



Legislative Link

A Publication for the Members of the N.C. Association of School Administrators

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Budget Compromise Reached, Votes Today

The \$21.3 billion state budget is set for votes by both the House and Senate tonight and tomorrow, after negotiators worked out the final differences on Thursday before leaving Raleigh for the long holiday weekend. The final sticking point was resolved when House and Senate leaders agreed to delay until 2010 the elimination of the state gift tax and the expansion of a refundable tax credit for the working poor. These delays will save the state \$30 million in the 2008-09 fiscal year at a time when revenues are coming in lower than previously projected.

The compromise budget cannot be amended and must be voted either up or down. It is not known at this time whether Governor Mike Easley will sign the budget into law, let it become law without his signature or veto the legislation, although he has said that the state could not afford the tax relief package, which House and Senate leaders are now proposing to delay.

The budget document can be viewed in its entirety, along with the accompanying money report on line item spending and a chart comparing the final budget with those previously pushed forward by the House and the Senate, at: <http://ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>.

Highlights of the final spending plan for public schools include:

- **Transportation Fuel** – \$35 million, which will provide a net increase of \$31 million in fuel reimbursements to school districts when the \$4 million reduction to the ADM-based transportation allotment is factored in.
- **Salary Increases** – \$1.8 million to provide teachers who are on Steps 0-2 of the salary schedule with an \$1,100 increase to align their pay increase with that of all other school personnel and state employees, who will receive increases of 2.75 percent or \$1,100, whichever is greater. This extra funding for beginning teachers was identified after Governor Easley complained that lawmakers were shortchanging the lowest-paid teachers, who would have gotten only \$470 under earlier House and Senate proposals. All other teachers will receive an increase of 3 percent on average, while principals and assistant principals will receive an increase of 2.69 percent on average. One-time bonuses will go to those at the top of the teacher and principal salary schedules, and retirees will receive a 2.2 percent cost-of-living adjustment.

In addition, new funds were included for ABC Bonuses, \$90 million; More at Four, \$30 million; dropout prevention grants, \$15 million; school connectivity, \$10 million; Disadvantaged Student

Supplemental Fund (DSSF), \$6 million; academically gifted, \$3.2 million; children with disabilities, \$6.2 million; and teacher mentors, \$3 million.

Although the compromise budget ultimately included no state funding for school child nutrition programs, which have identified \$20 million in anticipated costs for converting to the new state-mandated healthier menu options in all elementary schools in the 2008-09 school year, the budget delays the implementation of those new menu standards for elementary schools until 2009-2010, with middle and high school menu changes to follow that initial conversion.

The budget also includes a one-time appropriation of state lottery funds for school construction to be allocated on an Average Daily Membership basis to school districts that did not qualify for that funding in the current year. This provision is intended to help mostly western North Carolina counties that have complained that the current lottery distribution formula unfairly penalizes them. The allocation, however, is intended only as a stopgap measure until a thorough review of the lottery funding formula is completed along with a study on other school funding streams that are part of ongoing work by a legislative commission.

NCASA will prepare a comprehensive summary of the state budget that identifies all impacts on public schools once the budget contained in House Bill 2436 is enacted into law. We will share that with our members as soon as possible.

House Revives Bullying Bill, Negotiating Changes

On a close almost party-line vote, the House on Wednesday rejected the Senate-approved version of an anti-bullying measure that had gained House approval last year. With a vote of 60-56, the House voted not to concur with the Senate's rewrite of House Bill 1366, School Violence Prevention Act.

The action sends this legislation to a team of House and Senate negotiators who must ultimately recommend a compromise bill that both chambers can support.

When it left the House last June, House Bill 1366 sought to prevent bullying of all students but specifically would require local school boards to adopt anti-bullying policies that list groups of students that are to be protected, including those who often are bullied because of their perceived sexual preference, as well as because of their race, religion, disability and other categories. The Senate stripped out the language that identified the potential targets of bullying and the specific groups of students who the original House measure was seeking to protect.

A number of child advocacy groups have been pushing for the original House version of House Bill 1366 to prevail, saying the legislation is needed in that format to protect the state's most vulnerable students. The original House version is opposed by conservative groups, including the North Carolina Family Policy Council, who say the legislation goes too far and establishes a new level of protection that exceeds those enumerated by existing laws at all levels of government and in court rulings.

NCASA has remained neutral on this legislation, since some of our members believe new protections are needed for students who most frequently are targets of bullying, while others have indicated the specific listing of bullying targets would be difficult for some local boards of education to embrace, especially in conservative communities.

The House and Senate negotiators are expected to try to address concerns from both perspectives before sending forward a new version of House Bill 1366 to be voted on by both chambers.

House Finance Committee Discusses Sales Tax Refund

Legislation that would restore the public school sales tax refund received a positive discussion in the House Finance Committee on Tuesday. Although no vote was taken that day, the bill's main sponsors – Reps. Pryor Gibson, D-Anson; Dale Folwell, R-Forsyth; Douglas Yongue, D-Scotland;

and Louis Pate, R-Wayne – are working to encourage House leaders to bring the bill to a vote, possibly even this week.

House Bill 2137, titled the “School Construction Optimization Act,” would allow school districts once again to apply for a refund of the state sales taxes they pay on purchases, which would be especially beneficial to districts that are building and renovating schools.

In explaining the bill to the Finance Committee, Rep. Folwell held up a piece of lumber, a light bulb and a roll of toilet paper to show the kinds of items that school districts are purchasing and paying state sales tax on each year. He said smaller rural school districts that are not heavily involved in construction and renovation are being penalized most by not getting a sales tax refund on these items, since in many cases these districts have the fewest resources.

Folwell said 8,413 entities in the state, including private schools, get a state sales tax refund, and the one for public schools needs to be restored. The current proposal the committee is considering would make the refund of approximately \$43 million to school districts statewide payable beginning July 1, 2009 and would apply to purchases made on or after July 1, 2008.

Passage of this version of House Bill 2137 would therefore have no fiscal impact on the state in the 2008-09 year but would enable school districts to plan on their refund being phased in the following fiscal year.

NCASA will provide additional updates on this issue as they become available.

State Health Plan’s Financial Troubles Lead To Firing

The head of the State Health Plan was fired last week, after legislative leaders learned that an expected \$50 million surplus in the plan’s operations had turned into a \$65 million deficit.

George Stokes, who had been the top administrator of the State Health Plan since April 2005, was told by Insurance Commissioner Jim Long on Tuesday that he had been terminated after Senate Majority Leader Tony Rand, D-Cumberland, and House Majority Leader Hugh Holliman, D-Davidson, sent a letter saying that they wanted him removed. Rand and Holliman are co-chairs of the Select Committee on Employee Hospital and Medical Benefits that oversees the State Health Plan.

Rand told reporters that the shortfall went well beyond temporary cash flow problems. "When you are this far off, that is very disturbing," he said.

Rand said the shortfall could be made up for the new fiscal year using plan reserves. But both he and Holliman predicted higher premiums and co-payments for state employees, school personnel and retirees in the 2009-2010 fiscal year unless the plan makes a significant turnaround. Some estimates indicate that a 25 percent increase in premiums might be needed.

Jack Walker, who had been the plan's chief administrator prior to Stokes, has agreed to become interim administrator while a permanent replacement is sought.

Summary Of This Week’s Action On Bills Affecting Public Schools

For a complete summary of this week’s legislative actions on bills affecting public schools and their personnel, please see this week’s “Weekly Bill Action Summary” at: <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=215>. The same site offers a status report on all bills NCASA is tracking for our members during the 2008 legislative session, and that information is arranged in categories to make it easier to locate specific legislation of interest.

*For additional information on these or other legislative issues, contact
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