

Legislative Report #2 | March 2017

Governors' legislative and budget proposals in Alabama, Florida, Louisiana, North Carolina, Oklahoma, Texas and West Virginia

Notes from other SREB states



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Legislative Report

Governors' legislative and budget proposals

Alabama (<http://www.budget.alabama.gov/>)

Delivering his 2017 State of the State Address, the governor discussed his Great State 2019 strategic plan, launched in February 2016, and its goal of educating and training state residents while providing basic opportunities for all citizens. He highlighted the plan's focus on using technology to provide educational opportunities to children in rural areas. The governor also spoke about the joint initiative between the state's Department of Early Childhood Education and Department of Education to align and integrate the most successful components of Alabama's First Class Pre-K program with kindergarten through grade three education. In addition, the governor announced his task force to study removing the state sales tax on groceries; among the items it will study are best practices and tax structures from other states and whether lost revenue from reducing or eliminating the grocery tax should be replaced.

For 2017-18, the governor proposes a State General Fund budget, which funds state activities other than education, of less than \$1.9 billion (down 0.9 percent). Many executive agencies would see flat or reduced funding, though the state Medicaid agency would receive a 3.2 percent increase.

The Education Trust Fund (ETF) budget, which provides state funds to all levels of education and other programs, would decline 0.4 percent to \$6.4 billion. Community college funding would remain level at \$362.2 million. While funding for universities would remain level at just under \$1.1 billion, the governor recommends increasing funding for basic operations and maintenance at most universities by 1 percent and offsetting those increases by eliminating funding for certain programs and facilities upgrades.

The Department of Early Childhood Education would receive \$87.3 million, up 31.2 percent. This includes nearly \$84.5 million (up 31 percent) for the Office of School Readiness, which administers the First Class Pre-K program, and \$2.6 million (up 39.8 percent) for Home Instruction for Parents of Preschool

Youngsters, a home-based school readiness program that assists parents in teaching their children ages three through five. Funding to the Medical Education Consortium, through the state Department of Public Health, would rise 115 percent to 4.3 million. Education benefits provided through the state Department of Veterans Affairs would rise 40.8 percent to \$91.5 million. The ETF budget proposal also contains \$3.8 million for state employee pay raises.

Aid to local school districts would rise 0.4 percent to \$4 billion. This includes a 0.3 percent increase in K-12 Foundation Program formula funding, to \$3.6 billion, and a 1.3 percent increase in school transportation funding, to \$340.2 million.

Funding for most state Department of Education programs would remain level, though the liability insurance program would receive \$5 million (up 122.2 percent); funding for science teacher training at the HudsonAlpha Institute for Biotechnology would double to \$1.5 million; and the information technology academy program (part of the department's career-tech initiative) would receive \$600,000 (up 9.1 percent). The department's budget would also include \$1.3 million to establish the Alabama Network of Statewide Workforce and Education-Related Statistics (ANSWERS) for Alabama data system.

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

The Fighting for Florida's Future budget proposal, released by the governor in late January, highlights several areas of focus, such as cutting taxes and fees, growing the economy by attracting jobs and supporting small businesses and tourism, investing in education, protecting the environment, maintaining and improving families' health, and supporting law enforcement officers and agencies.

Proposed tax reductions that would take effect in 2017-18 include: lowering the tax on commercial leases, for a projected \$454 million in reduced revenues; extending the back-to-school sales tax holiday from 3 days to 10 days, at an expected cost of \$72 million; providing a one-year sales tax exemption on college textbooks, at the cost of a projected \$48 million; and increasing the corporate tax exemption from \$50,000 to \$75,000, estimated to reduce revenues by \$15 million. The governor recommends a three-tiered incentive pay system for state employees that would allow each employee to potentially earn an additional \$1,500 per year. The tiers would be based on agency performance goals, an individual employee's rating, and agency budget savings.

Under the proposal, the statewide general fund budget would total \$30.8 billion in 2017-18, an increase of 1.9 percent over the originally approved 2016-17 total. The state university system would receive over \$2.5 billion, up 3.3 percent, including more than \$2 billion for education and general activities at universities, up 3.5 percent. Of the latter amount, \$600 million would be designated as performance funding, up from \$500 million in 2016-17. Lottery funds provided to the university system would rise 10 percent to \$303.6 million.

General funds for the Florida College System would rise just slightly (0.1 percent) to \$967.2 million; the portion designated as performance funding would rise from \$60 million to \$100 million. Lottery funds to the Florida College System would rise 3.1 percent to \$282.3 million. General funds provided to independent colleges and universities would decline 7.3 percent to under \$145.4 million.

General fund supported student financial aid, primarily for need-based Florida Student Assistance Grants (FSAG), would increase 15.9 percent to \$94.5 million; the National Merit Scholars Incentive Program would receive \$15.8 million, up 20.5 percent. While lottery funds for FSAG would remain level at \$64.9 million, lottery funding for the merit-based Bright Futures scholarship program would total \$252.1 million, up 16 percent.

Early learning services would receive \$563.3 million in general funds, a 1.8 percent increase. This includes \$406.5 million for the statewide voluntary prekindergarten program, up 2.9 percent. General funds for the Gardiner Scholarship (for students with disabilities to pay for instructional materials, curriculum, specialized services or assessments) would rise 3 percent to \$73.3 million.

Overall elementary and secondary education General Revenue funding would rise 0.9 percent to nearly \$11.2 billion. The state board of education would receive \$103.6 million in funding, up 17.4 percent, including \$61.5 million for assessment and evaluation, up 16.1 percent. Districts would receive \$2.9 billion in general funds for class size reduction, up 0.7 percent, though lottery funds for class size reduction would decline 4.9 percent to \$143.8 million. Formula funding provided to districts through the Florida Education Finance Program (FEFP) would include over \$7.7 billion in general funds, up 0.7 percent, supplemented by \$458.6 million in lottery funds — a 65.7 percent increase. Combined lottery and general funds for FEFP would provide: \$735.6 million for supplemental academic instruction, up 3.6 percent; \$135.8 million for reading instruction, up 4.4 percent; \$238.9 million for instructional materials, up 4.4 percent; and \$74.5 million for Safe Schools activities, up 15.5 percent.

The governor proposes discontinuing the Florida Best and Brightest Teacher Scholarship, and directing \$43 million in general funds to establish the Teacher Recruitment and Retention Initiative. Included in funding for the initiative would be: \$10 million for a one-time hiring bonus to incoming teachers who test in the top 10 percent of their respective Subject Area Examination; \$5 million to increase diversity among teachers in critical shortage and high need areas; \$5.9 million to recruit Bright Futures Scholars to commit to four years of teaching in the rural districts from which they graduated high school; \$16 million for district-directed teacher recruitment and retention initiatives; and \$6.1 million for performance bonuses to teachers in low-performing schools.

Louisiana (<http://www.doa.la.gov/Pages/OPB/index.aspx>)

In February, the Legislature convened a special session to address a \$304 million budget shortfall for 2016-17. After meeting for nine days, legislators approved a plan to reduce spending and transfer funds, including the use of nearly \$100 million in reserve funds. This comes after a December 2016 agreement between the governor and the Joint Legislative Committee on the Budget to address a \$313 million deficit from the 2015-16 budget, which included reducing expenditures and postponing certain Medicaid payments.

The day after the conclusion of the February session, the governor released his proposed budget for 2017-18. In January, the Revenue Estimating Conference reduced its general fund revenue projection for 2017-18 by nearly \$400 million. Because maintaining government services and funding at the 2016-17 levels would exceed projected available general funds by approximately \$440 million, the governor's budget imposes 2 percent reductions on most agencies and continues the reductions made during the current budget year.

The governor's proposal identifies items recommended for additional funding if additional revenues above current projections are realized, including \$81.9 million to fully fund the merit-based Taylor Opportunity Program for Students (TOPS) scholarship program, \$23.9 million for salary adjustments to state employees, nearly \$75 million for Minimum Foundation Program (MFP) formula funding to schools, and \$34.8 million for need-based Go Grants. The governor also called on the Legislature to enact tax reform during the upcoming regular legislative session to stabilize state revenues and lessen the frequency and severity of mid-year budget deficits.

State funds for 2017-18 would total just under \$16 billion, down 0.7 percent from the budget as of December 1, 2016; this includes \$9.5 billion in general funds, down 1.8 percent. The state Department of Education would operate with nearly \$3.9 billion in state funds, up 1 percent, including general funds of \$3.6 billion, up 2 percent. MFP formula funding would receive just over \$3.7 billion in state funds, up 1.1 percent, including general funds of less than \$3.5 billion, a 2.2 percent increase. General funds for the Cecil J. Picard LA-4 prekindergarten program would remain at \$33.5 million. State general fund aid to non-public schools would decline 2 percent to just under \$19 million.

State funds for higher education would decline 2.6 percent to less than \$1.1 billion, including a 2.1 percent decrease in general funding, to \$901.1 million. Under the proposal, all general funds for state colleges and universities would go to the Louisiana Board of Regents for distribution to the individual institutions by a formula adopted by the board. State funds for TOPS scholarships would remain level at \$209.4 million, including \$149.1 million in general funds; general funds for Go Grants also would remain level at \$26.4 million.

North Carolina (<https://www.osbm.nc.gov/budget>)

The governor's proposed budget for the 2017-19 biennium highlights several education priorities, including providing teachers with salary increases averaging 5 percent in each year of the biennium, and making North Carolina a top 10 state in educational attainment by 2025. The latter initiative incorporates goals such as increasing prekindergarten enrollment, improving high school graduation rates, ensuring that more than half of the state's residents ages 25 and up have at least an associate degree, and establishing a last-dollar scholarship to allow recent high school graduates to attend community college at no cost.

The statewide general fund budget would total nearly \$23.5 billion in 2017-18, a 5.2 percent increase from the revised 2016-17 total. General funds to the Department of Public Instruction (DPI) for K-12 education and to the North Carolina Community College System would both rise 6.1 percent to less than \$9.3 billion and under \$1.2 billion, respectively. Universities would operate with \$2.9 billion, up 2.2 percent.

In 2018-19, general funds would rise 1.6 percent to more than \$23.8 billion. DPI funding would rise 3.5 percent to nearly \$9.6 billion while universities would receive a 1.6 percent increase to just under \$3 billion. Community college funding would see a 0.3 percent decline (about \$3.5 million less).

The governor proposes \$271 million in 2017-18 and \$542 million in 2018-19, to fund teacher salary increases averaging 5 percent in each year. Other pay increases included in the proposal are an average 6.5 percent increase for school administrators (\$20 million in each year of the biennium) and the greater of a 2 percent or \$800 annual increase for state employees (\$177.9 million in each year of the biennium). State employees would also receive a one-time \$500 bonus in 2017-18 (at a cost of \$78.6 million) while every teacher would receive a \$150 stipend in each year for supplies (at a cost of \$14 million each year).

The recommendation includes \$10 million in each year of the biennium to improve student achievement by providing planning and coaching support for teachers and administrators in low-performing schools, and \$5 million in each year to provide digital learning professional development for teachers through the state's Digital Learning Plan. The governor recommends \$20 million in annual recurring lottery funding to help school districts hire additional personnel, such as assistant principals, nurses, teaching assistants and other support staff. One-time lottery funding of \$10 million in each year, along with \$3 million in recurring funding from Indian casino gaming revenues, would boost funding for textbooks and digital materials to \$74.5 million in each year. Lottery funding of \$9.8 million would go to support a second year of the Teacher Compensation

and Advanced Teaching Roles pilot program in 2017-18; the Legislature established the program in 2016 as a three-year pilot with proviso language in the budget bill, but only provided the first year of funding.

In support of his educational attainment initiative, the governor recommends establishing the NC Getting Ready for Opportunity and Work (GROW) scholarship program, beginning in 2018-19 with \$19.4 million in lottery funds. NC GROW scholarships would provide students who graduate from North Carolina high schools in 2018 and beyond with a 2.0 or better grade-point average with last-dollar financial aid to cover the full cost of tuition and mandatory fees at community colleges. Also in support of the initiative, \$7.5 million would be directed to community colleges in each year of the biennium for activities that have the highest impact on improving degree completion, while \$3 million would be provided in each year to be used for performance awards to community colleges, based on increased earnings by schools' graduates.

To eliminate the current prekindergarten waitlist, the governor wants to direct an additional \$6 million in 2017-18 and \$12.2 million in 2018-19 to NC Pre-K. This is expected to bring enrollment in the program, currently at approximately 27,000 children, to more than 29,000 children in 2017-18 and close to 32,000 children in 2018-19.

Oklahoma (<https://www.ok.gov/OSF/Budget/>)

The governor prepared three budget scenarios. The first would involve 11 percent cuts to all agencies to close the estimated \$868 million budget gap. The second would utilize half of the balance of the state's reserve funds and still require substantial cuts to agencies. The third, described as the governor's budget, is designed to look to current and future needs.

Citing the downturn in energy-related revenues and the change in economic focus from manufacturing and sales to services, the governor proposes tax reform that she says will stabilize recurring revenues and repair the structural deficit in the budget, where one-time funds often are used to balance revenues for recurring expenses. The governor proposes to eliminate the state sales tax on groceries and corporate income taxes but would increase revenues in several areas, including cigarette taxes, and expand the sales tax base to include services. In addition, gasoline and diesel taxes would increase, and the revenues from both would support road and bridge projects, allowing the return of personal income tax revenue to the general fund.

The governor's proposed budget for 2017-18 is based on revenue projections that are 12.2 percent less than the 2016-17 appropriation and the addition of \$2 billion from the tax reforms mentioned above. It uses no one-time funds or reserve funds. The governor recommends a total appropriation of nearly \$7.8 billion in state funds, 5.9 percent above the appropriation for 2016-17.

The governor recommends \$3.5 billion for education budgets, an increase of 3.7 percent. The state Department of Education budget, which includes the state's share of funding for the operations of elementary and secondary schools, would receive nearly \$2.6 billion, an increase of 5.2 percent. This amount includes an increase of \$125 million that would direct \$60 million to teacher pay raises of \$1,000, \$30 million for additional classroom instructional resources, and \$35 million to cover increases in health insurance costs. In addition to the funds proposed, the governor wants to offset some local revenues for schools with \$70 million.

Funds for other areas of education would remain at the 2016-17 appropriated levels. Career and technical education would receive \$118.3 million. The Office of Education Quality and Accountability would receive nearly \$1.7 million. The governor recommended level funding of \$810 million for higher education. In addition to this amount, she wants to direct \$20 million to support programs in critical occupations such as engineers, teachers, nurses, chemists, accountants and truck drivers.

Texas (<http://gov.texas.gov/bpp>)

The governor delivered his 2017 State of the State Address in conjunction with the release of his budget proposal for the 2018-19 biennium. Statewide general funds for the biennium would total \$103.3 billion, down 2.5 percent from the original 2016-17 biennial appropriation; general funds for education would total \$54.4 billion, down 2.8 percent. In his address, the governor identified several priorities for the biennial legislative session, including reforming the state's child welfare system, continuing border security funding and adding additional public safety personnel in the border region, increasing criminal penalties for individuals who target police officers, enacting additional reductions to the franchise tax, requiring voter approval of local tax increases, restricting local government regulatory authority, enacting legislative limits on state spending growth, requiring legislators to disclose contracts with local government entities and to wait for a period of time between leaving the Legislature and joining the lobbying profession, and reforming the state budgeting process.

Relative to education, the governor called for continued funding for the High-Quality Prekindergarten Grant Program, which distributed \$118 million in grants to 578 school districts in 2016-17; the governor's proposal would continue this funding level in each year of the 2018-19 biennium. The proposal also calls for increasing facilities funding for charter schools, expanding school choice options statewide, and diminishing or eliminating the school finance recapture system that redistributes local property tax revenues from some school districts to others. In addition, the governor wants to provide \$25 million in general funds to the Texas Education Agency to permit school districts to access approximately \$200 million in federal funds that they could use to improve their high-speed internet connectivity.

The proposal continues support for the Texas Higher Education Coordinating Board's 60x30TX plan, with a goal that 60 percent of Texas' workforce ages 25 to 34 will achieve a postsecondary credential by 2030. It also continues to promote funding to ensure residency positions for all medical school graduates in the state, and continues the \$40 million annual support for the Governor's University Research Initiative, which is a matching grant program designed to attract top-quality researchers to Texas universities. In addition, the governor supports prioritizing higher education funding toward improved student outcomes and increased research activities, and away from overhead and administrative costs.

West Virginia (<http://www.budget.wv.gov/>)

Citing budget forecasts as the worst the state has seen since the Great Depression, the governor proposed a legislative and budget package that would position West Virginia for growth and stability in the future. Looking to close a current year shortfall of \$123 million (after mid-year budget reductions and adjustments made earlier in the year) and an estimated shortfall in 2017-18 of nearly \$500 million, the governor has laid out two scenarios. One would implement \$450 million in cuts that would eliminate funding for many agencies and programs, including most state colleges and universities.

The other, the governor's original budget proposal, involves tax reforms that would raise an estimated \$450 million in General Revenue to support state programs and services, while scaling back on government bureaucracy. His proposal would increase the state sales tax by one-half cent (from 6 percent to 6.5 percent) and corporate taxes by 0.2 percent for three years. In addition, he would end tax exemptions for various services and impose various other small taxes. To shore up the Road Fund, he would raise gasoline taxes by 10 cents per gallon, and increase Department of Motor Vehicles fees; he would also impose a 5 percent construction severance tax on successful bids for road projects to create 48,000 jobs and create apprenticeships

to retrain miners who have lost their jobs. While not a part of the proposal, the governor would also like to do away with personal income taxes during his administration.

The budget he proposes for 2017-18 would total \$4.5 billion in general funds, 5.3 percent above the enacted appropriation for 2016-17. For elementary and secondary education, general funds for 2017-18 would increase 4 percent to \$2 billion. State aid for the operation of public schools would rise 4.6 percent to over \$1.8 billion. Under the proposal, teachers would receive pay raises averaging 2 percent. The state Department of Education would see a decrease of 8.5 percent to \$82.3 million.

The proposed budget would provide higher education with \$390.2 million in general funds, a decrease of 2.5 percent from the 2016-17 appropriation. Community and technical colleges would receive nearly \$64.2 million, about the same as in the current year. Funding for the Higher Education Policy Commission also would remain about the same, at \$68.6 million. General funds for colleges and universities would decline 3.1 percent to \$257.5 million.

The governor also offered an education reform proposal to transform public schools. He wants to return the operation of schools to local control, and reduce student testing and what he calls “unreasonably rigid regulations.” His plan would restructure the state Department of Education, eliminate regional education service agencies, and limit school system interventions by the State Board of Education except in extremely severe circumstances. To restore local control and reduce regulations, and to encourage local districts to share services currently provided by the regional service agencies, he calls for the creation of a local superintendents’ advisory council. He would give districts increased flexibility in setting the school calendar. He would also require the State Board of Education to approve an 11th-grade college- and career-readiness assessment; amend school accountability, accreditation and performance systems to include multiple measures; and end the current A-F school grading scale.

Notes from other SREB states

The new governor of Delaware, who was sworn into office in January, is holding a series of constituent events to discuss the state’s budget challenges as a part of his budget reset initiative. He is expected to issue a revised budget proposal in the coming months, which will appear in a future edition of *Legislative Report*.

Legislatures in Arkansas, Georgia and Kentucky are expected to conclude their regular sessions in late March or shortly thereafter, while Maryland, Mississippi and West Virginia are expected to conclude their sessions in April. Florida convened its regular session in early March, while Louisiana’s regular session is set to convene in the second week of April.

The Virginia General Assembly concluded its session in late February with the passage of a budget that includes funding for teacher and state employee pay increases; they will reconvene to consider vetoes and other gubernatorial actions on April 5. Summaries of final legislative actions in all the above states will be included in upcoming editions of *Legislative Report*.

This report was prepared by Jeffrey Grove, SREB research associate (Jeffrey.Grove@sreb.org) and Gale Gaines, vice president, state services (Gale.Gaines@sreb.org). Both can be reached at (404) 875-9211.

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