



SREB

Legislative Report

Governors' legislative and budget proposals

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

Following the beginning of the 2015 legislative session, the governor released his budget proposal, recommending a total general fund budget of \$5.2 billion for 2015-16 (up 3 percent over 2014-15). The plan includes a 1 percent reduction in income tax rates for those who earn between \$21,000 and \$75,000, which fulfills one of the governor's campaign promises and is projected to reduce state revenues by \$22.9 million in 2015-16 and by \$90.3 million in 2016-17. The governor signed the Senate Bill 6 (Act 22) tax cut into law in February 2015. The plan also provides a 1 percent cost-of-living adjustment to state employees.

Total general funds for public schools would increase 2.4 percent to \$2.2 billion. The governor recommends a 1 percent decrease to career education, down to \$32 million. The proposal would fund higher education in 2015-16 at the 2014-15 level of \$733.6 million. Public four-year institutions would receive \$588.1 million, with two-year institutions funded at \$111.9 million. Funding to technical colleges would total \$33.5 million.

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

In the governor's 2015-16 State of the State address, he asked the General Assembly along with the state's public schools, colleges and universities, and businesses to join him in committing to a new goal for the state, Delaware Promise. Through its Pathways to Prosperity Network, organizations will partner and provide specialized instruction and hands-on training. This partnership will support the goal of 65 percent of the workforce earning a high school diploma, college degree or professional certificate by 2025. His address also highlighted efforts to support job growth and strengthen schools, as well as to improve substance abuse treatment and prevention.

The governor's 2015-16 budget proposal meets the growing demands for services and maintains fiscal responsibility by recommending a \$3.9 billion general fund budget, a 2.4 percent increase over 2014-15. Colleges and universities would receive \$230.3 million, a 1.7 percent increase. The state Department of Education, which includes the Higher Education Office, would see a 3.7 percent increase, bringing general funds to nearly \$1.3 billion. This includes \$1.1 billion for school district operations, up 2.9 percent.

The increase in public education funding includes \$15.3 million for 186 new teachers to meet the demand of increased student enrollment, \$9.8 million for salary step increases for school employees and \$1.9 million for a salary increase for paraprofessionals. The proposal includes an additional \$9.5 million for education programs, including programs to help track student progress and identify student needs, resources for Common Core State Standards and support for Advanced Placement and dual enrollment courses.

Florida (<http://www.keepfloridaworking.com/>)

The governor introduced his "Keep Florida Working" budget proposal for 2015-16, which centers on four main elements: implementing new tax cuts; raising per-student K-12 funding to its highest level; improving the state's business climate and growing the private sector; and protecting citizens' health and safety and the state's natural resources. His tax proposals include eliminating the sales tax on college textbooks and manufacturing equipment, and reducing the state's telecommunications and business taxes. He also recommends requiring all state employees to pay the same amount for health insurance coverage and eliminating several earmarked budget items.

Total statewide general funds for 2015-16 would increase 1.5 percent over 2014-15 to \$28.3 billion. Universities would receive nearly \$2.3 billion, up 3.5 percent, while state colleges would receive \$913.3 million, up 2.4 percent. The governor recommends no tuition increases at state colleges and universities in 2015-16.

General funds to state colleges would include \$5 million for a competitive award program to colleges that implement Science, Technology, Engineering and Mathematics (STEM) bachelor's degree programs that cost students \$10,000 or less to obtain. Support for private postsecondary institution programs and students would decline 14.8 percent to \$136.2 million, primarily due to the elimination of funding to specific programs and institutions.

While general funds for student financial aid programs would increase 6.6 percent to \$110.4 million, most of the increase would support the National Merit Scholars Incentive Program. The program provides awards, in addition to Bright Futures scholarships, to National Merit Scholar and National Achievement Scholar students who attend public or private colleges and universities in Florida. Program funding would more than triple to \$9.9 million.

General funds for K-12 education would total \$10.9 billion, a 5.2 percent increase. This includes nearly \$7.6 billion (up 6.9 percent) for Florida Education Finance Program (FEFP) formula funding to school districts as well as \$2.8 billion (up 1.1 percent) in class size reduction funding. The budget would provide \$1 million to establish the STEM Business Partnership Summer Residency Program, which would provide highly effective STEM educators with experiences at private sector technology companies; participating educators would receive a \$10,000 stipend. The Teacher of the Year program would receive \$820,000 (up from \$68,730); the additional funding would provide financial awards for participating districts and teachers.

The Personal Learning Scholarship Account Program provides special needs students with educational services and materials, including private schooling, behavior analysis services, therapy, tutoring and instructional materials. Under the proposal, general funds for the program would rise 27.2 percent to \$23.4 million in 2015-16.

Lottery funds are projected to decline 2.9 percent to almost \$1.7 billion in 2015-16. Most programs would not receive funding increases. The governor's plan reduces the lottery share of FEFP (down 20.2 percent to \$193.3 million) and fixed capital outlay for class size reduction (\$151.3 million, down 1 percent). Combined lottery and general funding for the statewide digital classrooms initiative, approved in 2014 to assist school districts with integrating technology into classroom teaching, would double to \$80 million. Each district would receive \$500,000, with the remainder distributed proportionally based on each district's share of total statewide student enrollment.

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

Shortly after his inauguration in January, the governor released his "Balance Today, Balance Tomorrow" budget proposal for 2015-16, which would eliminate, in the coming fiscal year, ongoing shortfalls between expected revenues and planned spending. Under the governor's predecessor, the Board of Public Works enacted two mid-year reductions to the current-year budget in response to a projected \$414 million deficit at the end of 2014-15.

General fund reductions, made in July 2014 and January 2015, totaled \$75.9 million and \$197.8 million, respectively. These reductions included cuts of \$46.6 million to the University System of Maryland, \$3 million from state aid to nonpublic institutions of higher education, \$6.6 million from community college formula funding, and a \$2.8 million reduction to the state Department of Education.

The recommended budget would provide nearly \$16.4 billion in general funds for 2015-16, a 1.9 percent increase from the originally adopted 2014-15 budget. State institutions of higher education would receive \$1.4 billion, up 4.6 percent; the budget projects 5 percent tuition increases for in-state undergraduates in 2015-16. State formula funding for community colleges would increase 2.3 percent to \$248.4 million; however, support for community college employee benefits would decline 1.6 percent to \$58.9 million. Support for nonpublic colleges would increase 7.8 percent to \$47.9 million.

State general fund aid for elementary and secondary education would increase 0.6 percent to over \$5.9 billion. This includes \$2.7 billion (up 1.2 percent) in basic formula funding, \$1.3 billion (up 4.3 percent) in aid to school districts with larger numbers of economically disadvantaged students, \$425.6 million (up 5 percent) for disabled student education and \$266.2 million (up 3 percent) for student transportation. State support for school district employee benefits would decline 11 percent to \$787.2 million; the decline is due to 2012 legislation that gradually transfers responsibility for school system employee retirement costs from the state to school systems.

In his State of the State address, the governor reiterated his commitment to improving the state's fiscal health and outlined his priorities, including: increasing education spending; eliminating the storm water remediation fee and income taxes on retired individuals; reducing the personal property tax on small businesses; ending automatic motor fuel tax rate increases; and providing tax credits to individuals who make contributions to private schools. The governor subsequently released the Public Charter School Expansion and Improvement Act of 2015, a proposal to reform state laws governing the creation and oversight of charter schools and to increase the number of charter schools.

Oklahoma (<http://www.ok.gov/governor/>)

The governor delivered a State of the State address that highlighted the accomplishments of her first four years in office, such as restoring \$150 million in education funds cut during the recession and substantial transportation infrastructure improvements, in addition to challenges that the state must overcome. She named educational achievement as one of three key areas to improve, with goals of increasing postsecondary credentials awarded, reducing remediation rates and increasing the reading proficiency of fourth-graders. These goals reflect the governor's plan to implement performance-informed budgeting, which ties funding to measurable outcomes. OKStateStat, an online accountability system, which records progress toward the objectives, is operational. The governor also wants to examine the possibility of dedicating one legislative session each biennium solely toward crafting the budget.

The proposed changes come in the face of a projected \$298.1 million shortfall, despite increasing revenues. A growing portion of state revenues are directed toward nongeneral funds, leaving fewer general fund dollars available. The governor's proposal would transfer \$300 million from agency revolving funds and require 55 state agencies to operate with budget reductions of up to 6.25 percent. Agencies with missions that overlap with the governor's priorities would receive modest increases. The proposed budget incorporates these changes and would provide \$7.2 billion in state funds for 2015-16, a 0.7 percent increase over the enacted 2014-15 budget.

Elementary and secondary education would receive \$2.5 billion, a 1 percent increase. The plan also recommends deducting \$5 million from agency surpluses and leftover balances, and using interest on state treasury funds to establish the Computer Science Initiative Grants program, which would help schools offer computer science courses. The Office of Education Quality and Accountability would see a 6.3 percent decrease to \$1.8 million, reflecting across-the-board agency cuts.

In line with her commitment to maintain postsecondary education spending, the governor's proposal maintains current appropriation levels. The Oklahoma State Regents for Higher Education would receive \$987.5 million in general funds for 2015-16, while Career and Technology Education would receive \$138.7 million. In her address, the governor emphasized a desire to increase higher education funding and to tie that funding to student performance measures. The governor also announced Oklahoma Works, a cooperative workforce development program intended to align K-12 education, postsecondary education and training with business needs. The program aims to bridge the workforce gap through certificates, apprenticeships, and similar credentials that bring skilled students to areas of occupational need in the state.

In early February, the governor issued an executive order placing a hiring and wage adjustment freeze on state agencies. Statewide elected officials and governor's cabinet members may approve exceptions to the freeze. The State Board of Equalization subsequently released official state revenue estimates for 2015-16, an update from the December estimates that guided the governor's proposal. The updated estimates predict a budget shortfall of \$611.3 million, up from the \$298.1 million shortfall predicted previously.

Tennessee (<http://www.tn.gov/governor/>)

In his State of the State address, the governor highlighted Tennessee's nationally-recognized gains in academic achievement and economic development. With the goal of continuing this progress, he released a budget proposal for 2015-16 that prioritizes education spending and workforce development. The total state budget would increase 0.7 percent over the 2014-15 budget, totaling \$15.1 billion.

General funds for K-12 education would increase 2.9 percent to \$4.5 billion. Basic Education Program formula funding would rise 1.6 percent, up to \$4.2 billion, and includes an increase of \$43.8 million to fully fund the formula. The governor wants to direct \$97.6 million to increase teacher pay; the proposal would distribute the funds to each local education agency to administer according to the district's salary schedule. He also recommends \$6 million in recurring funds to lessen existing salary inequities between teachers. The governor plans to direct \$65,000 to an ongoing review of the K-12 academic standards.

Higher education would receive \$1.6 billion (up 3.9 percent). University of Tennessee system funding would increase 3.5 percent to \$507.6 million, while the Tennessee Board of Regents System would receive \$676.5 million, up 2.8 percent. The governor requests \$1.5 million in lottery funds for the Community College Reconnect Grant pilot program, which would provide one-time, last-dollar financial aid for adults with some college credit to attend community college. He also recommends an additional \$10 million in recurring funds to serve more students through Tennessee Student Assistance Awards.

Notes from other SREB states

In February, the South Carolina Board of Economic Advisors adopted its revenue estimates for the 2014-15 and 2015-16 fiscal years, increasing state revenues by \$50 million over the two-year period. This includes an additional \$5.9 million in Educational Improvement Act funding and \$12 million in lottery funding for 2015-16.

In February, Virginia's governor announced a \$136 million upward revision in expected state revenues for the biennium. This is in addition to the \$338 million revenue increase announced by the governor earlier in the month. The Virginia General Assembly concluded its regular legislative session at the end of February, but will reconvene in April to consider governor's vetoes.

In Louisiana, the Revenue Estimating Conference in January lowered the 2014-15 revenue forecast by \$103.5 million and the 2015-16 forecast by \$203.8 million. The governor released his 2014-15 mid-year budget reduction plan in February, proposing to close the shortfall using \$60.7 million in agency budget reductions and \$42.8 million in "revenue opportunities" out of one-time spending. The governor made \$67.1 million of these changes by executive order. The Joint Legislative Committee on the Budget met in February and approved further reductions to close the remaining \$36.4 million shortfall. The governor released his 2015-16 budget proposal late February.

Legislatures in Alabama and Florida convene their regular sessions in early March.

Governors in North Carolina and Texas delivered State of the State addresses in February; the governor in Texas also released his budget proposal for the 2016-17 biennium. Information on governors' proposals in these and other states will be included in future editions of *Legislative Report*.

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