



Legislative Link

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

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Governor Asks Lawmakers For More Revenue

Governor Beverly Perdue made a public statement Thursday that she cannot support the tax deal that was reached by House and Senate Democrats earlier this week.

"I have spoken with the President Pro Tem and the (House) Speaker today and told them that I would not support a budget with an income tax increase on North Carolina's working families," Perdue said in a written statement. "I re-emphasized the need to protect public schools."

The current tax proposal would tack a 2 percent surcharge on the income tax bill for every North Carolinian who has to file a return.

Chrissy Pearson, a spokeswoman for the Governor, told reporters: "She has made it very clear about how she feels about this tax and she hopes that will spur them in the right direction."

Perdue's statement doesn't use the word "veto," but House Majority Leader Hugh Holliman told reporters that the statement has left him thinking that budget negotiators may be headed back to the bargaining table. He said Perdue is also asking for another \$200 million in new taxes to pay for cuts to public education.

Holliman said extending income tax increases to wealthier state residents could be done.

"Raising the other \$200 million will be much harder to do," said Holliman, who added that budget negotiators will have to work through the weekend. The budget compromise was a hard fought middle ground between House and Senate proposals. Reaching a new deal won't be easy, he said.

House and Senate budget negotiators had reached a deal mid-week to raise \$982 million in new revenues in order to balance a \$19 billion state budget. The tax plan components include the following:

- A sales tax increase of 1 cent to raise \$803.5 million.
- A temporary two-year surcharge of 2 percent on personal and corporate income tax liability. meaning an individual owing \$1,000 in income taxes would see their bill rise by \$20.
- A 10-cent increase in the excise tax on cigarettes.
- An increase in the beer excise tax of about 5 cents per six-pack.
- A 4-cents per bottle increase in the excise tax on wine.
- A 5 percent hike in the tax on liquor.
- A tax on items downloaded over the Internet.

Left out of the tax plan were previous proposals for a new tax on a variety of services and entertainment purchases (like movie tickets and golf green fees) and a proposal for combined reporting for companies with holdings outside North Carolina.

The tax plan is not popular with Republicans in either the House or Senate, and it immediately drew criticism from Governor Perdue, who says the plan does not go far enough.

"I am once again calling upon the General Assembly to do what they were sent to Raleigh for – to make tough decisions in tough times," Perdue said Wednesday. "From what I've seen so far, I remain very concerned about the budget's impact on the K-12 classroom. Find a way to protect public schools and the core services of safety and public health, period. The clock is ticking."

Once House and Senate leaders reach a final agreement on the tax package, it is expected to be voted on as part of the overall state budget, contained in Senate Bill 202.

Lawmakers have said they hope to make a budget compromise bill available Monday night and then have it face floor votes in both the House and Senate on Tuesday and Wednesday, just before the state's second continuing budget authority expires on July 31.

It is not yet known if the Governor's call for lawmakers to identify additional new revenues will throw off this schedule, but the North Carolina Association of School Administrators (NCASA) will report on the outcome of efforts to finalize the state budget as soon as that information becomes available.

LEA Discretionary Reduction Proposed For Final Budget

As the state tax plan was coming together this week, the North Carolina Association of School Administrators learned of a last-minute proposal to add a discretionary reduction of \$183.6 million or more for school districts to manage on top of the almost \$1 billion in other line item cuts already outlined for public schools. In essence, each school district that already is receiving less funding for various line items, such as Teacher Assistant funding, would face an additional "discretionary" reduction and would have to determine what additional cuts to make to meet the LEA's designated share of that non-specific budget hole.

"We see this as very problematic because this additional discretionary cut only deepens the total cut each school district faces, and it ultimately will result in even more cuts to personnel and programs that are critical for our public schools," said Katherine W. Joyce, NCASA's Assistant Executive Director/Lobbyist.

NCASA and the North Carolina School Superintendents' Association have voiced strong opposition to having a discretionary cut of any kind in the final state budget, and we urge our members to make one last contact with lawmakers to encourage them to avoid this kind of painful cut for public schools that in the past took four years to eliminate from the state budget, even as the state's financial outlook improved.

"If the General Assembly determines that cuts must be made to state funding for K-12 public schools, then we want lawmakers to identify where those cuts will occur," Joyce said. "This is the sentiment endorsed by the overwhelming majority of superintendents and other school administrators in our state, and we hope our lawmakers will comply with their request to have **NO discretionary reduction** for LEAs in the state budget."

Contact information for budget conferees, charts and other information highlighting education budgets approved by the House and Senate, talking points about budget priorities for public schools, and other information is at <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>. Contact information for all members of the General Assembly is available on NCASA's website at <http://www.ncasa.net/displaycommon.cfm?an=3>.

Harrison Resigns As Schools' Chief Executive Officer

Dr. Bill Harrison announced Wednesday afternoon his plans to retire from his post as Chief Executive Officer of North Carolina's public schools.

"Because the 1.4 million students in this state remain my primary focus, and because I feel I can best serve them by focusing on my role as Chair of the State Board, I will retire from DPI effective Aug. 31, 2009," Harrison wrote to his colleagues at the Department of Public Instruction (DPI).

Harrison, former Cumberland County Schools' Superintendent, will remain as Chairman of the State Board of Education.

"I'm going to be a major player in educational leadership in the state of North Carolina," Harrison said. "I'm going to be retired and spend a lot of time on the State Board's business."

State Superintendent of Public Instruction June Atkinson issued a public statement in response to Harrison's resignation.

"I value all of the contributions that Dr. Bill Harrison has made to public education during his career," Atkinson said. "I look forward to continuing to work with him. We both have our eye on the ultimate prize: ensuring the academic success of every North Carolina public school student."

Last Friday, Wake Superior Court Judge Robert Hobgood ruled that Atkinson, who was elected statewide as the State Superintendent of Public Instruction, has the authority under North Carolina's Constitution to run the state's schools. Hobgood ruled that the State Board of Education has the authority to set policy for the state's public schools, but that the State Constitution dictates that Atkinson as State Superintendent is responsible for implementing those policies.

Earmarking For School Construction Funding Extended

The State Senate gave final approval Thursday to a bill that will make permanent the requirement that a certain percentage of revenue from local sales and use taxes remain designated for public school construction purposes or related debt retirement.

House Bill 311, that received unanimous votes of approval in both the House and Senate, will eliminate the 2011 expiration date of local sales tax earmarking for school construction that is now called for under Articles 40 and 42 of Chapter 105 of the General Statutes. Continuing this local revenue stream for school construction is expected to provide public schools with an estimated \$445.35 million in 2009-10, \$454.70 million in 2010-11, \$479.71 million in 2011-12, \$506.10 million in 2012-13 and \$533.93 million in 2013-14.

Article 40 in current law provides counties which levy a 1-percent sales and use tax the authority to levy an additional one-half percent sales and use tax, and a percentage of that one-half percent must go to public school capital outlay. For the first five years of the local tax, 40 percent must go to school construction, and 30 percent must go for that purpose for the next 23 years.

Article 42 now provides counties which levy the 1-percent sales and use tax and the additional first one-half percent sales and use tax the authority to levy a second one-half percent sales and use tax. G.S. 105-502, that was set to become effective Oct. 1, 2009, requires that for the first 25 years this second half-percent tax is levied, a certain amount may be used only for public school capital outlay. That amount is 60 percent of either 1) the amount of revenue received from the second one-half percent sales and use tax, or 2) if the amount allocated to the county under the first one-half percent is greater than the amount allocated under the second one-half percent sales tax, the difference between the two amounts.

House Bill 311 would amend the law on the first half-percent sales tax to require that after five years that tax is in effect, 30 percent of the revenue must always be used for school capital outlay or indebtedness.

The bill also would amend the law on the second half-percent sales tax to require that 60 percent, as designated now in that law, must always be used for public school capital outlay or to retire indebtedness incurred for that purpose during the five years before the indebtedness took effect.

House Bill 311, which now goes to the Governor for her signature, would become effective Jan. 1, 2010 and would apply to sales made on or after that date.

The bill was requested by the North Carolina School Boards Association and supported by the North Carolina Association of School Administrators.

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=227>. The same site offers a status report on all bills NCASA is tracking for our members during the 2009 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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