

State Budget Likely to Miss Second Deadline

From the July 10, 2009 edition of NCASA's Legislative Link

Legislative leaders said this week they do not expect to strike a state budget deal before a stopgap spending measure expires on July 15. The stalemate, mainly due to House and Senate differences over what components to include in a package of tax increases, continues despite strong advocacy from Governor Beverly Perdue to urge the two chambers to reach consensus.

In a letter to lawmakers on Tuesday, Perdue provided what she calls a “pathway to a balanced budget that protects education and other core services.” The pathway also calls upon budget writers to make significant cuts, to increase revenue through a range of revenue increases she outlined as options, and to take steps to modernize North Carolina’s tax code, including permanent reductions to sales, income and business tax rates. The pathway incorporates aspects of existing budget proposals, including some from Perdue’s own budget and from the House and Senate.

Perdue’s listing of revenue options includes a temporary 1-cent sales tax that would expire in a year, a temporary income tax hike on individuals earning \$500,000 or more, a 50-cent per-pack increase in the cigarette tax and a 2 percent increase in beer and alcohol taxes. The governor wrote to legislators that she wasn’t trying to “micromanage the General Assembly” and that she is open to reasonable adjustments that “ensure enough revenue to protect public schools.”

Later in the week, Perdue shared the same message in her constituent newsletter.

“I continue to urge the General Assembly to work quickly to pass a budget that protects public schools and other vital services, and I have provided them with a clear pathway to do so,” Perdue said in the newsletter. “We cannot allow this recession to devastate our children’s education and our state’s future, and I hope you will join me as we continue to take that message to the General Assembly.”

Perdue’s letter to lawmakers and the list of revenue options she outlined is at <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>.

The Governor’s action drew praise from many education organizations, including the North Carolina Association of School Administrators (NCASA).

“We commend the Governor for continuing to take a strong stand and working to ensure the best possible state budget that protects public schools from devastating cuts and preserves a quality education for all students,” said NCASA Executive Director Bill McNeal. “We share her view that lawmakers cannot address this current economic crisis with cuts alone; we urge them instead to find a balanced approach with adequate new revenues to fund core services in K-12 education.”

While supporting the Governor’s actions, NCASA has raised concerns about one of the revenue options provided on the list she sent to lawmakers. That option is a Senate proposal to eliminate the corporate income tax transfer to the Public School Building Capital Fund. Currently, this is the largest state revenue stream that funds school construction statewide, and it is one of only two state funding sources for public school construction, along with a limited amount of funding from the state lottery.

NCASA is asking lawmakers not to include this proposal in the final state budget because it would take away roughly \$60.5 million or more each year that is needed to help local school districts address the \$10 billion backlog of construction and renovation needs that exist statewide.

Along with this message, other key messages that NCASA encourages our members to share with lawmakers include the following:

- **Provide adequate new revenues to prevent devastating cuts to public education.**
- **Protect public school classrooms and jobs.**
- **Avoid deep cuts to school system central office operations**, since these cuts cannot be offset by other state or federal funds, and local funds are inadequate to cover these losses.

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 Representatives and Senators is at <http://www.ncasa.net/displaycommon.cfm?an=3>.