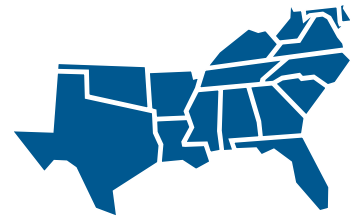


## Legislative Report #1 | February 2018

*Governors' legislative and budget proposals in Alabama, Arkansas, Florida, Georgia, Kentucky, Maryland, Mississippi, South Carolina, Virginia and West Virginia*

*Notes from other SREB states*



# SREB

# Legislative Report

## Governors' legislative and budget proposals

*Alabama* (<https://governor.alabama.gov/>)

The governor used her 2018 State of the State Address to reflect on the progress the state has made since she assumed office in April 2017, including budgetary progress such as avoiding proration in the current budget year, and extending business tax credits through the renewal of the Alabama Jobs Act (which is designed to spur economic development and job creation). She proposed a pay raise for teachers and state employees, and highlighted her Strong Start, Strong Finish education initiative, which focuses on education at three levels — early childhood, computer science in middle grades and high school, and workforce training and readiness — to help create a stronger statewide economy. In addition, she praised Alabama's nationally recognized First Class Pre-K program.

The governor's recommended 2018-19 general fund budget — which provides funding for state activities other than education — would total over \$2 billion, up 6.3 percent from the original 2017-18 appropriation. Her recommendation for the 2018-19 Education Trust Fund budget, which provides funding for all levels of education and other programs, totals \$6.6 billion, a 3.3 percent increase.

State funding to school districts would total nearly \$4.2 billion, a 2.8 percent increase, while programs at the Alabama State Department of Education would receive \$220.5 million, up 6.9 percent; as noted by the governor in her address, the latter includes increased funding for the Jobs for Alabama's Graduates school-to-career program for at-risk high school students. Funding for the Department of Early Childhood Education would increase 30.6 percent to \$101.3 million, allowing further expansion of the First Class Pre-K program.

Community colleges would receive \$379.9 million, a 4.4 percent increase, while state universities would receive over \$1.1 billion, a 3.4 percent increase. Funding to the Alabama Commission on Higher Education would climb 9.5 percent to \$31.4 million, the Board of Dental Scholarship Awards would

receive nearly \$1.8 million (up from \$191,166 in 2017-18), and the Board of Medical Scholarship Awards would receive \$2 million (a 41.7 percent increase).

### *Arkansas* (<https://governor.arkansas.gov/>)

In the face of projected general revenue growth in 2018-19 of 4.3 percent above the 2017-18 level, the governor in early January proposed a \$5.6 billion general revenue budget for 2018-19, up 3.1 percent. The proposal would not appropriate all available expected revenues, designating \$48 million of the surplus amount for a new restricted reserve fund that would only be available with concurrence between the governor and legislature.

State formula funding to K-12 education would remain essentially flat at under \$2.2 billion. While funding to the Arkansas Department of Education would fall 3 percent to \$15.8 million, the governor's proposal directs \$41.8 million to the Educational Facilities Partnership program, a 9.7 percent increase. The Department of Career Education would receive \$4.8 million, up 3.5 percent.

Overall higher education funding would rise 1.6 percent to \$745.6 million. The governor's proposal would provide \$116.9 million for operations at two-year institutions of higher education, up 4.5 percent, while state universities would receive \$595.1 million, up 1.2 percent. Technical colleges would receive \$33.6 million, an increase of 0.1 percent.

### *Florida* (<http://fightingforfloridasfuturebudget.com/>)

The governor's Securing Florida's Future budget proposal for 2018-19, released in November 2017, would provide nearly \$32.2 billion in general funds — up 4.4 percent from the 2017-18 total following the governor's vetoes — and allocate nearly \$2.2 billion in anticipated lottery revenues. The proposal supports the governor's priorities, including tax reduction, encouraging statewide economic development and growth, improving government efficiency, combating mental health and substance abuse problems, and promoting public safety. The governor wants to extend the back-to-school sales tax holiday from three days to 10, at an expected cost of \$73 million in forgone revenue.

General funds in 2018-19 for Florida Education Finance Program formula funding to school districts would rise to over \$8.1 billion, up 2.1 percent from the post-veto 2017-18 amount, while class size reduction general funds would remain level at \$2.9 billion. Lottery funding directed to FEFP and class size reduction would increase 20.5 percent to \$487.5 million and increase 19.9 percent to \$124.4 million, respectively. The proposal includes lottery funds of \$15 million to establish the Computer Coding and Professional Development initiative to expand opportunities for middle and high school students to learn computer coding and computer science, and \$12 million to establish English Language Learner Summer Academies for ELL students in grades 4 through 8 who have not demonstrated sufficient English language proficiency.

The Best and Brightest Teacher Scholarship and Principal Scholarship programs would remain level funded at \$233.9 million, but the proposal directs \$103.3 million — a 40.9 percent increase — to the Gardiner Scholarship Program, which allows disabled students to obtain educational services or products. The proposal allocates \$140 million for the Schools of Hope program (established in 2017), which allows a nonprofit organization to establish, through a performance-based agreement with a local school board, a school that serves students who otherwise would attend persistently low-performing schools and is designed to improve those students' academic performance.

Funding for the State Board of Education, including funds for the operation of the Florida Department of Education, would rise 21.1 percent to \$102.6 million. This includes \$62.9 million for assessment and evaluation services, an 18.9 percent increase.

Early learning general funding would rise 2.1 percent to nearly \$565 million. This includes \$133.5 million (up 2.8 percent) for school readiness services and \$408.4 million (up 2.9 percent) for voluntary prekindergarten.

General funds for education and general activities at state universities would decline slightly (0.3 percent) to \$2.2 billion, but lottery funding to the university system would rise 6.5 percent to \$244.3 million. Similarly, the Florida College System would receive \$937.2 million in general funds (down 4 percent) and nearly \$291.8 million in lottery funds (up 25.9 percent). The governor would direct \$420.6 million (up 5.9 percent) in lottery funds to the merit-based Bright Futures scholarship program and \$59.4 million (level funding) for need-based Florida Student Assistance Grants; general funds for FSAG would rise 1.6 percent to \$222.5 million.

## *Georgia* (<https://opb.georgia.gov/>)

The governor's proposed budgets for the current and upcoming fiscal year support his focus on education and a work-ready population. The 2018-19 total state-funded budget of \$26 billion (up 2.9 percent from the governor's amended 2017-18 budget) includes a 2.8 percent general fund increase, to nearly \$22.4 billion.

General funding for the Georgia Department of Education would increase to nearly \$9.8 billion, a 2.5 percent increase. This would provide \$614.6 million (up 5.1 percent) for the Quality Basic Education equalization program to assist low-wealth schools and nearly \$8.9 billion in QBE formula funding (up 2.5 percent) to cover enrollment growth and teacher advancement on the salary schedule. The budget also includes \$259.5 million in bonds for local school system construction and renovation projects and \$1.1 million for facility improvements at the three state schools for hearing and visually impaired students. The Governor's Office of Student Achievement would receive \$1.6 million to implement the leadership academy for principals established in legislation during the 2017 session.

Overall state funding for the Board of Regents of the University System of Georgia would total \$2.4 billion for 2018-19, a 4.5 percent increase over 2017-2018. This includes nearly \$2.2 billion (up 5.1 percent) for instruction, covering an increase in enrollment. The proposed Board of Regents budget includes \$4.5 million to operate the Hull McKnight Georgia Cyber Innovation and Training Center in Augusta, intended to facilitate economic development through collaboration between technology industry leaders, startup companies, and government to train cybersecurity technology experts.

The Georgia Student Finance Commission would operate with \$150.5 million in general funds, an increase of 21.1 percent over 2017-18. Lottery funding would increase to \$834.2 million, up 7.7 percent. The general funds would include \$113.2 million (up 26.4 percent) to meet additional demand for dual enrollment. It would also include \$637.2 million (up 9.9 percent) in lottery funds to meet projected need for merit-based HOPE scholarships for public school students and increase the award amount by 3 percent.

The governor's proposal to amend the 2017-18 budget would increase funding for the department of education by 1.2 percent to \$9.5 billion, mostly for a mid-term adjustment to the QBE formula to cover an increase in enrollment. The increase also includes \$15 million to purchase buses for local school systems. General funds to the Technical College System would rise 0.3 percent to \$362.2 million, primarily to fund two mobile welding laboratories for on-site training. The Board of Regents would receive a 0.5 percent increase to \$2.3 billion, with \$10 million to offset an operating deficit in the graduate medical education program at Augusta University and \$2.1 million to cover increased premiums for insurance provided by the state Department of Administrative Services.

The Student Finance Commission's general fund budget for the current fiscal year would increase 9.5 percent to \$124.3 million, entirely for growth in the dual enrollment program (\$89.6 million, up 13.6 percent). Lottery funds would increase 1.4 percent to \$579.7 million for growth in the public HOPE scholarship program. Overall, the Commission's lottery funds would total \$774.3 million, a 1.1 percent increase.

## *Kentucky* (<http://www.osbd.ky.gov/>)

The governor delivered his budget for the 2018-20 biennium, indicating that full funding of the state's pension system is a priority in his proposal. Other priorities for the budget and the legislative session that he identified in his speech included reforming the state's foster care and adoption system, fighting the opioid crisis, investing in education and workforce development, revising public assistance programs, prison and criminal justice reform, and an overhaul of the state tax system. While the proposed budget would keep base per-pupil funding level, financial support for student transportation and certain teacher related expenses would decline as a result of limited projected revenues; the governor indicated his desire to achieve savings by reducing administrative overhead costs.

Overall general fund appropriations would decline to \$11.3 billion in 2018-19, down 0.5 percent from the revised 2017-18 total, but would rise to nearly \$11.5 billion in 2019-20, a 1.6 percent increase. Prior to the 2016-18 biennium, the Legislature did not appropriate general funds for the Kentucky Retirement Systems. The governor does not recommend continuing general funding for Kentucky Retirement Systems in the 2018-20 biennium (nearly \$87.6 million is appropriated for 2017-18), but the Teachers' Retirement System would receive \$768.7 million in 2018-19 (up 3.2 percent) and \$719.5 million in 2019-20 (down 6.4 percent).

The governor's proposal would reduce K-12 education general funds by 5.4 percent in 2018-19, to nearly \$3.9 billion; that amount would remain essentially level in 2019-20. Similarly, SEEK (Support Education Excellence in Kentucky) formula funding to schools would decline 4.5 percent in 2018-19, to nearly \$2.9 billion, and remain essentially level in the second year of the biennium. General funds to cover school districts' employee health care benefits costs would fall 6.3 percent in 2018-19, to \$652.7 million, with the same amount allocated for 2019-20. Support for the statewide Next Generation Learners assessment and accountability system would decline 13.3 percent to \$214.4 million in the first year of the biennium and remain effectively flat in the second year.

Postsecondary education funding would decline 6.7 percent to just over \$1.1 billion in 2018-19, but then increase 1.8 percent in 2019-20. Funding to the Kentucky Community and Technical College System would decline 7.3 percent to \$166.7 million in 2018-19, and then another 1 percent to \$165 million in 2019-20. University funding would fall 7.2 percent to \$648.1 million in the first year of the biennium, and then rise 0.3 percent to \$649.8 million in the second year.

The Kentucky Higher Education Assistance Authority would operate with \$248.1 million in 2018-19, down 5.7 percent, and \$255.1 million in 2019-20, up 2.8 percent. However, general funds for merit-based Kentucky Educational Excellence Scholarship awards would rise 1.3 percent to \$107.5 million in the first year of the biennium, and 0.9 percent to \$108.5 million the second year.

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

In addition to his stated priorities of job creation and business expansion, improving transportation infrastructure, and supporting the state's substance abuse treatment, public health and public safety efforts,

the governor's budget proposal focuses on his education priorities. Those include increased funding for K-12 and higher education, continuing the Pathways in Technology Early College High Schools program, and expanding funding for the Broadening Options and Opportunities for Students Today Program, which provides scholarships for low-income students to attend eligible nonpublic schools. The proposed 2018-19 general fund budget would total nearly \$18.2 billion, up 5.7 percent; this includes \$196.3 million directed to the Revenue Stabilization Account reserve fund.

While the governor proposes a 4.3 percent decrease in general funds (to \$104.1 million) for the Maryland State Department of Education, state aid to school districts would rise 1.7 percent to nearly \$6.1 billion. Included in the state aid total is Foundation Program formula funding of \$2.8 billion, up 5.4 percent; this amount includes extra funding to ensure all school districts receive an increase. State aid to school districts also would provide \$449.1 million (up 1.9 percent) for students with disabilities, \$288 million (up 15.8 percent) for students with limited English proficiency, and \$282.6 million (up 2.3 percent) for student transportation.

Aid to school districts with larger numbers of economically disadvantaged students would decline slightly (0.1 percent) to \$1.3 billion, and state funding to cover teacher and school district employee benefit costs would decrease 7.3 percent to \$732.9 million. The governor advocates eliminating funding mandates for certain programs, including the Public Schools Opportunities Enhancement Program (\$5 million), the Next Generation Scholars Program (\$5 million), the Teacher Induction, Retention, and Advancement Pilot Program (\$5 million), and stipends for teachers at high-poverty schools in one county (\$1.9 million). In addition, the governor advocates reducing appropriations for stipends to teachers with National Board for Professional Teaching Standards certification by \$2.1 million.

Public colleges and universities would receive nearly \$1.5 billion in general funds, essentially level funding, while state formula funding for community colleges would rise 1.9 percent to just under \$261 million. Funding for community college employee benefits would decline 3.3 percent to \$61.4 million. State formula aid to nonpublic colleges through the Joseph A. Sellinger Aid Program would increase 10.3 percent to \$56.3 million. The need-based Educational Excellence Awards financial aid program would see a slight increase (0.1 percent) to \$82.9 million.

### *Mississippi* (<http://www.governorbryant.com/>)

The governor's proposed 2018-19 budget, released in November 2017, is based on an overall state funds recommendation of \$6 billion, a 0.5 percent decrease from the 2017-18 adjusted budget. The budget adheres to the 98 percent rule, which requires the legislature to spend no more than 98 percent of the revenue the state expects to collect. The budget directs approximately \$111 million to the Working Cash Stabilization Fund (also known as the Rainy Day Fund) and the Capital Expense Fund. It also would place \$100 million from the initial BP oil spill settlement into a reserve fund to accrue interest until it can be used on a project with an important economic impact on the Gulf Coast and statewide.

In his proposal, the governor expressed interest in looking at the structure and eligibility requirements of Mississippi Tuition Assistance Grant and the Mississippi Eminent Scholars Grant to not penalize high-achieving students who are eligible for both awards. He also mentioned Mississippi's early childhood education efforts and praised the State Early Childhood Advisory Council of Mississippi for creating a family-based unified and integrated early childhood system. Finally, he recommended that each school district establish a central, searchable database detailing funds they receive or expend.

The budget would provide level funding for the Mississippi Adequate Education Program in 2018-19 at \$2.2 billion, with the governor noting that the Legislature may need to adjust this funding level if they are able to agree on a new K-12 funding formula. State funds for administration and programs at the Mississippi Department of Education would decrease 6 percent to \$155.6 million. Funding for the Jobs for Mississippi Graduates program, part of Jobs for America's Graduates, would increase 25 percent to \$1 million.

Funding for the university system would total \$583.1 million (down 0.5 percent), including \$357.5 million for general university support (no change) and level funding of \$37.6 million for student financial aid. Community colleges would receive \$244.2 million, a 3 percent increase. That increase includes \$7 million to establish the governor's proposed Mississippi Works Scholarship Program to offer high school seniors and working adults free community college degrees, certificates, and apprenticeships to help them gain employment in opportunity occupations — those that require less than a four-year degree but offer strong earning potential. The Mississippi Board for Community Colleges working with the State Workforce Investment Board and other Mississippi workforce and economic development entities would develop the Mississippi Works Scholarship Program.

### *South Carolina* (<http://www.governor.sc.gov/>)

The themes of the governor's proposed budget for 2018-19 are tax relief, economic and workforce development, education, public safety, health care, good government and ethics, energy and the environment, and pension reform. The proposal would reduce all personal income tax brackets by 1 percent over a five-year period; the governor's budget for 2018-19 accounts for the first year of implementation of this tax reduction, which is projected to lower state revenues by \$139.7 million. The governor also proposed a full exemption from state income taxes for retirement income to retired military veterans (lowering revenues by \$14.1 million) and to retired law enforcement and peace officers and firefighters (lowering revenues by \$8.6 million).

The statewide general fund budget would total nearly \$8.1 billion in 2018-19, up 1.4 percent over the approved 2017-18 budget. Statewide K-12 funding would total just over \$3 billion, up 2.4 percent, including aid to school districts totaling \$2.8 billion, up 1.4 percent.

Education Improvement Act funding, from an earmarked 1 percent sales tax, is projected to total \$844.9 million, up 5.9 percent. The governor proposes to reduce general funds for the reading coaches program 67.8 percent to \$9.5 million but more than triple EIA funds for the program to \$32.6 million; combined program funding would rise 6.7 percent to \$42.1 million.

EIA funding for the Public Charter School District would rise 18.7 percent to \$119.4 million, EIA aid to districts would increase 69.6 percent to \$24.4 million, and EIA funding for technical assistance under the Education Accountability Act would climb 85.9 percent to \$23.8 million. The governor does propose reducing EIA funding for salary supplements to teachers who hold National Board for Professional Teaching Standards certification by 13.7 percent to \$44 million, for professional development by 70.9 percent to \$2.8 million, and for student transportation by 48.5 percent to \$21.2 million. The governor proposes splitting EIA funds of \$10 million equally between two new programs: a School Safety Program that would allow the South Carolina State Department of Education to contract with local law enforcement agencies to ensure that every school has a certified law enforcement resource officer; and the South Carolina Workforce Partnership — grants through the Technical College System to high schools so they can partner with local businesses and provide apprenticeship opportunities for students interested in technical trades.

Higher education general funds would total \$644.5 million, a 1.4 percent increase. This includes \$420.5 million to state universities (up 1.7 percent) and \$150.4 million for the technical college system (up 0.9 percent). The state's three lottery-funded, merit-based scholarships would receive increases: LIFE Scholarships would receive \$230.1 million, up 5.7 percent; Palmetto Fellows Scholarships would total \$55.4 million, up 6.6 percent; and the HOPE Scholarships program would receive \$15.6 million, up 52.8 percent. In addition, lottery-funded assistance to two-year college students would rise 2 percent to \$52.1 million, while tuition grants for state resident students at private colleges and universities would receive \$8.8 million, up 6 percent.

## *Virginia* (<http://dpb.virginia.gov/budget/>)

The previous governor's budget proposal for the 2018-20 biennium, delivered to the Legislature's Joint Money Committee in December prior to the new governor's January swearing-in, would provide nearly \$20.9 billion in general funds in 2018-19, up 2.5 percent from the 2017-18 budget as amended by the Legislature. In 2019-20, general funds would rise 3.3 percent to \$21.5 billion. This includes funding for a three percent salary increase for state employees.

Direct aid to public K-12 education would rise 3.4 percent in the first year of the biennium, to \$6.2 billion, and increase 1.7 percent in the second year to \$6.3 billion. The proposal includes \$500,000 in each year to establish a competitive fund for principal retention and recruitment, as well as \$51.3 million in the second year to fund a two percent salary increase (starting December 2019) for teachers and classroom support professionals. The State Department of Education would receive nearly \$61 million in general funds for operations in 2018-19, up 4.3 percent, and nearly \$61.4 million in 2019-20, up 0.7 percent. The proposal includes \$1.1 million over the biennium to automate the teacher licensure application process.

General funds for state colleges and universities would rise 5.9 percent to \$1.3 billion in 2018-19, and by 1.6 percent to nearly \$1.4 billion in 2019-20. This includes funding to continue the 2 percent salary increase for faculty enacted in July 2017 through mid-biennium budget amendments. Community colleges would receive \$441.3 million in the first year of the biennium (up 3.7 percent) and \$443.1 million in the second year (up 0.4 percent). General funds to the State Council of Higher Education for Virginia would rise 3.6 percent in 2018-19 to \$96.8 million, and another 2.5 percent in 2019-20 to nearly \$99.3 million. This includes a 32 percent increase in funding over the biennium, to \$16.5 million, for the New Economy Workforce Credential Grant Program, which provides up to two-thirds of the cost for a student to obtain non-credit workforce credential training.

In his address to a joint session of the General Assembly, the newly inaugurated governor expressed his support for several aspects of his predecessor's budget proposal, including expansion of the New Economy Workforce Credential Grant Program and creation of the principal retention and recruitment fund, as well as increased teacher salaries. He also announced his intention to provide full tuition and fees for state residents who pursue credentials in high-demand fields and commit to one year of public service — the centerpiece of his Get Skilled, Get a Job, and Give Back initiative.

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

Calling the state's fiscal improvement "nothing short of miraculous," the governor submitted his proposed budget for 2018-19, which would provide general funds totaling under \$4.4 billion — a 3.1 percent increase over the approved 2017-18 budget. This marks the first time in four years that a governor's proposal did not have to address a projected revenue shortfall in the upcoming fiscal year. The proposal includes \$19.6 million to cover an average 1 percent salary increase for teachers and school personnel, and for state employees.

In his State of the State Address, the governor declared that education should be the centerpiece of everything the state does. He also advocated for his education priorities —establishing a pathway for high school students in vocations to earn their associate degrees in high school, adding a 13th year to secondary schooling to allow students to earn additional accreditations or certifications, and finding a way to provide no-cost community college education.

While under the proposal funding for K-12 education would decline 0.5 percent to \$1.9 billion, including nearly \$1.8 billion in state aid to schools (down 0.6 percent), the decline is due to a projected decline in student enrollment. Aid for exceptional children, which includes funding for special education in school districts and state institutions as well as education for juveniles and adults in correctional facilities, would receive \$29.7 million, up 1.1 percent. The vocational division of the West Virginia Department of Education would receive \$32.1 million, up 1.6 percent.

Higher education funding would rise 4.3 percent to \$395.8 million; state colleges and universities would receive just under \$252 million, an increase of 0.8 percent. The Higher Education Policy Commission would receive \$72.8 million, a 6.6 percent increase — much of which would offset fees that the commission may no longer collect from state colleges and universities (because of legislation approved in 2017). HEPC funding also would include \$40.6 million for the need-based Higher Education Grant Program, a 4.1 percent increase.

The community and technical college system would receive just under \$71 million, a 15.6 percent increase. Much of the increase would provide \$7 million to establish community college tuition subsidies, while funding for community college workforce development would grow over 250 percent to nearly \$2.8 million.

## Notes from other SREB states

Governors in Delaware, Oklahoma and Tennessee have released budget proposals; analysis of these proposals will appear in the next issue of *Legislative Report*.

At the time of this writing, all SREB states have commenced their regular 2018 legislative sessions, with the exceptions of Louisiana, which convenes in March, and Texas, which does not hold regular sessions in even-numbered years. On February 19, the Louisiana Legislature convened in a special session to address the July 1 expiration of a temporary sales tax which, if unaddressed, would cause an approximately \$1 billion budget shortfall in 2018-19.

Legislatures in Arkansas, Florida, Georgia, Virginia and West Virginia are all projected to complete their regular legislative sessions in March. Final actions in these and other states will be included in forthcoming issues of *Legislative Report*.

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*This report was prepared by Jeffrey Grove, SREB research associate (Jeffrey.Grove@SREB.org), and Lee Posey, director of legislative services (Lee.Posey@SREB.org). Both can be reached at (404) 875-9211.*