

## Overview: 2015 Fiscal Year Budget for Lottery-Funded Programs Funding for Pre-Kindergarten and HOPE Falls Short of Students' Needs

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The governor's proposed \$948 million budget for the state's lottery-funded programs in the 2015 fiscal year falls short of what is needed to provide Georgians broad access to pre-kindergarten and higher education programs. Georgia's 20-year-old system that uses lottery proceeds to make education more affordable is in dire need of an update that aligns yearly spending with a strategic plan to meet education benchmarks, including the state's declared goal to produce 250,000 more graduates by 2020.

The state's spending plan for the 2015 fiscal year will leave thousands of four-year-olds out of pre-kindergarten and class sizes too large for those who do get in. Changes in the HOPE Grant for technical college students will help make college affordable for some students, but leave others scrambling to pay for school. Funding for both the HOPE Grant and the HOPE Scholarship is higher in the proposed 2015 budget than in last year's, which paves the way for a 3 percent increase to the award amount. This positive step still does not offset recent hikes in tuition and fees.

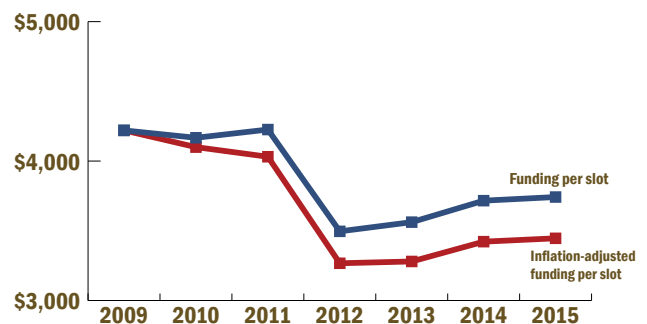
### By the Numbers

- Per-student funding for pre-kindergarten is proposed to increase compared to the 2014 fiscal year, but remains 18.3 percent below 2009 in inflation-adjusted dollars.
- More than \$22 million is proposed to increase the HOPE scholarship and grant award amounts by 3 percent.<sup>1</sup> Award amounts will go up about \$98 per semester for full-time HOPE scholars at the University of Georgia, Georgia State and Georgia Tech, and about \$21 per semester for full-time HOPE grant recipients in the technical college system.<sup>2</sup>
- Proposed funding for HOPE Scholarship-Public Schools and the HOPE Grant is below the 2011 fiscal year, despite the increase in funding in 2015 compared to the state's last budget.
- More than \$12 million is proposed for programs that supplement the HOPE Grant: \$7.3 million will be directed to the Zell Miller grant, a new, merit-based program, and \$5 million would be used to expand the Strategic Industries Workforce Development grant.

### Funding for Pre-Kindergarten Leaves Some Children Behind

Georgia is often lauded for its pre-kindergarten program. It serves thousands of young children and prepares them for kindergarten. Funding for the program, however, has not kept pace with demand. The state provides funding for 84,000 pre-kindergarten students, leaving about 6,800 four-year-olds on wait lists across the state.<sup>3</sup> The proposed 2015 state budget contains money to accommodate the same number of students, leaving unlucky four-year-olds on wait lists again. At the same time quality continues to be a concern. Proposed funding per student in the 2015 budget is an inflation-adjusted 18.3 percent lower than in 2009 in inflation-adjusted dollars.

### Sliding Support for Pre-K Threatens Quality



Source: The Governor's Budget Report, Fiscal Year 2015

This will maintain the average class size at 22 students, where it has been since the 2012 fiscal year when the class size cap was raised from 20. This shift threatens the quality of the program, as smaller classes promote greater learning.

Most of the proposed new funding for pre-kindergarten is for merit-based pay increases and employee recruitment and retention initiatives. This is a positive step given pre-kindergarten teachers' modest salaries. In the current school year, lead teachers with bachelor's degree and teaching certification earn \$29,765 while those with a bachelor's degree in early childhood education or a related field but no certification earn \$21,597.<sup>4</sup> Assistant teachers earn \$13,203. However, the total amount dedicated to pay increases and recruitment and retention is about \$2 million, so the impact may be limited when spread across the state.

### **HOPE Changes Help Targeted Students but Offer Limited Aid to Others**

The changes planned for the HOPE Grant make college more affordable for targeted students in the technical college system, but offer limited relief for others who struggle with its cost. These changes include a new merit-based award, the Zell Miller grant, an expansion of the Strategic Industries Workforce Development grant program and a new low-interest loan program.

The proposed Zell Miller Grant will cover full tuition for students in the technical college system with a grade point average (GPA) of 3.5 or higher. For about 16,000 students who are expected to qualify for the grant, this additional money could be critical for staying in school.<sup>5</sup> However, many students may struggle to retain these grants because of the high GPA requirement. Across the university system, for example, less than one-third of students keep the HOPE Scholarship until they graduate and the scholarship has the lower 3.0 GPA requirement.<sup>6</sup> Keeping a 3.5 GPA could be a herculean task for many students, particularly those who are juggling work and family demands with school.

The Strategic Industries Workforce Development Grant would be expanded in the proposed budget to provide supplemental aid to students in four areas: welding, health care technology, information technology and diesel mechanics. Grant amounts range up to \$1,000.<sup>7</sup> The program has been in place for a year and, with the HOPE Grant, covers full tuition for students in eligible areas.<sup>8</sup>

Ten million dollars is budgeted for a new low-interest loan program for financially needy students to cover a gap for tuition, books and fees. This loan program would be in addition to a low-interest loan program that is already in place, but would be reserved for technical college students. The new program could be a vital resource for students trying to make ends meet on a tight budget. Yet, if the existing \$20 million low-interest loan program is an indication, the proposed one will not be enough to fulfill all the requests. Fewer than half of students who asked for aid through the existing program received it.<sup>9</sup>

A key change that affects both the HOPE Grant and the HOPE Scholarship is a 3 percent increase in the award amount. The dollar value of this varies by institution and credit hour. HOPE scholars at the University of Georgia (UGA) and Georgia Tech could get up to \$98 more per semester while those at state colleges could receive about \$33 more. HOPE Grant recipients in the technical college system could get about \$28 more per term. These increases are a positive step, but they do not keep pace with tuition and fee increases in recent years. From the 2013 fiscal year to 2014, tuition and mandatory fees went up \$210 per term for full-time students at UGA. At state colleges such as Georgia Perimeter College the increase was \$56. The technical college system also raised tuition in fiscal 2013 by \$150 per term for full-time students. Fees also increased.

### **HOPE's Reach is Shrinking in the Long-Term**

The proposed budget takes incremental steps forward in 2015 for some students, but does not change the long term trajectory of the HOPE programs: Fewer students will likely receive HOPE in the future and those that do will get less support than their predecessors.

The General Assembly made significant changes to the HOPE programs in 2011, as lottery revenue failed to keep pace with the programs' growth. State funding for mandatory fees and books was eliminated for HOPE scholarships and grants. The programs no longer paid the full cost of tuition, leaving students to cover a portion. The program also stopped paying for remedial courses. The required GPA for the HOPE grant rose from 2.0 to 3.0.<sup>10</sup>

These changes had an immediate impact. The number of full-time equivalent students in the technical college system plunged by 24 percent between 2011 and 2012. Enrollment also declined in the university system, though by a much smaller proportion. This decline is attributed to the changes in the HOPE programs.<sup>11</sup>

In the wake of the declines in the technical college system, the General Assembly reset the GPA requirement for the HOPE grant at 2.0 in 2013. This restored eligibility for many students, yet many of them continue to struggle. More than 60 percent of technical college students are economically disadvantaged. Coming up with money for fees, books and a portion of tuition is often a significant challenge for them. As a result, the declines in enrollment continue.

The decision to shrink what HOPE programs pay for has caused a drop in funding for the program.

### HOPE Funding Declines

	FY 2011	Proposed FY 2015	\$ Change 2011-2015	Percent Change 2011-2015
HOPE Grant	\$220,407,829	\$109,059,989	\$(111,347,840)	-50.5%
HOPE Scholarship-Public Schools	\$493,461,474	\$446,598,286	\$(46,863,188)	-9.5%
HOPE Scholarship-Private Schools	\$54,663,937	\$47,916,330	\$(6,747,607)	-12.3%
<b>Total</b>	<b>\$768,533,240</b>	<b>\$603,574,605</b>	<b>\$(164,958,635)</b>	<b>-21%</b>

Source: The Governor’s Budget Report, Fiscal Year 2015

These shrinking budgets for HOPE programs could indicate the program’s finances are stabilizing. On the other hand, the decrease could also be a sign of Georgia’s diminishing commitment to help all students succeed in higher education.

<sup>1</sup>Governor Nathan Deal. Governor’s Joint Appropriations Hearing Address. January 15, 2014. <http://gov.georgia.gov/press-releases/2014-01-15/governors-joint-appropriations-hearing-address>. Accessed January 17, 2014.

<sup>2</sup>Georgia Budget and Policy Institute calculations based on 2013-2014 HOPE scholarship and HOPE grant award amounts. Calculations assume students enroll for 15 credit hours. (Georgia Student Finance Commission. HOPE Scholarship and HOPE Grant Standard Award Amounts for Fiscal Year 2014. [http://www.gsfc.org/main/publishing/pdf/2012/hope\\_award\\_amounts.pdf](http://www.gsfc.org/main/publishing/pdf/2012/hope_award_amounts.pdf) Accessed January 16, 2014.)

<sup>3</sup>Ray Higgins, Chief Financial Officer, Department of Early Care and Learning, Remarks at the Georgia General Assembly Joint Appropriations Committee Meeting, January 16, 2014.

<sup>4</sup>Georgia Department of Early Care and Learning. 2013-2014 School Year Pre-K Providers’ Operating Guidelines. <http://dec.al.ga.gov/documents/attachments/Guidelines.pdf>. Accessed January 16, 2014.

<sup>5</sup>Personal communication by author with Ken Kincaid, Budget Director for the Technical College System of Georgia. January 18, 2014

<sup>6</sup>Diamond, Laura. “Few hold onto HOPE for whole time in college,” Atlanta Journal Constitution. May 11, 2011. <http://www.ajc.com/news/news/local/few-hold-onto-hope-for-whole-time-in-college/nQtPm/> Accessed January 17, 2014.

<sup>7</sup>Technical College System of Georgia. Georgia’s Strategic Industries Workforce Development Grant Award. [http://www.tcsghopeinfo.com/docs/Strategic\\_Ind\\_Workforce\\_Dev\\_Grant.pdf](http://www.tcsghopeinfo.com/docs/Strategic_Ind_Workforce_Dev_Grant.pdf). Accessed January 16, 2014.

<sup>8</sup>Governor Nathan Deal. State of the State Address. January 15, 2014. <http://gov.georgia.gov/press-releases/2014-01-15/deal-deep-freeze-over-georgia-s-economy-warms> . Accessed January 17, 2014.

<sup>9</sup>Georgia Budget and Policy Institute calculations based on data presented by Tim Connell, then-president of the Georgia Student Finance Commission to the Joint House and Senate Appropriations Committee, January 22, 2013.

<sup>10</sup>Beginning in 2015, high school graduates will also be required to take advanced courses such as Advanced Placement classes to be eligible for the HOPE scholarship. Board of Regents, University System of Georgia. Committee of the Whole: Finance and Business Operations Agenda. September 11, 2013. [http://www.usg.edu/regents/documents/board\\_meetings/agenda\\_2013\\_09.pdf](http://www.usg.edu/regents/documents/board_meetings/agenda_2013_09.pdf) . Accessed January 18, 2014.

<sup>11</sup>Board of Regents, University System of Georgia. Committee of the Whole: Finance and Business Operations Agenda. September 11, 2013. [http://www.usg.edu/regents/documents/board\\_meetings/agenda\\_2013\\_09.pdf](http://www.usg.edu/regents/documents/board_meetings/agenda_2013_09.pdf) . Accessed January 18, 2014.