percent of that. The Technical College System of Georgia would lose \$12.9 million from its current budget. These cuts would come from all of its units: Adult Literacy (\$403,876), Quick Start (\$368,946), and Technical Education (\$11,959,581).

Funds for the HOPE financial aid programs are also being cut. These cuts, however, reflect declines in projected student enrollment.

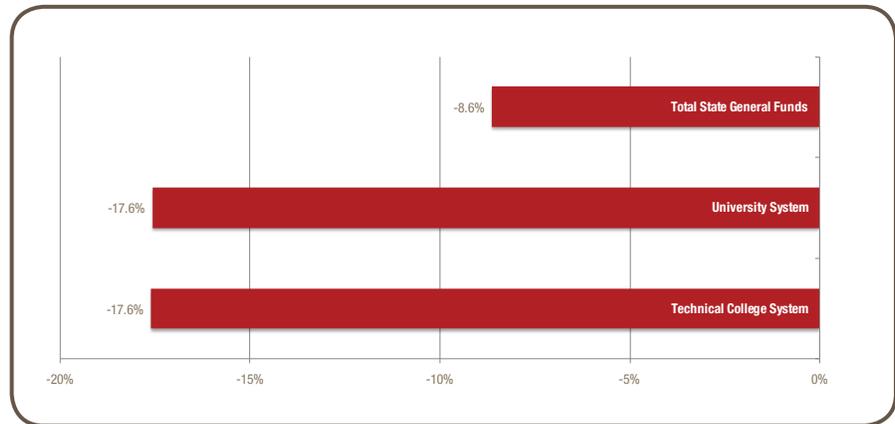
Georgia's 2014 Higher Ed Budget Not Aligned With Graduation Goals

The governor's budget for the 2014 fiscal year provides little relief from the cuts of recent years for postsecondary institutions in Georgia. Funding in the fiscal year that begins July 1, 2013 for the university system inches up by 2.8 percent. This additional funding, however, primarily covers increased enrollment as well as growing healthcare and retirement costs. Teaching and other core functions continue to be cut.

The Technical College System of Georgia (TCSG) faces greater challenges. Under the governor's 2014 budget plan,

funding for technical colleges will slide by 7.5 percent. This is driven chiefly by falling enrollment, which is a reversal from the past few years when it surged. The loss of students is connected to the drop in the number of HOPE grant recipients in Georgia's technical schools, which is the result of new, more rigorous HOPE eligibility requirements.

Chart 1 Ed Spending Cuts Deeper Than Overall Budget Since 2009



Source: GBPI calculations based on State of Georgia's Budget Report 2014

Looking beyond year-over-year comparisons, 2014 funding for both systems

continues to be well below 2009 levels. Georgia aims to increase the number of students completing a postsecondary degree or certificate by 250,000 by the year 2020 through Complete College Georgia.¹ This is critical to growing the state's economy and generating new jobs. Years of budget cuts, however, threaten to undermine this goal.

University System of Georgia Faces Program Cuts

Budget Highlights

For the 2014 fiscal year, the governor proposes \$1.87 billion for the 31-member university system. This is an increase of 2.8 percent over the previous year. He sets aside \$62.8 million to fund enrollment growth. At the same time, the budget cuts \$48.9 million from teaching. This creates partial funding — or 22.1 percent — of enrollment growth. Much of the remaining new funding is for rising costs for the Teachers' Retirement System and health insurance.

Table 1 University System of Georgia Still Below 2009 Levels

	FY 2009 Original Budget	FY 2013 Original Budget	FY 2014 Governor's Budget	FY 2013 - FY 2014 Change (\$)	FY 2013 - FY 2014 Change (%)	FY 2009 - FY 2013 Change (\$)	FY 2009 - FY 2013 Change (%)
State General Funds	\$2,278,680,052	\$1,828,569,784	\$1,878,958,196	\$50,388,412	2.8%	(\$400,281,856)	-17.6%
Teaching Program	\$1,970,507,554	\$1,631,690,795	\$1,674,086,120	\$42,395,325	2.6%	(\$296,421,434)	-15.0%
Non-Teaching Funding	\$308,172,498	\$196,878,989	\$204,872,076	\$7,993,087	4.1%	(\$103,300,422)	-33.5%

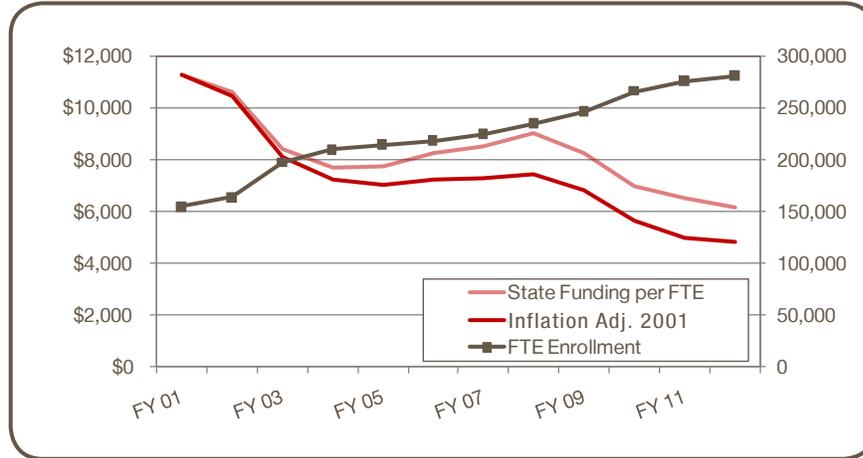
Source: State of Georgia's Budget Report FY 2010-FY 2014

Most university system programs face cuts next year. These include the Enterprise Innovation Institute, the Georgia Tech Research Institute and the Research Consortium, all of which foster economic development. In addition the Cooperative Extension Service, which provides training and education to Georgians across the state and manages the 4-H youth program, would have its budget reduced by \$884,036 in the 2014 fiscal year.

More Demand for Higher Ed, Fewer Resources

As funding for the university system dwindled over the last decade, enrollment climbed. Between 2001 and 2013, the number of full-time equivalent students increased almost 80 percent. This combination of rapidly rising enrollment and yearly budget cuts has led to a dramatic decline in funding for students. In inflation-adjusted dollars, the state is now investing less than half per full-time equivalent student as it did in 2001.

Chart 2 University System Spending Per Full-time Equivalent Student



Sources: State of Georgia Budget Reports FY 2001-2013, University System of Georgia, FTE Reports, Fall Enrollment FY 2001-FY 2013, and Consumer Price Index

Subtracted State Funding Equals Higher Tuition

Plunging state funding prompted increases in tuition and mandatory fees across the university system. As costs increased, income fell for students and their families. Between 2007 and 2010, average income declined for families in each income bracket in inflation-adjusted dollars.² It continued to decline for families in almost all income brackets in 2011. Many students and their families may not have the financial resources to absorb new tuition hikes if state funding continues to fall.

Table 2 University System Tuition and Fees, Five Year Trend

University System of Georgia	Fall 2012	Fall 2008	Change (%)
Total Enrollment	314,367	270,022	4.5%
Sector Average			
Tuition and Mandatory Fees	Fall 2012	Fall 2008	Change (%)
Research Universities	\$9,570	\$5,156	86%
Regional Universities	\$6,625	\$3,920	69%
State Universities	\$6,282	\$3,595	75%
State Colleges	\$3,672	\$2,269	66%
Two-year Institutions	\$3,266	\$2,038	64%
University System Average	\$5,461	\$3,127	74%

Source: University System of Georgia, Fiscal Affairs, Tuition and Mandatory Fees, Fiscal Year 2009 and 2013.

Beginning July 1, 2016, the university system shifts to a performance funding system. Any increases in funding will be based on the number of students who complete a program and hit benchmarks toward completion. This shift to 100 percent performance funding is new in higher education. Postsecondary systems have experimented with it over the past two decades on a small scale. With such limited experience, it is uncertain how performance funding will shape funding for the overall university system, or individual institutions within it. As the performance system is implemented, it should be monitored to ensure that it does not unfairly hurt schools that serve a high percentage of students who require extra support to be academically successful.

Technical College System of Georgia Takes 7.5 Percent Hit

The governor directs \$305 million to Georgia’s technical colleges for the 2014 fiscal year, a reduction of 7.5 percent from 2013. Technical education, the system’s largest instructional program with 170,860 students last year, will absorb 98 percent of these cuts.

Table 3 Technical College System of Georgia has Higher Tuition and Class Size

	FY 2009 Original Budget	FY 2013 Original Budget	FY 2014 Governor's Budget	FY 2013 - FY 2014 Change (\$)	FY 2013- FY 2014 Change (%)	FY 2009 - FY 2014 Change (\$)	FY 2009 - FY 2014 Change (%)
State General Funds	\$371,250,007	\$330,570,350	\$305,917,034	\$(24,653,316)	-7.5%	(\$65,332,973)	-17.6%
Adult Literacy	\$16,297,100	\$13,473,095	\$13,172,053	\$(301,042)	-2.2%	(\$3,125,047)	-19.2%
Administration	\$10,213,558	\$7,944,927	\$7,849,023	\$(95,904)	-1.2%	(\$2,364,535)	-23.2%
QuickStart	\$16,744,604	\$12,578,020	\$12,685,116	\$107,096	0.9%	(\$4,059,488)	-24.2%
Technical Education	\$327,994,745	\$296,574,308	\$272,210,842	\$(24,363,466)	8.2%	(\$55,783,903)	-17.0%

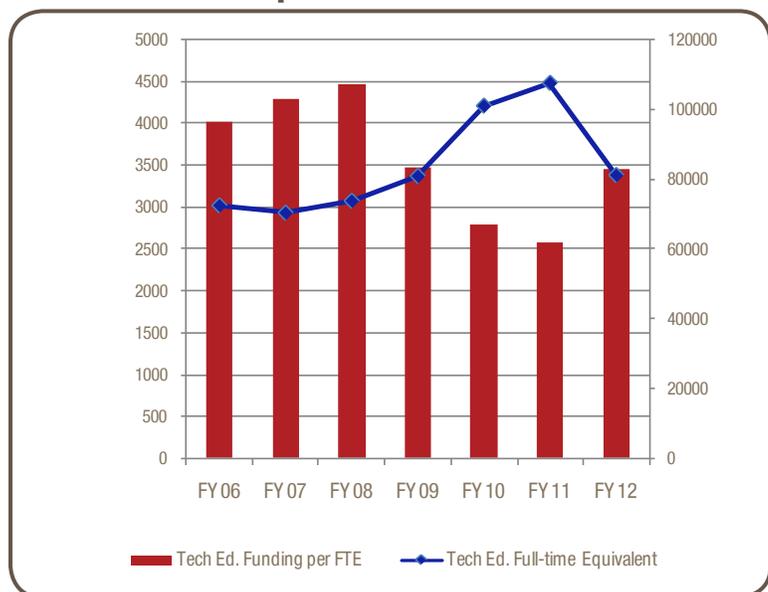
Source: Georgia General Assembly, House Bill 990-FY 2009 Appropriations Bill, State of Georgia’s Budget Report FY 2014

Technical College System Working Hard to Stay Afloat

Georgia’s technical colleges are running into the same financial whipsaw as the university system: teach more students with less state financial support. Since 2009 state funding per full-time equivalent student has fallen. Technical colleges have raised tuition and increased class size. Almost 70 percent of technical school faculty in Georgia is part-time, which may threaten the system’s accreditation.

Enrollment has dropped in Georgia’s technical schools since 2011. Between 2011 and 2012, 38,566 fewer students attended Georgia’s technical schools in total and the number of full-time equivalent students declined by 26,358. About 9,000 students left due to new, more rigorous eligibility requirements for the HOPE grant according to the technical system’s Commissioner Ronald Jackson.³

Chart 3 Technical School Funding per Full-time Equivalent Student Declines



Sources: State of Georgia’s Amended Budget Reports FY 2006 – 2012, Technical College System of Georgia

Spending Plan Conflicts With State's Education Goals

The plunge in enrollment across the technical college system makes it unlikely Georgia will meet its ambitious goal to add 250,000 more graduates of postsecondary programs by 2020. The governor is proposing a new HOPE grant, which may stem the enrollment decline. The Strategic Industries Workforce Development Grant program would provide supplemental money to students in three high-demand fields: commercial truck driving, practical nursing and early childhood care and education. If the new initiative has the same tough eligibility requirements as the current HOPE grant, there could still be a high bar for many potential students to clear.

The technical college system is also shifting to performance funding. Beginning in fiscal year 2016 funding increases for the system will be driven by the number of students who complete programs as well as meet benchmarks of progress. Developing new, more effective strategies to help more students finish the programs they begin is critical. Performance funding may provide an influential incentive. But the loss of students at Georgia's technical colleges last year make clear that there are many external factors that influence whether a student completes a program. It is critical that the new funding system spur improvement without unfairly penalizing institutions working through this transition.

Georgia Student Finance Commission HOPE Diminished

Next year the governor would spend \$635 million on financial assistance to postsecondary students. Most of the money comes from the Georgia Lottery. The majority is for three programs: the HOPE grant, the HOPE public scholarship, and the HOPE private scholarship. These three total 95 percent of all postsecondary education lottery funding spending.

Table 4 HOPE Scholarship Grants Down More Than 50% Since 2011

	FY 2011 Original Budget	FY 2013 Original Budget	FY 2014 Governor's Budget	FY 2013 - FY 2014 Change (\$)	FY 2013 - FY 2014 Change (%)	FY 2011 - FY 2014 Change (\$)	FY 2011 - FY 2014 Change (%)
Total Funding	\$805,392,439	\$640,153,723	\$635,748,886	(\$4,404,837)	-0.7%	(\$169,643,553)	-21.1%
State General Funds	\$32,756,834	\$34,316,177	\$37,103,303	\$2,787,126	8.1%	\$4,346,469	13.3%
Lottery Funds:							
Total Lottery Funds	\$772,635,605	\$605,837,546	\$598,645,583	(\$7,191,963)	-1.2%	(\$173,990,022)	-22.5%
HOPE Scholarship - Public	\$474,575,353	\$408,235,018	\$424,345,076	\$16,110,058	3.9%	(\$50,230,277)	-10.6%
HOPE Scholarship - Private	\$59,332,133	\$54,501,104	\$47,617,925	(\$6,767,578)	-12.4%	(\$11,714,208)	-19.7%
HOPE Grants	\$206,318,361	\$112,658,625	\$96,793,442	(\$15,865,183)	-14.1%	(\$109,524,919)	-53.1%

Sources: State of Georgia Budget Report FY 2014, Georgia General Assembly, House Bill 948 – FY Appropriations Bill

HOPE Grant Supports Shrink

Big changes were made to the HOPE program during the 2011 General Assembly to account for lost revenues. Eligibility requirements increased for the HOPE scholarships and the grant. In 2015 high school graduates must complete advanced courses in core subject areas to qualify for the HOPE scholarship. The minimum Grade Point Average required for HOPE grant recipients was raised to 3.0. In addition, the award amount was reduced to cover a percentage of annual tuition.

Deposits now surpass expenditures and reserve funds are growing.⁴ The new approach poses other challenges, however. New eligibility requirements for the HOPE grant have led to a significant decline in the number of technical college students who receive a grant—42,860 students lost grants between 2011 and 2012.⁵ For the technical college system, this means a loss of \$115 million in HOPE grant dollars.⁶ For some students this means an end to their education.

The governor's 2014 budget reflects this — \$96 million is allocated to the HOPE grant program, a decrease of 14.1 percent. Money for the HOPE public scholarship, however, would go up by \$16.1 million to meet anticipated growth and to expand the award amount by 3 percent. The impact of the expanded award amount would vary based on the school. The award for a HOPE scholarship recipient at the University of Georgia would increase by \$95 per semester, while a HOPE recipient at Valdosta State University would see an increase of \$62 per semester. A student at Georgia Perimeter College would see an increase of \$32 per semester.⁷

Due to a decline in qualified students, the budget cuts a little more than \$1 million for the Zell Miller Scholarship, a program within the HOPE scholarship. This program requires qualified applicants to have a 3.7 GPA and a minimum SAT score of 1200 or a 26 on the ACT. In 2012, there were 1,528 Zell Miller scholarship recipients.

Georgia Education Priorities, Realities

While the HOPE scholarship programs are stable financially, questions remain about the future. Higher eligibility requirements contribute to the abrupt and large decline in enrollment at the state's technical schools. As the new eligibility requirements are phased in for HOPE scholarships, a similar decline within the state university system is possible. If a primary purpose of HOPE is to ensure access to postsecondary study, these changes may undermine that.

In 2013 the HOPE scholarship covered 87 percent of tuition at public institutions and it may cover more next year. However, longer-term projections show it will cover a smaller share each year. In 2018 the scholarship is expected to cover about 55 percent of tuition and fees per semester at the University of Georgia.⁸ If tuition continues to climb in the wake of state budget cuts and income continues to falter for most families, this decline may be enough to deter some students from pursuing postsecondary study.

Together these issues suggest that financial aid policy for postsecondary education in Georgia does not align with the state's goals for building a well-educated and highly skilled workforce. The state must invest in policies that promote access and completion. The stakes are high for Georgia and its citizens. The state must have a more skilled and more flexible workforce to grow jobs and spur economic growth.



Endnotes

¹Complete College Georgia is a statewide initiative to improve postsecondary complete rates. It had been undertaken collaboratively by the University System of Georgia and the Technical College System of Georgia. More information is available at http://www.usg.edu/educational_access/documents/GaHigherEducationCompletionPlan2012.pdf

²College Board.(2012) *Trends in College Pricing 2012*. New York, NY: College Board.http://trends.collegeboard.org/sites/default/files/college-pricing-2012-full-report_0.pdf

³Ronald Jackson, Presentation to the Joint Appropriations Committee, Georgia General Assembly, January 22, 2013.

⁴Timothy Connell, Presentation to the Joint Appropriations Committee, Georgia General Assembly, January 22, 2013

⁵Ronald Jackson, Presentation to the Joint Appropriations Committee, Georgia General Assembly, January 22, 2013

⁶Ibid

⁷These figures were calculated based on FY 2013 HOPE award amounts from the Georgia Student Finance Commission, available at http://www.gsfc.org/main/publishing/pdf/2012/hope_award_amounts.pdf

⁸Calculation based on Timothy Connell's presentation to the Joint Appropriations Committee, Georgia General Assembly, January 22, 2013.

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