



Legislative Link

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Perdue's Budget Spares Classroom; LEAs Still Take Hit

Gov. Bev Perdue on Thursday presented a two-year budget plan that cuts \$3.2 billion in state spending, while preserving every existing, state-funded teacher and teacher assistant position and guaranteeing a two-year college degree or two years of career training, tuition-free, to high school students who meet academic standards.

"This budget stands up to our economic challenges and equips us for the future by resetting how we grow jobs, educate our children and operate state government," Perdue said in a statement. "The cuts are deep, and some are painful. But through careful management of our resources we can also make investments in our core priorities."

The Governor proposes closing a \$4.4 billion gap between expected revenue and planned spending over the next two years, \$2.4 billion in 2011-2012 and \$2 billion in 2012-2013. The gap was filled by 70 percent cuts and 30 percent revenue, and the revenue enhancements include \$826.6 million from extending 0.75 percent of the one-penny state sales tax that is set to expire June 30 to keep the state rate at 5.5 percent.

The Governor's proposal for public school funding first restores funding for non-recurring cuts made the last two years, such as \$373 million for Non-Instructional Support that had been covered by federal Education Stabilization Funding and \$48 million for textbooks, for a base starting budget of \$7.9 billion. It then trims 3.9 percent from that total for a new K-12 budget proposal of \$7.6 billion.

By comparison, most state agency cuts range from 7 percent to 15 percent, while community colleges have a 4.9 percent cut and universities have a 6 percent cut.

The public school funding covers the classroom-only costs for 5,300 new K-12 students and follows the Governor's commitment to preserve every existing state-funded teacher and teacher assistant position from the current school year. She told the North Carolina Association of School Administrators that she is sending the General Assembly budget language that will remove the previous flexibility school districts have had the last two years to adjust class sizes in Grades 4-12 and maintain her stand of no adjustments allowed in Grades K-3. School districts that already have adjusted class sizes in Grades 4-12 or that have shifted teacher assistant funding over to cover teaching positions will be able to maintain those staffing levels for 2011-2012 under her proposal, but additional cuts to either personnel category would not be allowed.

Along with this commitment to protecting the classroom, which NCASA wholeheartedly applauds, the Governor also outlined several proposals for cuts that will adversely impact school districts and their administration. Some of those highlights include the following:

- **Shifts worker's compensation, school bus tort claim and school bus replacement costs** from the state to local school districts with estimated costs of \$34 million, \$4.6 million and \$57 million respectively.
- **Eliminates permanently the corporate income tax earmark for school construction** for a loss of \$72 million in 2011-12 and \$75 million in 2012-13.
- **Cuts Central Office by 10 percent** or \$10,745,059 on a recurring basis, with the potential of 140 positions to be eliminated. These cuts are on top of \$17 million in recurring cuts that have already reduced Central Office funding over the last two years. If ultimately approved, this latest cut would reduce total Central Office funding to \$90 million statewide, which is only 1 percent of total public school funding.
- **Cuts Instructional Support funding by 5 percent** or \$23 million for possible elimination of 290 positions.
- **Cuts School Building Administration by 7.5 percent** or \$24,612,555 for the possible loss of 380 Assistant Principal positions statewide.
- **Cuts Textbooks by \$40 million or 36 percent** to leave an appropriation of \$75.4 million, which is still much improved from the \$2.5 million statewide emergency fund for textbooks available in the current school year.
- **Cuts Non-Instructional Support by 15 percent** or \$59,550,796 for the possible loss of 1,700 clerical and custodial positions. This leaves \$337.5 million for this allotment.
- **Cuts Transportation Services by 10 percent** or \$40,304,223 for possible elimination of 1,900 positions.
- **Cuts \$10 million from School Technology** but leaves \$18 million available from civil fines and forfeitures for this purpose.
- **Continues the complete elimination of Staff Development** funds with a \$12,619,829 reduction each of the next two years.

In addition to these public school funding changes, the Governor's budget proposal calls for adjustments in both retirement and health benefits for employees.

The Governor is proposing a retirement incentive that is eligible for all state and school employees who are vested in the Teachers' and State Employees' Retirement System. The recommendation would provide a one-time \$10,000 incentive to those who are eligible to retire with unreduced benefits and a one-time \$20,000 incentive to those who are eligible to retire with reduced benefits. The incentive would not be calculated in the Average Final Compensation that is used to determine the pension benefit. It is estimated that 179 school district positions will be eliminated through this retirement incentive for state savings of \$30,836,878 in 2011-12 and \$76,889,013 in 2012-13. Across state government, and including school districts, this incentive is expected to save \$208 million and eliminate at least 1,000 positions statewide.

These 1,000 positions to be vacated through the retirement incentive are part of 10,000 total position cuts proposed by Governor Perdue, with roughly 3,000 of those positions currently filled, according to members of her staff.

The Governor also proposes investing \$115 million in 2011-12 and \$230 million in 2012-13 to cover the state's employer contribution to the Retirement System, thereby raising the rate from 4.93 percent first to 6.04 percent and then to 7.15 percent.

Under the State Health Plan, the Governor proposes state expansion funding of \$117,082,047 in 2011-12 and \$250,907,532 in 2012-13 to cover a premium increase of 7.1 percent. She also recommends a combination of benefit changes, provider savings and employee premium adjustments to save \$89,082,047 in 2011-12 and \$137,907,532 in 2012-13. Active and retired employees would still have a no-cost individual coverage option through the 70-30 plan but would have a new monthly premium if they want the 80-20 plan. Under that 80-20 plan, active employees would pay a monthly

premium of \$21.50 for individual coverage, while retiree individual coverage would cost \$16 per month.

As for the Governor's new Career and College Promise program, she is calling for consolidating several existing early college initiatives into one program and using existing funding to provide a two-year college degree, or two years of career training, to high school students who meet academic criteria.

More information on the Governor's budget proposal is available [here](#), and the General Assembly began digging through it late Thursday afternoon. It is important to remember that this budget is only a proposal at this time, so none of the specific funding cuts or adjustments is certain for inclusion in the final budget. In the coming weeks, first the House and then the Senate will unveil their own state budget proposals, and ultimately a final compromise budget will be adopted and signed into law. NCASA will keep our members updated on additional budget developments as they occur.

Costly Charter School Bill Set For Finance Hearing 2/22

After hearing from the North Carolina Association of School Administrators and our members who have been raising concerns about the huge funding loss school districts will face under the current charter school legislation, Democratic Senators successfully convinced their Republican counterparts to pull Senate Bill 8 off the Senate floor Thursday and re-refer it to the chamber's Finance Committee. The legislation is now slated for a hearing by that committee at 1 p.m. Tuesday, Feb. 22 in Room 544 of the Legislative Office Building.

As reported in the NCASA alert on Wednesday, the current version of the charter school legislation unravels many of the improvements made last week by a subcommittee and creates a potential funding nightmare for school districts statewide. See the revised legislation [here](#).

In an email to all Senators Wednesday night, NCASA asked that the bill be sent back to a committee and stripped of the provisions that are detrimental to traditional public schools or else defeated altogether.

"The amended bill now will require in some circumstances, and allow in others, funding to be taken from the traditional public schools operated by your local school board and shifted over to charter schools," said NCASA Assistant Executive Director Katherine Joyce in her email to Senators. "This shift will involve both operations funding and facility funding.

"This new legislation, as currently written, funds charter school students at the expense of students who will remain in traditional public schools now and in the future," Joyce's email said. "This is a funding shift that we cannot support, and we believe if you support this legislation, you will be doing a great injustice to your school districts and the traditional public school students they serve."

The latest version of Senate Bill 8 removed an earlier provision requiring counties to transfer operations funding directly to charter schools. That provision is replaced with a new provision that unravels improvements that the 2010 State Budget Act implemented for school districts regarding funding that they must share with charter schools. This again makes all school districts subject to the Sugar Creek Charter School lawsuit ruling that says that all funds going through an LEA current expense fund must be shared with charter schools. This may make it unaffordable for LEAs to offer programs like More at Four and discourage them from applying for much-needed grants. It may even require LEAs to give charter schools a portion of their child nutrition funding and other limited-purpose funding, even though a charter school is not required to offer these services. In essence, the funding provisions of the current bill will require all funds that flow through a school district, except restricted-purpose federal grants, to be shared with charter schools.

The revised bill also adds a new requirement for a school district that receives supplemental tax revenue to share those funds with any charter school attended by students residing in that district, no matter where the charter school is located in the state. Currently, those supplemental taxes are shared only with charter schools actually located within a school district's boundaries.

In addition to these new funding concerns, the bill also fails to address numerous other concerns previously raised by NCASA. The bill still allows counties to share state and local facility funding with charters, includes no requirement for charter principal certification, and provides no new measures for strengthening diversity requirements in charter school student enrollment.

Based on the latest changes to this legislation, NCASA now adamantly opposes Senate Bill 8 and urges all our members to contact their Senators to ask them to remove the bill's provisions that would shift facility and operations funding over to charter schools or else vote against the bill.

Contact information for members of the Senate Finance Committee, who should be contacted before the Tuesday afternoon meeting, is available [here](#), and information for all Senators may be accessed [here](#).

Testing Reform Bill H48 Clears House, Heads To Senate

After some minor tweaks, the full House of Representatives gave final approval Thursday to legislation that would eliminate some tests now required in public schools. That measure now moves to the Senate for consideration.

House Bill 48, introduced by House Education Committee Co-Chairman Bryan Holloway (R-Stokes), would eliminate all statewide standardized testing in the public schools, except as required by federal law or a federal grant. The legislation specifically calls for the elimination of end-of-course tests in U.S History, Civics and Economics, Algebra II, and Physical Science, and these testing reforms would become effective for the 2011-2012 school year. A copy of the bill is available [here](#).

H131 Would End State Funds For City School Superintendents

Legislation filed Thursday in the State House seeks a new approach to a long-debated legislative proposal for trying to force North Carolina's remaining city school districts to merge with their county units.

House Bill 131, Funds/One Superintendent Per County, would specifically prevent any state funds from being used to pay the salary and benefits of any city school superintendent in the state. If ultimately approved, this law would take effect July 1. The bill text is available [here](#).

The measure, which is expected to face fierce opposition from city school districts, is also opposed by the North Carolina Association of School Administrators. Since this loss of state funding for city school superintendents in essence could force local school mergers, NCASA opposes the proposal as a loss of local control, which our guiding principles call for us to preserve.

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

For a complete summary of this week's actions on legislation affecting public schools and their personnel, please see this week's "Weekly Bill Action Summary" on NCASA's website at: <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=276> or click on one of the bill tracking categories to view actions on a particular topic of interest.

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