



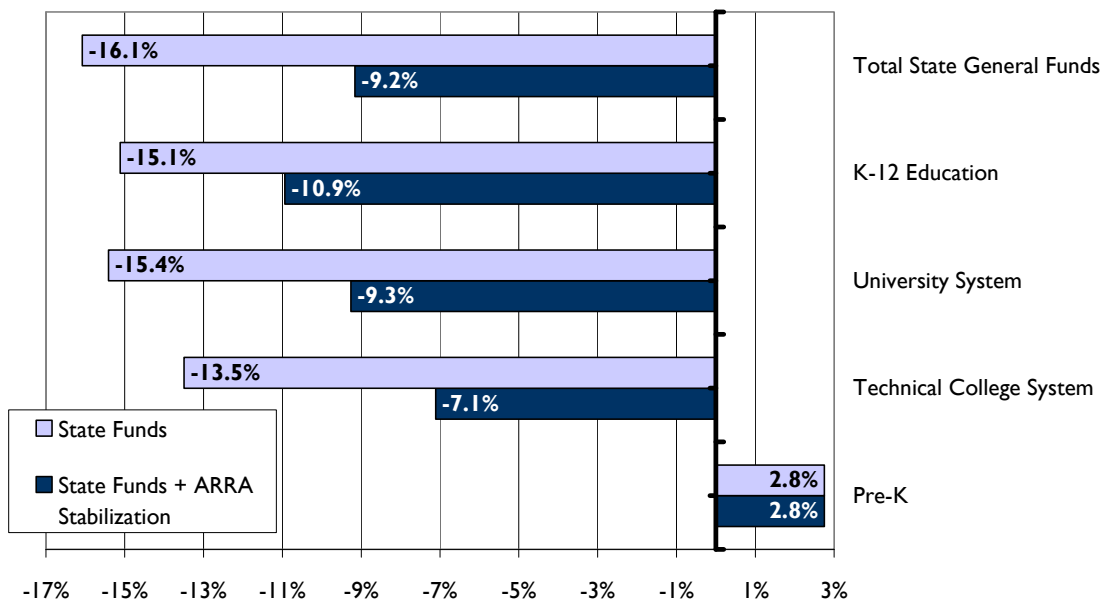
Highlights of the Governor's FY 2011 Education Budget Proposals

By Sarah Beth Gehl, M.U.P.P., Deputy Director

Summary

Education does not escape the governor's proposed cuts to agencies for the upcoming year. Adjusted for inflation, per student state spending on K-12 education and the University System will fall to their lowest levels in a decade. Inflation-adjusted per student spending for technical colleges likewise will drop to the lowest level in at least six years, and waiting lists have already developed for the Adult Literacy program. Georgia's Pre-K program avoids the cuts made to other areas due to the continued growth of lottery funds; however, the proposed budget for Pre-K remains flat from fiscal year (FY) 2010 to FY 2011 and redirects funding for more slots by eliminating supportive services to low-income children.

Chart 1 Percent Change in Funds, Original FY 2009 to Proposed FY 2011



Source: Governor's Budget Report, FY 2011. Note: The original FY 2009 budget provides a comparison point prior to the state's recessionary cuts. "Total state general funds" includes motor fuel funds. Pre-K includes lottery funds.

Using federal Recovery Act funds again this year allowed the governor to lessen the severity of cuts to education, as shown in Chart 1. Comparing the proposed FY 2011 spending to the original FY 2009 budget, which preceded the recessionary budget cuts, federal Recovery Act funds (i.e. ARRA state stabilization funds) reduce the cut from 15.1 percent to 10.9 percent for K-12 education and to similar amounts for post-secondary education.¹

State economists project weak revenues for several years to come, predicting the state will not regain the FY 2007 level of revenues until FY 2014.² This could mean more cuts in the coming years; without new revenue sources, K-12 and post-secondary education (which comprise more than 50 percent of state spending) likely will continue to face cuts. The resulting consequences are likely larger class sizes in K-12 schools, more adjunct faculty at colleges and universities, reduced pay for teachers and instructors, and reduced supportive services such as tutoring, advising, and professional development.

The following overview discusses the governor's proposed budget for Department of Education, Board of Regents, Technical College System of Georgia, Bright from the Start: Department of Early Care and Learning, and post-secondary grants and scholarships.

Department of Education (K-12 Education)

The governor proposes spending \$6.96 billion in state funds and \$343 million in federal Recovery Act stabilization funds to educate 1.6 million K-12 students in FY 2011. This equals a 10.9 percent cut from the original FY 2009 budget, which itself included austerity cuts to the education funding formula.

The majority of the cut can be found in the state's funding formula — Quality Basic Education (QBE). The governor's proposed budget adjusts the QBE base by adding \$121 million to account for 0.67 percent enrollment growth and training and experience salary increases. Beyond that adjustment, however, the proposed budget cuts QBE by \$527 million, on top of existing QBE cuts carried forward from prior years. In total, school systems will receive \$839 million less than the QBE formula directs, even after offsets from federal Recovery Act funds.³

The budget does not likely reflect full K-12 enrollment growth for FY 2011 and does not include cost-of-living salary increases. Enrollment growth has slowed in recent years; yet even 0.67 percent growth requires more than \$100 million. If further enrollment growth occurs in FY 2011, it will need a mid-year adjustment using reserve funds.

The proposed budget cuts equalization grants, which provide funds for low-property wealth districts to increase equity across school districts, by more than \$200 million.⁴

The budget eliminates state support from several programs, including:

- Regional Education Service Agencies (\$12.1 million), which provide curriculum consultation, professional development, technology training, and other services;
- National Board Certification (\$7.2 million), which provides a salary increase for teachers who are board certified;

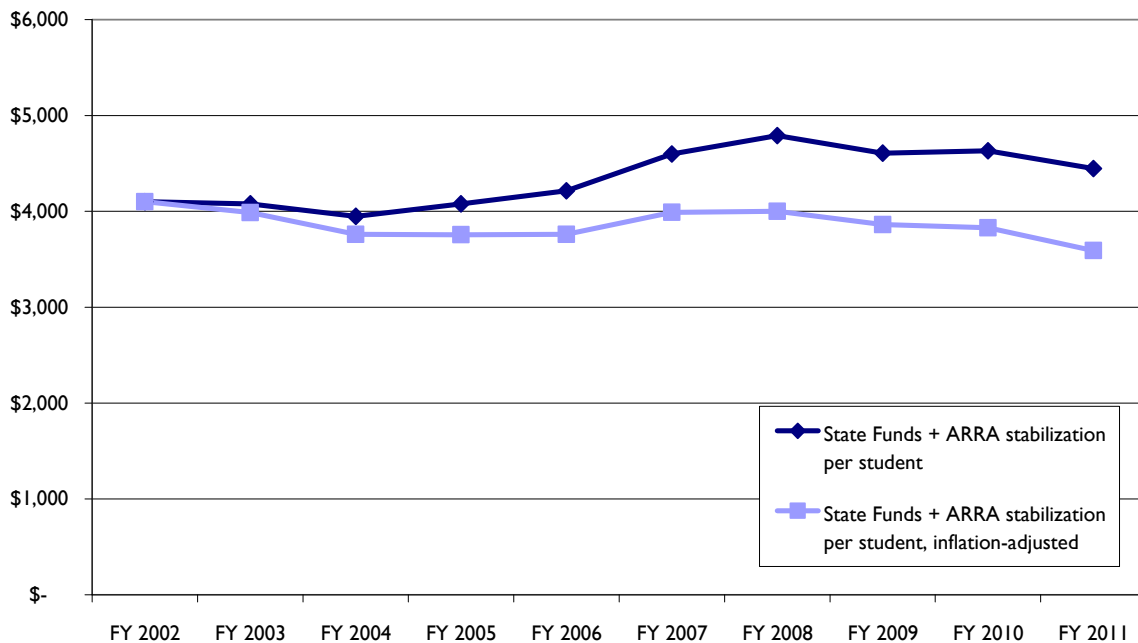
- Education Technology Centers (\$3.6 million);
- National Science Center and Foundation (\$500,000), which offers programming to encourage student interest in math and science; and,
- Salary supplements for cafeteria managers.

Additional programs are reduced, including state schools for the hearing- and visually-impaired, school nurses, agricultural education, the pre-school handicapped program, and services for students with autism or severe emotional behavior problems, among others.

The proposed budget includes \$675 million in additional federal Recovery Act funds for FY 2011 beyond the \$343 million in stabilization funds. Although stabilization funds can be used broadly across school systems and for many purposes, the other federal Recovery Act funds are restricted. These funds include Title I and IDEA funds, which go directly to schools serving low-income and special needs populations and cannot serve the general student population. Due to their restrictions, Title I funds cannot serve 58 percent of Georgia students because they are not low-income, and IDEA funds cannot serve 90 percent of students because they do not have special needs.⁵ These funds cannot be used for textbooks, items funded by state or local dollars in the prior year, or salaries for teachers required by QBE, among other restrictions.⁶ In short, these federal funds are not a substitute for state support.

After accounting for inflation, per student state funding will drop to its lowest point in a decade, even after including federal Recovery Act stabilization funds in state funding (Chart 2).

Chart 2 K-12 Education State Spending per Student



Source: Governor's Budget Reports, FY2005-FY2011, DOE Allotment Sheets, Consumer Price Index, and GSU Economic Forecasting Center 2010 and 2011 CPI forecasts.

These cuts mean larger class sizes, salary cuts, 20 percent vacancy in Central Administration at DOE, less support for technology training and professional development, and possibly more drastic measures for certain school systems.⁸ In response to the current cuts, one school system has already moved to a four-day school week, while another system has shortened the school calendar from 180 days to 160 days.⁹

- *Policy Question: How will communities balance these cuts, especially those communities who will receive both a cut in QBE and equalization grants? Will some communities be able to offset the cuts with local resources, while other communities will not?*

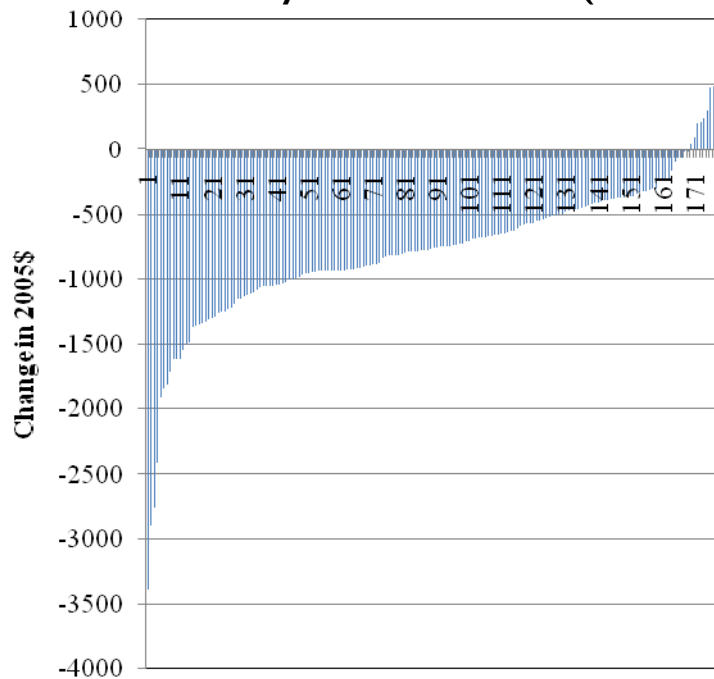
As the state reduced per student funding between 2002 and 2005, Georgia State University's Fiscal Research Center found that 105 local districts increased revenues to offset a portion of the cuts, while 75 districts decreased local revenues.¹⁰ In total, however, even those districts with local increases did not fully offset the state reductions in revenues on a per student basis.

Of the state's 180 school districts, 168 districts experienced a decrease in state plus local revenue per full-time equivalent (FTE) student between 2002 and 2005, after adjusting for inflation.¹¹

Amended FY 2010 Budget Proposal

The Amended FY 2010 budget includes an additional three furlough days for teachers (for a total of six) and an additional \$479 million cut to QBE, among other cuts. Even using federal Recovery Act funds, school systems will receive \$710 million less in QBE funds than the formula directs for FY 2010.⁷ The budget cuts equalization grants by an additional \$17 million.

Chart 3 Change in State Plus Local Revenue per Full-time Equivalent Student for Each School System 2002 to 2005 (Inflation-Adjusted)



Source: Georgia State University Fiscal Research Center, Report No. 200, Sept. 2009
 Note: Each line represents funding for a school district.

Board of Regents (University System)

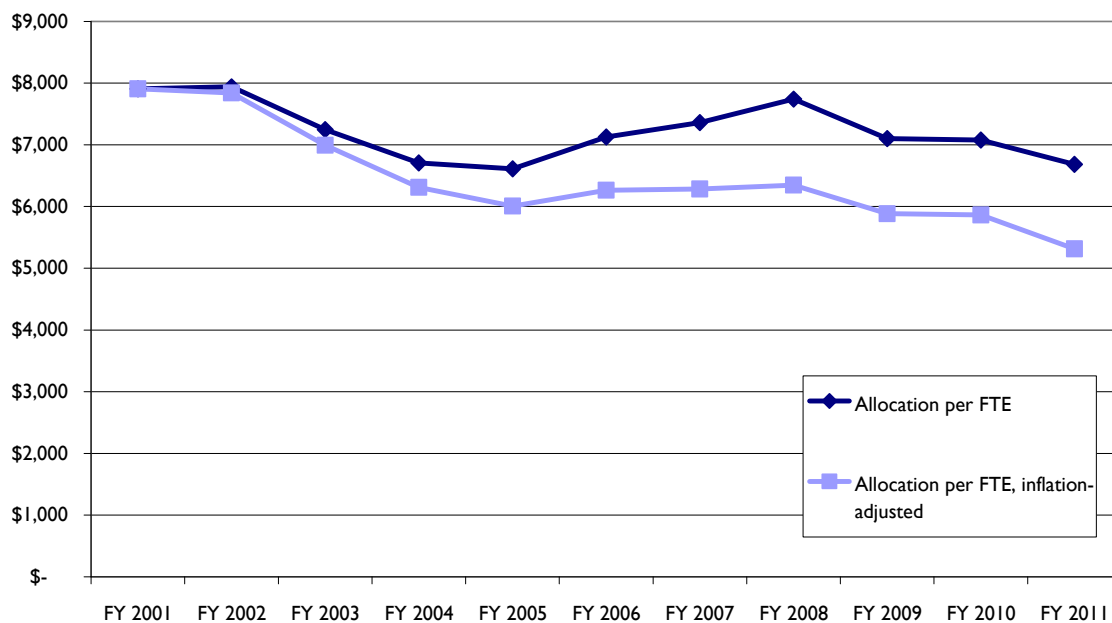
The budget proposes spending \$1.9 billion in state funds and \$140 million in federal Recovery Act stabilization funds on the state's 35 colleges and universities in FY 2011. This is a \$136 million cut in state general funds, and a total cut of \$94 million after the addition of federal recovery funds, even as student enrollment continues to grow.

Similar to K-12 education funding, the majority of these funds are formula-driven. The Teaching formula includes \$113 million for enrollment growth and increases for maintenance and operations. Federal recovery funds are increased, also, with \$47 million in additional funds. These additions are offset, however, by a \$224 million cut to the Teaching formula.

Across programs, the proposed budget reduces salaries and operating expenses, such as public libraries, agricultural experiment station, cooperative extension services, and public service initiatives, among others. It eliminates funding for several programs entirely, including the Seed Capital Fund, Food Industry Partnership program, Traditional Industries program, Vaccine Collaboration Grants, and Bio-Refinery program, among others.

Proposed state allocations per FTE will be lower in FY 2011 than at the start of the decade (Chart 4). Since FY 2009, 42,000 additional students have enrolled in the University System, yet the proposed state spending will be 9.3 percent below FY 2009 levels (even after the addition of federal Recovery Act funds).¹² Without Recovery Act funds, state spending would decline by 15.4 percent in FY 2011 compared to the original FY 2009 budget.

Chart 4 **University System Institutional Allocations per Full-time Equivalent Student**



Sources: Senate Budget and Evaluation Office. FY 2011 allocation is a University System of GA projection. Inflation-adjusted allocation is author's calculation based on forecasted CPI by GSU Economic Forecasting Center, November 2009.

To manage the recent and proposed budget cuts, universities have eliminated more than 2,400 positions, mainly by eliminating vacancies.¹³ The cost of health insurance has been shifted to employees by 20 percent. Additional actions have been mandatory furlough days, a new institutional student fee of \$100 to \$200, cuts in tutoring and advising, reductions in service hours, increases in part-time faculty and instructors rather than full-time faculty, and deferred maintenance, among others.

- *Policy Question: Will cuts to the Board of Regents cause additional increases in tuition or fees for Georgians enrolled in colleges and universities? If so, how will those increased costs affect access for low- and moderate-income students, especially given that Georgia has no state need-based financial aid?*

Technical College System of Georgia

The governor proposes spending \$321 million in state funds and \$24 million in federal Recovery Act State Stabilization funds in FY 2011 on the Technical College System of Georgia (TCSG), which provides technical education, adult literacy programs, and job training through QuickStart. This is an \$11 million cut in state general funds from FY 2010, and a total cut of \$2.6 million after factoring in Recovery Act funds. The proposed state spending will be 7.1 percent below FY 2009 levels (even after the addition of federal Recovery Act funds).

The technical colleges will receive stable funding from FY 2010 to FY 2011, as \$8.3 million in Recovery Act funds will replace the \$7.4 million cut in state funds. Although the cut to TCSG is less on a percentage basis than some other agencies, it has seen some of the most extensive service demand driven by the down economy. Enrollment in the technical colleges grew by 27 percent from fall 2008 to fall 2009.¹⁴ Much of this demand comes from workers hit by the recession; 40 percent of the enrollment growth comes from students age 40 and over.

To manage enrollment increases beyond state funding levels, the TCSG raised tuition by \$4 per credit hour in FY 2010 and relies on more part-time, adjunct faculty, who now comprise 72 percent of faculty.¹⁵

The proposed FY 2011 appropriation is below the FY 2007 level for the Adult Literacy program, even as 1.3 million Georgians lack a high school diploma or GED and the number of high school dropouts outnumber the number of GEDs awarded each year.¹⁶ Already the FY 2010 cuts are causing waiting lists at some Adult Literacy sites, and an estimated 2,386 students will not be served.¹⁷ The program is eliminating the equivalent of 56 part-time instructors due to cuts in service hours this year.

The proposed budget cuts QuickStart's customized training program \$1.3 million in FY 2011. QuickStart is a prominent economic development tool for the state.

- *Policy Question: With unemployment continuing to exceed 10 percent and 1 million adults already lacking a high school diploma or GED, how will cuts to adult literacy and technical*

education affect Georgians transitioning to new jobs or seeking skills advancement? How will these cuts affect Georgia's long-term economic position?

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

The proposed budget for the Department of Early Care and Learning, which administers the pre-kindergarten program (Pre-K), is \$498 million, funded almost entirely through lottery funds (\$350 million). The governor replaces \$2.5 million in state general funds with \$2.5 million in federal Child Care and Development Block Grant funds. Since lottery funds have withstood the recession better than other revenues, Pre-K continues to avoid the severe cuts proposed for other agencies. However, Pre-K will not receive any additional lottery funds in FY 2011 above the FY 2010 funding level.

The proposed FY 2011 budget adds 2,000 additional slots by using \$14 million now used to fund Resource Coordination grants. It is unclear whether or not the budget completely eliminates the grants, which fund social workers who provide supportive services to low-income families enrolled in Pre-K. In recent years, though, the grants have totaled \$18 million, making the \$14 million reduction a significant cut to the grant program if not an entire elimination. In FY 2009, the grants funded 484 resource coordinators who assisted approximately 47,000 children and their families with such services as kindergarten readiness workshops; assistance accessing food, clothing, and health services; information on GED courses; and parenting workshops.¹⁸

Post-Secondary Grants and Scholarships

In the FY 2011 proposed budget, \$778 million in lottery funds provide scholarships and grants, the largest of which are HOPE scholarships to public colleges and universities (\$475 million), HOPE grants to technical colleges (\$206 million), and HOPE scholarships to private colleges (\$78 million).

Several scholarships that formerly were funded through state general funds are moved to the lottery funds budget — North Georgia ROTC grants, North Georgia Military Scholarship grants, Leveraging Educational Assistance Partnership (LEAP) program, and HERO scholarships. The budget eliminates Engineer scholarships, PROMISE scholarships, and Teachers scholarships.

In total, lottery-funded scholarships and grants will increase by \$189.6 million from FY 2010 levels. HOPE scholarships to public schools and HOPE grants receive the largest increases, \$84.5 million and \$75.9 million, respectively. HOPE scholarships to private colleges receive the most sizeable percentage increase, growing by 84 percent from the FY 2010 level (\$35.6 million). The proposed budget eliminates a scholarship that is not lottery-funded, Tuition Equalization Grants, another scholarship for private college tuition. It had used \$29.8 million in state general funds in FY 2010.

Endnotes

¹ Funds include state general funds, motor fuel funds, and American Recovery and Reinvestment Act state stabilization funds. Tobacco Settlement and lottery funds are not included, except for Pre-K.

² Ken Heaghney, "Georgia's Revenue Outlook," Presentation to Joint House and Senate Appropriations Committee, January 19, 2010.

³ Calculation by Georgia School Superintendents Association using data provided by the Governor's Office of Planning and Budget.

⁴ Cut includes over \$120 million reduction from FY 2009 to FY 2010, as well as the lack of \$80 million in growth that should have occurred.

⁵ State Superintendent Kathy Cox, "Presentation to the Joint House and Senate Appropriations Committee," January 20, 2010.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Both systems maintain the equivalent student hours as other systems by adding more time to each school day.

¹⁰ James Alm and David L. Sjoquist, "Recent Changes in State and Local Funding for Education in Georgia," Georgia State University Fiscal Research Center, Report No. 200, September 2009. (Note: These changes include inflation-adjustments.)

¹¹ Ibid.

¹² Chancellor Erroll Davis, "FY 2011 Budget Presentation: Building Georgia's Future," Presentation to the Joint House and Senate Appropriations Committees, January 20, 2010. (Note: Enrollment figure only)

¹³ Ibid.

¹⁴ Commissioner Ron Jackson, "Technical College System of Georgia AFY10 & FY11 Budget Request," Presentation to the Joint House and Senate Appropriations Committees, January 20, 2010.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Data provided by the Technical College System of Georgia Office of Adult Literacy, January 22, 2010.

¹⁸ Georgia Department of Audits and Accounts, "The Resource Coordination Program," May 2009, <https://www.audits.state.ga.us/pao/rptlist.html>.

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