



Legislative Report

Governors' proposals in Arkansas, Florida, Georgia, Kentucky, Maryland, South Carolina, Virginia and West Virginia

Notes from other SREB states

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SREB

Governors' legislative and budget proposals

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

As required by a constitutional amendment approved in 2008, the Legislature operates in a fiscal-only session every even-numbered year. The governor released his executive budget proposal and later described the revenue outlook as “tight, and operations budgets for most state agencies will remain flat.” The governor supports raising total state general funds 3.6 percent (to \$4.7 billion) for 2012-2013, compared with this year’s amended budget.

The governor proposed increasing total state funding to K-12 education “to ensure our continued push for excellence and compliance with adequacy requirements.” The elementary and secondary education budget would increase 2.8 percent (to \$2.1 billion), including a 2.9 percent rise (to about \$2 billion) in school formula funding. The governor recommended a slight increase in state funds (to \$729.6 million, up 0.5 percent) to postsecondary education. Two-year and four-year institutions would operate with 0.5 percent more in state funding, while technical colleges would see a 0.7 percent increase in funding.

The governor also is keeping a watchful eye on health care costs, specifically Medicaid. He continues to support health payment reforms that would bundle payments, reduce or eliminate expensive testing and create a more results-oriented health care environment. As a result, the governor proposed boosting the state-funded Department of Human Services budget for Medicaid costs to \$806 million, up 16.5 percent.

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

For the second year, the governor’s budget proposal is based on his seven-step plan to create 700,000 jobs over seven years. The seven steps include accountability budgeting, reductions in government spending, state regulatory reform, a focus on job growth and retention, a “world class” educational system, tax reduction, and a phase out of the state’s business tax.

The governor noted Florida’s net gain of more than 100,000 jobs in 2011 and, with education and jobs as his top priorities for the coming year, proposed a \$66.4 billion overall budget for 2012-2013 that “reflects the issues and solutions most important to Floridians.” The proposed overall budget is 4.2 percent less than the approved 2011-2012 budget, but it increases general funds 6 percent to \$24.6 billion.

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Overall funding for education at all levels declines 1.6 percent to \$20.1 billion under the proposal, but general funds total \$12.7 billion, up 5.9 percent; this includes \$9.2 billion in general funds for K-12 education, up 8 percent. The increased general funds for education include \$220 million to offset decreased property tax revenues resulting from property value declines, \$381 million to increase per student funding at the K-12 level, and \$224 million in one-time funding. The governor recommends slight increases in higher education funding and no tuition increases in the coming academic year.

The proposal eliminates nearly 4,500 state government positions, including 122 education-related positions. Responding to “a 40-year-low crime rate,” the proposal identifies efficiency measures — including large work force reductions — to reduce corrections and juvenile justice expenses. The governor listed growth in Medicaid costs as a challenge; his proposal reforms the way hospitals are paid under the program to reduce expenses by more than \$2 billion in 2012-2013.

The governor proposes several tax reforms that would benefit small businesses. The reforms include: doubling the exemption under the business tax, which is expected to eliminate the tax liability of more than 25 percent of current business tax filers and reduce total tax liabilities by approximately \$25 million per year; doubling (to \$50,000) the tangible personal property tax exemption (subject to voter approval), which would provide another \$22 million reduction in total tax liabilities; and broadening the sales tax exemption for manufacturers.

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

Although the budget outlook was grim at the beginning of the current year’s budget, the state is “now seeing slow but steady progress” fiscally, which led the governor to recommend a budget that “continues to streamline state services by consolidating and realigning agencies and programs to find efficiencies.” In fact, the governor proposed implementing zero-based budgeting in 10 percent of state programs in both the amended 2011-2012 and 2012-2013 budgets.

The governor’s proposal recommends a 1.3 percent increase in state general funds (to \$16.2 billion) in the amended 2011-2012 budget and a 5.2 percent increase (to \$16.8 billion) in the 2012-2013 budget, when compared with the current year’s original appropriation. State general funds to K-12 education would increase 1.3 percent and 2.9 percent for the amended year’s and next year’s budgets, respectively, while the school funding formula would remain level in both years. The proposal for higher education decreases the amended year’s state-funded budget 1.6 percent and increases next year’s budget 5 percent.

The governor recommends fully funding enrollment growth in K-12 and higher education, plus increasing teachers’ salaries based on training and experience. In addition, the budget would increase funding for school nurses and state-chartered special schools (charter schools whose applications were denied by local school districts, then later approved by the state Board of Education). Although the state prekindergarten program’s school year was decreased to 160 days (from 180) in 2011-2012, the governor wants to restore 10 days and enroll 84,000 students. Currently, the state funds the program at an enrollment level of 86,000 seats.

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

According to the governor, state “revenues have not improved fast enough to replace federal stimulus funds which helped us and every other state through the worst of this historic recession.” To manage through these tough times, the governor supports a referendum on the issue of expanding gaming in the state, reforming the state’s tax code, strengthening work force development and creating jobs.

The governor supports several pieces of legislation that would affect career and technical education. Senate Bill 38, House Bill 28 and House Bill 75 would increase the rigor of career and technical education courses and integrate them “more fully into the secondary education system.” The bills would move the career and technical education program to the state Department of Education. Currently, the program is operated by both local school districts and the state Department of Workforce Investment. The governor supports both Senate Bill 52 and House Bill 216, which would increase the compulsory attendance age from 16 to 18.

The governor’s proposal recommends increasing the biennial budget to \$18.9 billion (up 7.1 percent from the original 2010-2012 biennial appropriation). The proposal slightly increases total state general funds to \$9.4 billion (up 0.4 percent compared with the current year’s appropriation) for 2012-2013 and \$9.6 billion (up another 2.3 percent) for 2013-2014. In the first year of the biennium, the state Department of Education (DOE) would operate with \$3.8 billion (down 0.5 percent), including \$2.9 billion in level funding for the school formula. Postsecondary education would operate with 4.9 percent less in state funding (\$1.2 billion). In 2013-2014, state funding would rise 0.7 percent (just below \$3.9 billion) for the DOE, remain level for the school formula and increase 0.4 percent for postsecondary institutions.

Maryland (<http://gov.state.md.us/>)

The governor’s budget proposal for 2012-2013 centers on several major themes: job creation and promotion of the state’s “innovation economy,” a well-educated and highly skilled citizenry, expanded access to health care, prevention of violent crimes, and improvements to Maryland’s natural environment. Several initiatives to enhance economic development are highlighted, including state funding to leverage private investment (particularly in “knowledge-based industries” such as biosciences, information technology and clean energy) and tax credits for targeted industries.

To help stimulate the state economy and provide for education facility needs, the proposal includes \$372.8 million for school construction and renovation, plus \$289.4 million for capital projects for higher education. The governor proposes what would be the first state employee cost-of-living increase (at 2 percent) in four years. The governor also recommends a 3 percent tuition increase for in-state undergraduates — the third such annual increase in a row, after a four-year tuition freeze.

The governor’s 2012-2013 general fund budget for K-12 education would total \$5.9 billion, up 4.7 percent over the original 2011-2012 appropriation; the proposed total for all funds is \$7.2 billion, up 4.4 percent. State general fund aid to local school districts would total \$5.8 billion (up 4.9 percent), including \$2.7 billion in basic formula funding (up 4.7 percent) and \$1.1 billion for compensatory education (intended to aid disadvantaged students), up 5.8 percent.

General funds for state universities would rise slightly (1 percent) to \$1.2 billion; for all funds the total would reach \$5.1 billion, up 2.6 percent. The governor proposed \$423.5 million (up 2.3 percent) in general funds for the Maryland Higher Education Commission, \$273.3 million (up 4.2 percent) for aid to community colleges, and \$39.8 million (up 3.5 percent) for aid to private institutions.

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

Focused on “putting South Carolinians back to work” by creating a favorable environment in the state for new and existing businesses, the governor presented her general fund budget proposal of \$5.7 billion for 2012-2013 (up 4.5 percent). Overall funds would total \$22.8 billion, up 4.3 percent. The governor’s budget was developed using a spending cap that calculates maximum allowable budget growth based on the state population increase plus the rate of inflation; her proposal recommends spending less than the cap would allow.

General funds for public education would increase 2.5 percent to almost \$2 billion, including \$1.8 billion in aid to school districts (up 2.3 percent). The South Carolina Public Charter School District would receive \$35.3 million, up almost 40 percent. The governor recommends a 2.3 percent, across-the-board general fund increase for all state universities and technical colleges.

The governor wants to transition state funding for universities to a model based on a combination of enrollment levels and performance on certain accountability measures. The proposed measures include completion rates, affordability and access, educational quality, and economic development and institutional mission (to be negotiated between each university and the South Carolina Commission on Higher Education, based on the institution’s mission and unique attributes).

The governor proposes that the state divest itself of all school buses by July 1, 2016. Local districts would receive transportation funding from the state based on enrollment and local factors and would establish their own transportation systems, either in-house or through outsourcing. The governor also advocates transitioning the state superintendent of education position from a statewide, elected post to a gubernatorial-appointed cabinet position.

Other policy proposals in the budget include: a four-year phase out of corporate income taxes beginning in 2013; consolidation of individual income tax brackets from six to three and a reduction in tax rates; moving the state’s property tax law from the state constitution to state code (so rates may be reduced more easily in the future); moving the functions of the Budget and Control Board to an executive-level Department of Administration; a merger of the Department of Corrections and Department of Probation, Parole and Pardon Services; and joint election of the governor and lieutenant governor (who, currently, are separately elected).

Virginia (<http://www.governor.virginia.gov/>)

In continuing with the “Opportunity to Learn” agenda initiated in 2010, the governor is committed to “improving K-12 education, adding rigor to school curricula, strengthening ... teacher workforce and repealing the calendar requirement to give localities the ability to choose when to start school.”

Specifically, the governor supports ending the post-Labor Day school start date. Additional recommendations include: consolidating the number of high school diplomas available from seven to three; written agreements with community colleges to broaden dual enrollment options; and establishing an Innovative Options Technical Advisory Committee to guide potential applicants through the process of planning charter schools, college-partnership laboratory schools and virtual school programs.

Following approval of a new teacher-evaluation program during the 2011 legislative session, the governor recommends tying teacher evaluation results to tenure, requiring teachers and principals to work on annual contracts (instead of the current continuing contracts), and streamlining the teacher grievance process. The governor's proposed legislation would include \$600,000 in incentive awards for teachers in STEM (science, technology, engineering and math) subject areas — including a \$5,000 initial award to new teachers who are certified in a STEM area and are assigned to a teaching position in that area.

The governor shaped his executive budget for the biennium with five goals: prioritized spending to “promote job creation, economic development and entrepreneurship”; government efficiency, effectiveness and accountability; funding key budget areas; solving “specific big problems”; and building “cash reserves and liquidity.” As a result, the governor supports reserving \$31.4 million of unappropriated funds in the general fund for the next biennium. The overall biennial budget would total \$84.9 billion, an increase of 8 percent from 2010-2012. The rainy day fund would grow \$132 million in 2012-2013 and \$168 million in 2013-2014. The governor also proposed fully funding the state's retirement system for teachers and state employees — a total of \$2.2 billion from all funds, which would more than double the state's contribution in the current fiscal year.

The 2012-2014 budget proposal totals \$34.5 billion in state funding, an increase of 7.9 percent compared with the amended 2010-2012 budget. Total state funds for both K-12 and postsecondary education would increase in 2012-2013 (to \$6.9 billion, 4.3 percent more than the amended 2011-2012 budget) and 2013-2014 (to \$7 billion, up 0.6 percent). State aid to local schools would rise about 3.7 percent in 2012-2013 and decline 3.5 percent in 2013-2014.

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

The governor praised the Legislature's “decisive action” to help move the state forward economically and guide development of the state's natural gas resources as he unveiled his budget proposal for 2012-2013 and outlined several of his priorities for the 2012 legislative session. The governor focused on the importance of energy production to the state's economy and job market, stating his desire for increased coal and natural gas production. The governor also emphasized worker safety in energy production, and he intends to introduce legislation to achieve this goal.

Even with unemployment in West Virginia below the national average, the governor's prime focus is to increase the number of jobs in the state and help create the conditions to attract further investment and job creation. The governor identified reductions in three taxes (grocery, business franchise and corporate net income) that are expected to provide more than \$80 million in tax relief in 2012 and make the state more attractive for business investment. The grocery tax was reduced 1 percent on January 1, 2012, with another 1 percent reduction scheduled for July 1.

To help military members and veterans find jobs, the governor announced legislation to establish the West Virginia Employment Initiative Program. The program would provide job training and vocational counseling, facilitate job searches, and help refer qualified candidates to job openings. The governor also recommends an infrastructure fund to pay for road and bridge projects (without incurring additional debt) that would receive half of any excess revenues once the state's rainy day fund equals 15 percent of general revenues.

The governor's recommended \$4.1 billion general revenue budget is 3.3 percent more than the approved 2011-2012 budget. At \$2 billion, general funds for K-12 education would increase 2.2 percent, though higher education general funds would decline 4.4 percent to \$453.2 million. In 2011, the state hired experts to conduct an "efficiency audit" of the state's education system and make recommendations — recommendations that are projected to save the state \$90 million per year and improve education outcomes and efficiency.

The audit recommendations include the use of technology to assist rural school districts, increased authority for local school districts over their schools, and improvements to teacher evaluation, mentoring and compensation. The governor will introduce legislation to incorporate student achievement into teacher performance evaluations — this would codify and enact statewide a pilot program already in place. The governor also will introduce legislation to establish a pilot program under which local administrators and teachers will have greater flexibility to improve struggling schools.

Notes from other SREB states

The governor in Delaware delivered his annual State of the State address with the declaration that the state must act as a national leader with a focus on creating jobs, strengthening schools and governing responsibly. The governor advocated immediate implementation of the Performance Appraisal System, a teacher evaluation program "crafted with the advice of hundreds of Delaware teachers." The governor also plans to introduce a new kindergarten assessment that was developed with the help of the Delaware State Education Association.

Louisiana's legislative session will not begin until March, but the governor has announced a pension reform plan to shore up the retirement program for state and university employees. He proposes to appropriate both recurring and one-time funding to address unfunded liabilities, dedicate future one-time revenues to unfunded liabilities, redesign pension plans for new hires to move from a defined-benefit to a defined-contribution plan (based on pension savings), expand the average salary used to calculate retirement benefits for current employees from three years to five years, extend the age of retirement from 60 to 67 (with 10 years of service), and increase employee contributions from 8 percent to 11 percent. The proposed changes would not impact retirement programs for teachers or law enforcement and hazardous-duty employees.

The newly elected Mississippi governor introduced his Mississippi Works agenda in late January during his State of the State address. The agenda includes plans to encourage growth in the state's energy sector, a review of state agency regulations to encourage efficiency and job creation, and the creation of medical zones — "a cluster of medical facilities and services." In addition, the new governor made many education recommendations, including "workable" charter school legislation and a dual enroll-

ment program to “allow students on the verge of dropping out of school to enroll in a community college workforce training program.” He favors level funding for the school formula, full funding for the National Board Certification program, and a pay performance program for “teachers based on student attainments and not on subjective evaluations.”

In North Carolina, the governor proposed the reinstatement of three-quarters of a recently eliminated 1-cent sales tax, with the revenues to be distributed for K-12 education. The proposal could raise as much as \$750 million in revenue annually.

A summary of executive budget proposals in these and other states will appear in future *SREB Legislative Reports*.

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