

EDUCATION

The Education category consists of appropriations for higher education (including the seven state-supported institutions of higher education and the State Student Assistance Commission), elementary and secondary education administration, aid to local schools, teachers' retirement, and other education. This category is the largest in the state budget, comprising 30 percent of all recommended appropriations and 53 percent of the recommended General Fund and Property Tax Replacement Fund appropriations. Elementary and secondary education (including administration, aid to local schools, and teachers' retirement) comprises approximately three-fourths of the total for this category, and higher education comprises approximately one-fourth.

Education comprises the single largest part of the state budget. Although the preceding pie charts suggest that dedicated funds are an important source of funding for education, most of this amount reflects the Property Tax Replacement Fund contribution to the local school aid formula (tuition support), which, for purposes of these recommendations, is treated as a General Fund appropriation.

Higher Education

The recommendations for higher education will flat line the FY 2003 operating appropriation into FY 04 and FY 05 at the level of appropriations received by colleges and universities after the Governor's Deficit Management Plan. R&R for universities, which was reduced to \$4M in FY 2002 and FY 2003, will be increased to \$32M for the biennium. The recommendation will fully fund fee replacement for university debt. The recommendation does not include funding our bonding authority for any new higher education capital projects. This recommendation continues to roll the payment delay to higher education into the next biennium.

Education Administration

Education administration comprises Department of Education accounts that are used to administer services to local schools. The majority of the funds pay for staff, rent, and computers that support programs administered by the state. Appropriations for most administrative accounts are at the levels received in FY 2003 after the Governor's Deficit Management Plan.

State Aid to Local Schools

State aid to local schools is comprised of accounts that distribute funds directly to local schools. The majority of funds in these accounts are distributed by statutory formulas. The recommendations include General Fund and Property Tax Replacement Fund appropriations for state aid to local schools be appropriated in the following manner:

- Tuition Support for schools is flat lined from the appropriation level as passed by the General Assembly in P.L. 291-2001.
- The payment delay of tuition support continues to roll into the next biennium.
- The ADA Flat Grant, Distribution for Transportation and Transportation for Special and Vocational Education are reduced by 50% in FY 2004 and 100% in FY 2005.

Teachers' Retirement

The recommendations increase the General Fund teachers' retirement appropriation over current levels by \$32.2 million in FY 2004 and by \$76.2 million in FY 2005. These increases reflect the projected normal growth in pension costs. The recommendations include \$190,000,000 in each of FY 2004 and FY 2005 from the Pension Stabilization Fund to meet current obligations.