



SREB

Legislative Report

Governors' legislative and budget proposals

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

The governor's focus is on continuing economic development, as well as increasing government efficiency, tax relief and education improvements. He wants to eliminate unnecessary state boards and commissions and reorganize state agencies to improve efficiency. His tax proposal to build on the middle-class tax reduction passed in 2015 by reducing taxes on lower-income workers already has passed the Legislature. The Legislature also has passed his plan to ensure that military retirement income won't be taxed.

Relative to education, the governor proposes to increase funding for quality prekindergarten programs, continue reading support for early elementary students, and create a reading initiative that is focused on third grade and beyond so that students progress through the education system. His Computer Science Part 2 effort would emphasize teacher training, technical support and student engagement. In higher education, the governor proposes the ArFuture Grant to pay the full cost of tuition for Arkansas students at two-year and technical colleges who study in high-needs areas, such as computer science and welding, and commit to working in Arkansas for three years. Additionally, his proposals would move funding for colleges and universities from an enrollment-based formula to one that places a priority on accountability, student success and completion.

The governor's general fund budget proposal for the 2017-19 biennium would provide a total of \$5.5 billion in 2017-18, an increase of 2.9 percent over the 2016-17 budget. Funding for 2018-19 would rise another 4.4 percent to more than \$5.7 billion. The Public School Fund, the bulk of which goes to schools for operations, would total nearly \$2.2 billion, an increase of 0.2 percent for the first year of the biennium. For 2018-19, general funds would increase another 2.4 percent to more than \$2.2 billion.

General funds for postsecondary education would remain at \$733.6 million each year of the biennium. Four-year colleges and universities would receive \$588.1 million each year of the biennium. During the same period, two-year colleges would receive \$111.9 million each year and technical colleges would operate with \$33.5 million each year.

Georgia (<http://opb.georgia.gov/governors-budget-reports>)

The governor's proposed budgets for the current and upcoming fiscal year support his priorities of bolstering the cybersecurity industry, improving recruitment and reducing turnover in law enforcement and public safety, increasing teacher pay, rewarding and retaining high-performing state employees, improving public health outcomes and boosting transportation funding. The amended 2016-17 budget would provide \$24.3 billion in state funds — up 2.6 percent from the original appropriation and up 5.5 percent from the amended 2015-16 budget. This includes \$20.9 billion in general funds — up 2.5 percent from the original budget and 6.5 percent from the amended prior year.

General funds for the state Department of Education in 2016-17 would total \$9 billion (up 1.3 percent from the original amount and 7.3 percent more than the amended prior year), with most of the increase going to Quality Basic Education formula funding, which would total \$8.2 billion (1.4 percent more than the original amount for 2016-17 and 8 percent more than the amended prior year).

The governor recommends increasing general funds in 2016-17 for the Move On When Ready dual-enrollment program, administered by the Georgia Student Finance Commission, to \$75.1 million — 28.8 percent over the original appropriation and 52.9 percent over the amended prior-year total. General funds for the need-based REACH Georgia mentorship and scholarship program would increase 65.5 percent over the original appropriation to \$4.5 million (up 127.5 percent over the amended 2015-16 amount).

For 2017-18, the governor recommends total state funds of nearly \$25 billion, a 2.7 percent increase over the recommended 2016-17 amount. This includes more than \$21.4 billion in general funds, up 2.4 percent. Statewide general funds for K-12 education would rise 4.5 percent to \$9.4 billion, including nearly \$8.6 billion in Quality Basic Education formula funding for schools, up 3.8 percent. The school funding would provide a 2 percent increase to the base salary of teachers, bus drivers and school nurses at a cost of \$160.1 million. School improvement initiatives through the state Department of Education would receive \$9.6 million, up 2.2 percent, while career and technical education would see a slight 0.2 percent increase to \$17.5 million.

General funds for the University System of Georgia would rise 6.6 percent to nearly \$2.3 billion; more than \$2 billion of that would go to institutions in support of student instruction and learning, up 7.6 percent. The Technical College System of Georgia would receive \$359.9 million, up 2.8 percent.

The Georgia Student Finance Commission would operate with \$124.4 million in general funds, up 13.2 percent, and \$890.5 million in lottery funds, up 7.0 percent. Most of the increase in general funds would support Move On When Ready, at a total of \$87.7 million (up 16.8 percent), and Tuition Equalization Grants for Georgia residents who are attending private colleges in the state, at \$24.9 million (up 17.3 percent).

Most of the increase in lottery funds would be directed to HOPE Scholarships for students at public colleges and universities — a total of \$571.8 million (up 9.4 percent). HOPE Scholarships for students at private colleges and universities would increase 1.1 percent to \$48.4 million. Lottery funds for HOPE Grants to students who are seeking postsecondary certificates or diplomas would remain level at nearly \$109.1 million.

Lottery funds to support the statewide prekindergarten program would rise 2 percent to \$364.8 million. This would include \$5.2 million to support merit pay increases, as well as retention and recruitment initiatives.

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

The governor's proposed budget for 2017-18 is designed to establish fiscal restraint while making strategic investments to help create jobs and prioritize funding for all levels of education. The proposal would use \$10 million in reserve funds in 2017-18, as well as \$175.4 million to balance the 2016-17 budget, which was reduced by \$82.3 million in November of 2016 (including a \$27.1 million reduction to higher education). The budget emphasizes the governor's legislative priorities, including addressing the growing opioid crisis, limiting the state's use of debt financing, and making investments in transportation infrastructure, mental health services and environmental protection. He has called for legislation to limit spending growth and to automatically move surplus funds into reserves, to make student debt interest payments tax deductible for those earning less than \$200,000 per year, and to create the Maryland Public Charter School Authority, which would act as an independent statewide charter school authorizer.

The proposed statewide general fund budget for 2017-18 totals \$17.4 billion, up 1.2 percent over the original 2016-17 budget. However, the governor also recommends eliminating over \$247.8 million in spending, including some mandatory appropriations that can only be eliminated with separate legislative approval. If the Legislature approves those reductions, statewide general fund spending would decline 0.4 percent to \$17.1 billion. The governor recommends eliminating the following program funding: \$7.5 million in grants to create or expand school extended-day programs and summer enhancement programs or for schools to establish educational or recreational partnerships with nonprofit organizations; \$5 million in grants to nonprofits to help low-income students prepare for and attend postsecondary education; and \$8 million in teacher retention stipends. The governor also recommends eliminating a \$6.6 million increase in general funds provided through the Sellinger Program to private nonprofit institutions of higher education (which would hold funding at \$46.8 million).

Statewide general fund aid to K-12 education totals just under \$6 billion, up 0.5 percent; foundation program formula funding to school districts would decline 1.4 percent to just under \$2.7 billion, while funding to districts with large numbers of economically disadvantaged students would decline 0.2 percent to \$1.3 billion. Increased school aid funding would include: \$790.9 million for school district employee benefits (up 0.4 percent); \$276.3 million for student transportation (up 2.0 percent); \$445.5 million for disabled students (up 2.5 percent); and \$248.7 million for Limited English Proficient students (up 9.5 percent).

General funds to state colleges and universities would increase 1.4 percent to \$1.4 billion; this amount is intended to limit tuition increases to 2 percent. Community colleges would receive \$256.1 million (up 2 percent) in formula funding, as well as \$63.5 million (up 0.3 percent) to fund employee benefits. Funding for need-based student financial aid under the Educational Excellence Awards program would increase 3.4 percent to \$82.8 million.

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

The governor's proposed state budget for 2017-18, released in November 2016, prioritizes saving for the future, spending prudently and maintaining the core functions of state government. The budget would only spend 98 percent of available revenue, placing the remaining 2 percent (an expected \$116.9 million) in reserve, and maintain funding for public safety, military, veterans, emergency management, prosecutors, university student financial aid and community colleges.

The proposal includes several cost-saving recommendations, such as: providing all state agencies with exemptions from Mississippi State Personnel Board regulations; merging state agencies, boards and commissions; consolidating functions across state government; funding an incentive program that provides monetary rewards to agencies that develop and implement cost-saving measures; and using a pay-for-success model that would reimburse a private business that invests in a social program if the program meets or exceeds measurable outcomes.

The governor's recommendation would provide \$6.2 billion in state funds (down 0.5 percent from the amended 2016-17 budget) for government operations, including \$5.7 billion in general funds (down 0.2 percent). State funds for elementary and secondary education would remain essentially level at \$2.5 billion while funding formula support for schools would increase 0.7 percent to less than \$2.3 billion.

The proposal includes \$627.6 million (down 1.7 percent) for the university system, including \$380.8 million (down 1.8 percent) for general university support and level funding of \$38.7 million for student financial aid. Community colleges would receive level funding of \$257.1 million.

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

Prior to her departure from office, the former governor released her recommended budget for 2017-18; the newly sworn-in governor has indicated he does not intend to release a budget recommendation of his own.

The proposal again recommends making the state superintendent of education an appointed member of the governor's cabinet rather than a statewide elected position, and seeks to provide career opportunities to South Carolina students by funding career centers and recruitment incentives for the staff at those centers. The proposal would fund additional positions at the Commission on Higher Education to help enforce accountability measures on state colleges and universities, reform the state Department of Transportation by making it a part of the governor's cabinet, consolidate services for crime victims within the state Attorney General's Office, increase staffing at the state Department of Social Services and allocate funding to the state retirement system to alleviate shortfalls. The budget would enact the first year of personal income and corporate tax reductions to be phased in over 10 years. The reductions are projected to lower revenues by \$88.6 million in 2017-18.

The budget proposes the Opportunity Schools program, which would establish 20 high-quality charter schools across the state over the coming five years, with a goal of growing total enrollment at the schools to 8,000 students within 10 years. Opportunity Schools would be eligible for additional funding (up to \$3,000 per student) to compensate for transportation and facilities funding that charter schools do not receive. The budget would provide \$300,000 in Education Improvement Act (EIA) funding (derived from an earmarked 1 percent sales tax) for the program through the South Carolina Public Charter School District. EIA funding for the charter school district would increase 14.8 percent to \$93.1 million.

Another \$12 million in EIA funding would establish the Shared Services Initiative to encourage rural, low-population school districts to share information technology infrastructure and services in a way that improves efficiency and uses economies of scale. Other proposed EIA funding initiatives include: \$500,000 each for incentives to computer coding and to career and technical education teachers; \$1 million to create Homework Hotspots at public libraries; \$5 million to help secondary students obtain industry certifications and credentials; \$1.4 million for a value-added assessment instrument to measure student growth; and \$2 million to fund program and facility upgrades at career and technology education centers in rural areas.

The total general fund budget for 2017-18 would increase 2.5 percent over the approved 2016-17 budget to nearly \$7.8 billion. Funding to the state Department of Education would rise 1.8 percent to \$2.9 billion; of this, state aid to school districts would total \$2.7 billion, up 1.1 percent. General funds to state universities would rise 3.7 percent to almost \$403 million, while the state technical and comprehensive education system would operate with \$144.2 million, up 2.6 percent.

General funds to the Commission on Higher Education would rise 5.2 percent to \$37.6 million; much of the increase would go toward need-based grants, for a total of \$1.4 million (up over 300 percent). Lottery funds for the state's merit-based scholarship programs would increase by 8.9 percent for LIFE Scholarships, to \$217.6 million; Palmetto Fellows Scholarships would receive \$51.9 million, up 5.4 percent, and HOPE Scholarships would receive \$10.2 million, up 6.6 percent.

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

In his seventh State of the State address, the governor laid out his plan for expanding tax cuts, increasing the state's rainy day fund, and supporting transportation projects with recurring funds through a gasoline tax increase. The governor proposes to reduce, from 5 percent to 4.5 percent, the sales tax on groceries and accelerate the planned elimination of income tax on interest and dividends.

He summarized his proposal for using the expected new revenue of \$957 million, funding his tax-cut proposal (\$200 million); funding the school finance formula and teacher pay raises (\$180 million); covering rising health care costs in the state's TennCare program (\$130 million); providing raises and funding health insurance cost increases for state employees (\$107 million); and directing funds toward retiree pension and health care costs (\$125 million) and higher education (\$80 million).

The governor's priorities in education include continuing support for the Drive to 55 effort, the aim of which is for 55 percent of adults to have a postsecondary degree or credential by 2025. In addition to Tennessee Promise (the state's merit-based scholarship program that provides up to two years of tuition-free postsecondary study to graduating high school seniors at Tennessee community and technical colleges), Tennessee Reconnect is currently available to provide last-dollar scholarships to adults who return to college to complete a two-year degree or postsecondary credential at a technical college. The governor wants to expand Tennessee Reconnect to provide all adults access to a community college free of tuition and fees. He also proposes establishing a program for Tennessee National Guard members to receive last-dollar assistance toward a first-time bachelor's degree.

The governor proposes a general fund appropriation of \$14.7 billion for 2017-18, an increase of 6.4 percent over the estimated budget for 2016-17. His proposal would provide education at all levels with more than \$6.8 billion, an increase of 5.2 percent.

Elementary and secondary education would receive \$5 billion, an increase of 5.3 percent, the largest part of which (nearly \$4.7 billion, up 4.9 percent) is for the Basic Education Program funding formula. The governor proposes to provide \$59.4 million to maintain full funding of the formula, \$22 million for English language learners, \$100 million for school districts to give salary increases to teachers and other school personnel, and \$12.5 million to cover the state share of health insurance premium increases for local districts. The governor also proposes \$15 million in one-time funds for career and technical education equipment and \$6 million for charter school facilities.

The general fund appropriation for higher education would increase 5.8 percent over the current year estimated budget to more than \$1.8 billion. The proposal would provide \$25 million for increased operational costs that may be used for salary increases and program improvements related to outcome measures. Another \$42 million would allow institutions to give pay raises or salary adjustments to both formula and non-formula higher education employees and state higher education personnel, and \$13.3 million would cover increases in group health insurance premiums. He also proposes \$40 million in recurring funds for capital maintenance. Need-based financial assistance funding would grow to \$97.8 million, an increase of 11.4 percent, to provide awards for an additional 5,500 students, bringing the total to 54,300 students.

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

In his third State of the Commonwealth address, the governor indicated his desire to continue progress in economic and workforce development. He also wants to reform the mental health system, expand Medicaid if federal funds are available and improve the criminal justice system.

In December, the governor released his proposed amendments to the 2016-18 biennial budget that was adopted during the 2016 session. For the 2016-17 budget, he recommends \$20.1 billion, down 1.2 percent from the originally approved amount, but still 6 percent above the 2015-16 amended budget.

General funds for all levels of education would total nearly \$7.8 billion, 2.4 percent below the original 2016-17 budget and 3.5 percent above the prior year budget. The largest part of education funding is direct aid to public schools — the \$5.7 billion recommended is 2.8 percent below the original 2016-17 budget and 2.1 percent above 2015-16. The reductions reflect revisions to enrollment estimates, revised estimates for lottery-funded programs, and updates to the forecasts for sales tax revenue dedicated to education.

Operating funds for two- and four-year postsecondary institutions would total more than \$1.4 billion in 2016-17, 3 percent below the original budget and 6.6 percent above the 2015-16 appropriation. This amount includes nearly \$1.1 billion for four-year institutions and \$384.9 million for two-year colleges. The proposal eliminates funds originally allocated for college and university faculty salary increases and interest earnings.

For 2017-18, state general funds would total \$20.2 billion, down 0.3 percent from the original budget and up slightly from the proposed 2016-17 total. The \$8.1 billion in general funds recommended for all education programs is 2.6 percent below the original appropriation and 3.9 percent above the proposal for 2016-17. Direct aid to public schools would see a 1.8 percent decrease (to \$6 billion) when compared to the original budget but would increase 6.1 percent over the governor's amended 2016-17 budget.

Two- and four-year colleges and universities would operate with nearly \$1.4 billion, 8 percent below the original budget and 3.2 percent below the amended recommendations for 2016-17. Four year colleges and universities would receive more than \$1 billion and two-year colleges would receive \$368.9 million. Again, the proposal eliminates funds originally allocated for faculty salary increases and interest earnings.

Notes from other SREB states

The majority of legislatures in SREB states convened their 2017 regular legislative sessions in January. Alabama, Oklahoma and West Virginia began their sessions in February, with Florida convening in March and Louisiana's regular session beginning in April.

The governor in Texas issued his proposed state budget for the 2018-19 biennium and delivered his State of the State address on January 31. On the same day, the governor in Florida released his Fighting for Florida's Future budget proposal. The governor in Oklahoma delivered her State of the State address and 2017-18 executive budget the following week. Summaries of these proposals will appear in the next issue of *Legislative Report*.

The governor in Kentucky delivered his 2017 State of the Commonwealth address in early February. In the address, he called for education reform, lauded the state's move toward outcome-based university funding, and highlighted \$15 million invested in a dual-credit program and \$100 million invested in Kentucky Work Ready Skills Initiative grants — awarded for public-private workforce training partnerships between businesses and high schools, technical schools and postsecondary institutions. He called for the introduction of charter schools to Kentucky, and stated that “bold, hard decisions” on pension and tax reform will be made in a forthcoming special legislative session.

In early February, the governor in Louisiana released his plan to close an estimated \$304 million shortfall in the current budget year. This came in advance of a special legislative session that he called to convene on February 13 to address the shortfall.

Departing governors in Delaware, North Carolina and West Virginia released budget proposals prior to leaving office in January. However, the new governors in each state are expected to issue budget proposals of their own; summaries of these will appear as they become available, in forthcoming editions of *Legislative Report*.

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