



Legislative Report

Governors' proposals in Arkansas, Delaware, Georgia, Kentucky, Maryland, Mississippi, South Carolina, Texas and Virginia

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Arkansas (<http://www.governor.arkansas.gov>)

The governor has indicated that Arkansas is weathering the economic downturn better than many states but that the economy will be the biggest challenge during the legislative session. Citing a tradition of conservative budgeting, he is proposing increases to two areas: public education and services for children and families. He is proposing to reduce the sales tax on groceries by an additional penny — during the current biennium, the tax was halved to 3 percent.

The governor wants funds from the new lottery (approved by voters in November 2008) to expand both need-based and merit-based scholarships for college and university students, while increasing award amounts. The development of a common application for all financial aid is under way. To help encourage degree completion, the governor wants the higher education funding formula to place emphasis on graduation rates.

The budget proposal for the 2009-2011 biennium would provide a maximum of \$4.6 billion in 2009-2010, an increase of 4.7 percent. For 2010-2011, the budget would increase by another 3.4 percent to nearly \$4.8 billion. Funds to elementary and secondary schools would increase 1.5 percent to nearly \$1.9 billion in the first year of the biennium and would be slightly more in the second year. Higher education institutions would receive \$736.4 million in 2009-2010, up 4.6 percent, and the same amount in 2010-2011.

Delaware (<http://budget.delaware.gov>)

In November, the governor ordered a hiring freeze and reductions of 7 percent from state agency budgets, though schools, colleges and universities were exempt. In December, near the end of her administration, the governor ordered midyear budget reductions of \$55.1 million, or 1.6 percent, to balance the state budget. Reductions totaling \$2.1 million were made to several programs administered by the state Department of Education, representing 4.8 percent of the department's non-personnel budget. No reductions were made to school, college or university funding.

Before leaving office, the governor released budget recommendations for 2009-2010 that would provide nearly \$3.1 billion in general funds for operations, 8.9 percent below the budget originally adopted for the current year. The proposal would provide higher education with \$235 million, a reduction of 2.8 percent. General funds for elementary and secondary schools would decline 3.8 percent to \$1.1 billion.

The newly inaugurated governor could prepare his own proposal or work with the General Assembly during the 2009-2010 budget-writing process to address his priorities.

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Georgia (<http://gov.georgia.gov/>)

Georgia's revenue outlook requires state officials to do "less with less," according to the governor, who reduced the state's current-year budget by 6 percent (2 percent for the school finance formula) to meet midyear shortfalls.

The governor has recommended amending the 2008-2009 budget. For elementary and secondary schools, he proposes a \$491.7 million reduction, to \$7.7 billion. The bulk of the K-12 deduction — \$357 million — would come from reducing the school finance formula by 2 percent, eliminating \$50 million in school finance formula restoration funding (provided to offset formula cuts from previous economic slowdowns) and reducing the state's employer contribution rate to the state health benefit plan from 18.5 percent to 8.6 percent. Adjustments for colleges and universities would reduce funding 9.5 percent to \$2.1 billion.

The governor's proposal for 2009-2010 would increase funding slightly for elementary and secondary schools to \$7.9 billion. For colleges and universities, funding would increase slightly to \$2.2 billion. The proposal does not include funding for teacher or faculty pay raises. To meet the governor's 2009-2010 funding proposal, various initiatives and programs would need to be cut, including the Academic Coach Program (which rewards public school teachers who demonstrate excellence in the classroom with salary bonuses in exchange for mentoring other teachers), dropout prevention, National Board Certification, regional education service agencies and school nurses.

The governor proposes implementing three new incentive programs that would go into effect at the beginning of the 2010-2011 school year: the High School Incentive Program (high school principals whose students demonstrate improvement in specific areas would qualify for a \$10,000 bonus), the Merit Pay Program (exceptional teachers serving as instructional leaders and mentors would be eligible for 10 percent to 15 percent pay increases), and the Math and Science Teacher Shortage Program (providing eligible math and science teachers with salary increases and bonuses).

Lottery revenues decreased slightly during the current year but are expected to increase by a little more than 6.5 percent to \$938.1 million in 2009-2010. The governor recommends spending \$350 million in lottery funds for the prekindergarten program in 2009-2010, a 3.8 percent increase. With this funding increase, the program would serve an additional 3,000 children — and 82,000 in total.

In 2009-2010, funding for HOPE scholarships would increase by 6.4 percent to \$432.4 million, and HOPE grant funding would increase to \$130.4 million. HOPE grants are awarded to students seeking a diploma or certificate at a postsecondary institution. The governor also proposed eliminating the Governor's Scholarship Program (a merit-based scholarship for graduating Georgia high school valedictorians or students honored in the Student Teacher Achievement Recognition program), saving \$1.5 million.

Kentucky (<http://governor.ky.gov>)

Confronting a projected shortfall of \$456.1 million for 2008-2009, the governor proposed tobacco tax increases, spending cuts and the use of reserve and one-time funds to address the shortfall, while protecting priority education and health care spending. Calling the plan a starting point for discussions with legislators, the governor is aiming to protect programs he believes are important to help the commonwealth move forward under adverse economic conditions.

The proposal would use \$178.9 million in rainy-day funds along with \$40 million in one-time funds. Increases in tobacco taxes, including raising the per-pack tax by 70 cents (from the current 30 cents), would provide \$81.5 million. The remainder of the budget savings would come from \$147.1 million in reductions and a three-day furlough for all state employees before the end of the fiscal year.

Formula funds for schools would remain unchanged, as would teacher retirement funding and student financial aid. All other K-12 and higher education programs would be cut by 2 percent. Most remaining programs and agencies would be cut by 4 percent.

The governor plans to delay his recommendations for amending the 2009-2010 portion of Kentucky's biennial budget until the Legislature has approved reductions to the current-year budget.

Maryland (<http://www.governor.maryland.gov>)

With revenues for the 2009-2010 fiscal year projected at nearly \$2 billion less than previously expected, the governor released an “unprecedentedly lean” budget proposal that would reduce general fund appropriations by 1.3 percent — to under \$14.4 billion — and eliminate more than 1,000 state government positions. These reductions would be in addition to \$2.2 billion in appropriations and 1,500 positions eliminated over the past two years. The proposal assumes that Maryland will receive \$350 million in federal stimulus funding, described as a “conservative estimate.”

While the overall budget would decline, the governor identified education as a top priority and recommended increasing K-12 education spending 1.3 percent over the amended current-year budget, to nearly \$5.7 billion, including funds to school districts of \$5.5 billion (up 1.5 percent). The budget would provide \$37.9 million (down 50 percent) to equalize the allocation of state education funds based on the local cost of providing education; this provision was included in the 2002 Bridge to Excellence in Public Schools Act but not funded until 2008-2009.

General funds for higher education would increase 9.8 percent over the amended current-year budget, to \$1.7 billion, including more than \$1.2 billion (up 8.1 percent) of direct funding for colleges and universities. This would continue the freeze on tuition increases instituted in 2006-2007. Other increases over the amended current-year budget would include community college formula funding (up 18.6 percent to \$259.2 million), support for independent colleges (up 31 percent to \$66.1 million), and the Workforce Shortage Student Assistance Grants program (up 31.8 percent to nearly \$4 million).

The governor proposed capital spending of \$3.2 billion for 2009-2010, including more than \$200 million in projects typically financed with general funds. Public school construction would constitute the largest education-related portion of the capital budget at \$260.2 million. Projects at public colleges and universities would receive \$220.9 million, while community college projects would receive \$87.5 million.

Mississippi (<http://governorbarbour.com/>)

To meet budget shortfalls in November 2008, the governor reduced midyear spending by \$42 million (2 percent), without cutting funding for the school finance formula, National Board Certification, vocational and technical schools, schools for the deaf and blind, and student financial aid.

Continued declines in revenue (3 percent less than expected through December 2008) required the governor to make an additional budget cut of \$158.3 million in January to balance the 2008-2009 budget. This required most state agencies to reduce spending by 5 percent. The school finance formula was trimmed in this round of cuts by almost 3.5 percent or \$76.6 million. In total, K-12 funding for 2008-2009 has decreased by \$90 million.

The governor's budget proposal for 2009-2010 anticipates two to four years of slow growth. As a result, the governor recommends that state agencies trim their budgets by 2 percent in the upcoming fiscal year. The governor wants to tap into the rainy-day fund for \$84 million and increase the tobacco tax by 24 cents to cushion against larger cuts.

Although the governor proposed increasing the overall budget for 2009-2010 by 2 percent, \$87 million in cuts is recommended also. The governor has proposed slightly increasing state funds for elementary and secondary schools from \$2.5 billion to about \$2.6 billion. Colleges and universities would receive \$925 million, about 4 percent less than the original current-year appropriation.

South Carolina (<http://www.scgovernor.com>)

In an October special session, the Legislature approved reductions of \$488 million from the nearly \$7 billion 2008-2009 state budget. Funds to elementary and secondary schools were trimmed by 3.6 percent. Funding to higher education institutions, the Council on Higher Education and the state Department of Education was reduced by 16 percent. In December, the Budget and Control Board chaired by the governor implemented across-the-board cuts of another 7 percent, bringing the total reduction to about 10.4 percent from schools and 21 percent from colleges and universities. Funds to schools from an earmarked 1 cent of sales tax have been reduced by 12.6 percent.

The governor's proposal for 2009-2010 includes "painful cuts" while trying to provide for the state's critical needs. Cornerstones of the governor's proposal are fiscal discipline and governmental accountability. He is proposing a restructuring of state government to simplify and streamline it while making it more accountable. His proposal would change the state school superintendent's position from an elected one to an appointed one (along with officials in several other areas) and would transfer the

powers of the state Board of Education to the superintendent. In addition, the governor wants either to create a Board of Regents to manage the state's colleges and universities or give more regulatory authority to the existing coordinating board.

Under the proposal, the state-funded budget would total nearly \$5.8 billion, a 1.6 percent increase over the reduced, current-year budget. Funding for elementary and secondary education would increase less than 1 percent to \$2.2 billion, while the higher education and cultural resources budget would decline about another 21 percent to \$614.7 million. The bulk of the \$268.7 million from the lottery would support student financial aid programs.

Texas (<http://governor.state.tx.us>)

While Texas is not immune to the national economic downturn, the state is “in better shape than most other states,” according to the governor, who cited “tough, principled decisions” made in previous legislative sessions. The governor has stated his desire to work with the Legislature in jointly crafting a budget that helps the state weather the difficult fiscal environment. Rather than releasing a detailed budget proposal, he has adopted the Legislative Budget Board's *Legislative Budget Estimates for 2010-2011* as the beginning point for his discussions with the Legislature.

That document recommends total general fund appropriations of \$40.5 billion for 2009-2010 (down 4.9 percent) and nearly \$42.9 billion for 2010-2011 (up 5.8 percent). General revenues for K-12 education would decline 18.1 percent to \$14.2 billion in 2009-2010, and then increase 11 percent to almost \$15.8 billion in 2010-2011. These amounts include \$11.8 billion (down 17.1 percent) and \$13.6 billion (up 15.6 percent) of formula funding for schools in each year of the biennium, respectively.

General funds to state colleges and universities would remain practically unchanged at close to \$2.2 billion for each year of the biennium, while community colleges would receive the same funding in each year, \$892 million (3.9 percent more than in 2008-2009).

While broadly accepting the Legislative Budget Board's outline, the governor did make several specific policy and budgetary proposals. He is pushing to expand the Educator Excellence Grant and District Award for Teacher Excellence programs, which provide awards to individual teachers who improve student performance.

As he did in his proposal for the 2008-2009 biennium, the governor proposed redirecting a portion of funds that would go to specific items at colleges and universities. These funds would increase student financial aid (including providing need-based TEXAS Grant awards to all eligible students) and create a fund within each university system to support system-wide priorities. The governor is proposing to triple funding for the Texas Educational Opportunity Grant, which provides financial aid to community college students, and for higher education performance incentive funding. In addition, in his State of the State address, the governor proposed freezing college tuition rates for four years at the level students pay as entering freshmen.

Since the release of the governor's proposal, legislative leaders have asked all state agencies to develop recommendations for potential cuts of up to 2.5 percent from the current-year general fund budget. If possible, however, they intend to avoid across-the-board cuts in order to preserve funding for "essential" programs, including formula funds to schools, children's health insurance and Medicaid.

Virginia (<http://dpb.virginia.gov/budget/vabudget.cfm>)

The Commonwealth is wrestling with the effects of the economic downturn, but the governor's proposed amendments to the 2008-2010 biennial budget would make targeted reductions to better position the Commonwealth for the future and make investments in new areas that promise a return.

The governor's proposal amending the first year of the biennium would reduce general funds to \$16.5 billion, down about 3 percent when compared with the budget originally adopted a year ago. The proposal for 2009-2010 would decline to \$16.2 billion, 8.9 percent below the budget originally approved for the year, and 2.6 percent less than the proposed current-year budget. The plan eliminates state employee and teacher pay raises that were included in the original budget and uses \$490 million from a reserve account to help balance the current-year budget.

In three rounds of budget reductions taken thus far during the biennium, funds to elementary and secondary schools were not reduced. The governor has indicated that the continued decline in revenue forecasts will make reductions necessary in 2009-2010. To save more than \$340 million, the reductions would impose a cap on state spending for non-classroom support positions. The plan also would eliminate \$27.5 million in general funds for school construction grants and would shift \$55 million in lottery funds for school construction to school operating expenses.

In actions taken last fall, college and university budgets were reduced by 5 percent to 7 percent. For 2009-2010, the planned reductions increase to 15 percent for four-year colleges, while community college reductions would be limited to 10 percent. To address college affordability, the governor recommended a \$26 million increase in student financial aid.

For the overall education budget, general funds for 2008-2009 would drop to nearly \$7.6 billion, 3 percent less than the original budget for the year. For 2009-2010, total general funds for education would total nearly \$7.2 billion, 10 percent less than was appropriated originally.

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