

■ **Overview: 2015 Fiscal Year Budget for Higher Education**

Funding Inches Up, Gaps Persist

By Claire Suggs, Senior Education Policy Analyst

Georgia's proposed \$1.94 billion budget for higher education in the 2015 fiscal year adds some much needed money for several key initiatives compared to the prior year. However most of the increase just keeps pace with growth and rising health care and retirement costs. This means funding for Georgia's university and technical college systems remains stuck below pre-recession levels and cuts in instruction are not fully restored. Both systems face considerable financial stress. Georgia needs many more students to finish a postsecondary program or degree to spur economic growth and reach the state's goal of adding 250,000 more graduates by 2020. But the state's shrinking commitment to higher education makes it harder to get there.

By the Numbers

University System of Georgia

- Funding for the university system will increase nearly 3 percent under the proposed 2015 fiscal year budget over the 2014 funding level. Most of this increase will cover growth and rising health care and retirement costs.
- State funding per student will be about 52 percent lower in 2015 than in 2001 in inflation-adjusted dollars.
- The university system will receive \$1.25 million to promote college completion.

Technical College System of Georgia

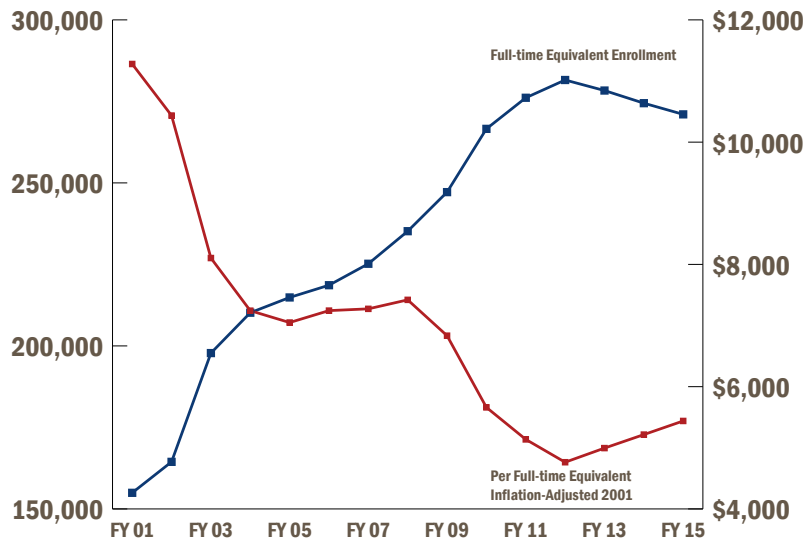
- Funding for the technical college system will increase 6 percent more than Georgia's 2014 fiscal year. Most of these additional dollars will go toward growth and rising health care and retirement costs.
- Even with this increase, funding for technical colleges remain below pre-recession levels and cuts to instructional programs remain.
- The technical college system will receive about \$2.6 million to help improve college completion rates. In addition the system will receive about \$906,000 to hire new full-time faculty for its adult education program.

The University System is Educating Many More Students with Half as Much Funding

Under the proposed 2015 fiscal year budget, funding for the university system will go up 2.98 percent, or \$56.1 million, more than the 2014 budget. A portion of the money is for new programs or to expand current ones. Graduate medical education will get \$3.2 million more than in the last state budget to expand the number of physician residency slots. Complete College Georgia, a statewide initiative to improve college completion, will get a \$1.25 million boost to be used to encourage students who dropped out to return to school. About \$11.3 million, or 1 percent, will be for merit pay increases and recruitment and retention initiatives. However, most of the increase for universities is driven by formula growth, as well as rising health care and retirement costs for staff. Few new dollars will go directly to the classroom.

The state's investment in higher education remains low compared to the financial commitment it made to colleges and universities in the past, despite an increase in 2015. Spending per student steadily declined from \$11,278 in 2001 to an inflation-adjusted \$5,439 proposed in the 2015 budget, when measured by full-time equivalent students.

More Students, Less Money For University System Since 2001



Source: Governor's Budget Reports, Fiscal Years 2001 to 2015, University System of Georgia Fall Semester Enrollment Reports, Consumer Price Index

The overall decline in total funding combined with the fast growing number of students led to a significant drop in spending per student as indicated in the chart above. The proposed 2015 budget provides about 52 percent less spending per student than in 2001.

The overall decline in state funding for the university system is pushing up tuition and mandatory fees. Since the 2008 fiscal year and the onset of the Great Recession, tuition and mandatory fees are up an average of 88 percent across the university system. The hikes have been even higher at research institutions, including 97 percent at the University of Georgia and 103 percent at Georgia Tech.

University System Tuition and Fees per Term Soar Since 2007

University System of Georgia	Fall 2007	Fall 2013	% Change
Total Enrollment	270,022	309,469	14.6%
Sector Average			
Tuition and Mandatory Fees	Fall 2007	Fall 2013	% Change
Research Universities	\$2,538	\$5,047	98.9%
Comprehensive Universities	\$1,859	\$3,449	85.6%
State Universities	\$1,739	\$3,287	89.0%
State Colleges	\$1,057	\$1,926	82.3%
System Average	\$1,577	\$2,975	88.7%

Years of Cuts, HOPE Changes Create Challenges for the Technical College System

The proposed 2015 budget provides the technical college system with \$18.9 million more, or a 6 percent increase over last year. More than 41 percent of the additional money is for projected growth, as well as for increases in health insurance and retirement costs. About \$3 million is for merit pay increases and employee recruitment and retention initiatives. New money is assigned to several critical areas. More than \$906,000 is proposed to hire 15 full-time faculty members in the adult education program, which helps adults master basic reading, writing, math and technology skills as well as prepare for the GED exam. This addresses accreditation concerns regarding the system's growing reliance on part-time faculty in adult education. However the reliance on part-time faculty in the technical education program persists.

About \$2.6 million is proposed to support 25 new staff positions and new technology to improve college completion. The technology will be used to quickly identify students at risk for dropping out. Once identified, the new staff would work to keep them in school.

Despite these increases, funding for the technical college system remains below the 2008 level. The state failed to keep pace with enrollment growth in recent years, accounting for part of the shortfall. Enrollment surged between 2008 and 2011 but state spending shrank, driving down per-student funding. An enrollment growth trend ended after the General Assembly raised eligibility requirements for the HOPE grant and reduced the award amount in 2011.¹ Many technical college students relied on the HOPE grant, so enrollment soon plummeted. From 2011 to 2012, the number of students in technical colleges fell by more than 38,000. The enrollment decline continues, although it is slowing. The formula for technical colleges is tied to total enrollment, so the decline led to further cuts in funds for instruction.² Under the proposed 2015 budget, funding for instruction remains level though enrollment has declined again.

With Performance Funding Coming, Negative Effects of Budget Cuts Could Perpetuate

Both the university and the technical college systems will move to a performance funding system in 2016. This means any increases in funding for the systems will be based on student performance, counting the number of students who graduate as well as meet benchmark indicators of progress. This is a departure from the way funding is calculated now based on enrollment. Funding levels for both systems in 2015 will serve as the baseline in the years ahead. The result is a starting point for future funding based on an amount significantly below where it would be if it kept pace with enrollment growth over the past several years. As institutions work to significantly increase the number of students who complete a postsecondary certificate or degree, their efforts could be hampered by a lack of adequate resources.

¹See Overview: 2015 Fiscal Year Budget for Lottery-Funded Programs for more information about changes to the HOPE financial aid programs. (Georgia Budget and Policy Institute, January 2014: <http://gbpi.org/wp-content/uploads/2014/01/Overview-2015-Fiscal-Year-Budget-for-Lottery-Funded-Programs.pdf>).

²Funding cuts in instruction in fiscal years 2012 and 2013 are reflected in cuts to personal services and operating expenses in the technical education program. Total funding for the technical college system increased in those years primarily due to rising health insurance and retirement costs.