

# State Budget To Be Signed Into Law Today

*From the August 7, 2009 edition of NCASA's Legislative Link*

The House and the Senate gave final approval Wednesday to the state budget legislation that Governor Beverly Perdue is expected to sign into law today, despite some reservations she has with some of its contents.

With the state facing a revenue deficit of \$4.5 billion for 2009-10, budget negotiations have been long and difficult. Legislators ultimately agreed to \$990 million in new revenue to fund the \$19 billion total state budget. The final state budget, contained in Senate Bill 202, includes federal stimulus funding that offset roughly \$743 million of the total deficit and also helped prevent deeper cuts to education.

During the final week of negotiations, the General Assembly removed a state-mandated increase in class size in grades 4-12 and replaced it with a directive for school districts to manage a discretionary reduction of \$225 million for the 2009-10 year and \$304.8 million for 2010-11. With the exception of a prohibition on increasing class sizes in grades K-3, this reduction will give school districts the option of covering their portion of the budget shortfall by using multiple line items, including increasing class size in grades 4-12.

Gov. Perdue stated in a Raleigh press conference that she did not expect cuts in teacher positions.

"We have had a pot, a very large pot of federal recovery dollars coming in to North Carolina and that money coming to counties and to school systems across the state is supposed, according to the federal legislation, to be used to prevent cuts to teachers in the school systems across North Carolina," Perdue said.

As reported in last week's *Legislative Link*, NCASA Executive Director Bill McNeal has voiced his concern about a discretionary reduction of this magnitude that ultimately puts school leaders in the difficult position of making tough choices on where to cut. In a written statement this week, McNeal acknowledged the challenge of achieving a balanced budget during difficult recessionary times and indicated his appreciation to the Governor and legislators for their efforts to protect K-12 classrooms, but again expressed worry about the impact of the discretionary reduction.

"With discretionary reductions of \$225 million in 2009-10 and \$304.8 million in 2010-11, even with the integration of federal stimulus funds, larger classes in grades 4-12 will be unavoidable," McNeal said. "Administrators will continue to make every effort to protect the classroom and keep educators employed."

The LEA discretionary reduction is part of the \$789,080,587 in total cuts the state budget makes to public schools. The final budget provides \$7,456,261,240 in state funding for public schools and reflects a 9.60 percent cut from the 2008-09 funding. When federal stimulus funding is factored in, public schools will have 4.75 percent less funding in 2009-10 than they had for 2008-09. The public school spending plan includes the following highlights:

- **LEA Discretionary Reduction** (\$225 million) in 2009-10 and (\$304.8 million) in 2010-11
- **Central Office:** (\$14.6 million) This cut will be based on ADM. LEAs with fewer than 8,000 students will have a 7.5 percent cut from 2008-09, those with 8,000 to under 30,000 students will be cut 14 percent, and those with 30,000 ADM or more will face an 18 percent cut.
- **Improving Student Accountability:** (\$38.4 million) to eliminate this state allotment
- **Non-Instructional Support:** (\$10 million) recurring cut in addition to a (\$379 million) non-recurring cut that is to be offset by federal Education Stabilization Funding
- **Staff Development:** (\$12.6 million), meaning no state funding for either 2009-10 or 2010-11
- **Textbooks** (\$48 million) non-recurring cut for 2009-10 and (\$115 million) non-recurring cut for 2010-11. A \$50 million cut made under state emergency budget actions in 2008-09 is repaid.
- **Transportation:** (\$15 million)
- **Career-Technical Education:** No cut
- **Classroom Materials & Supplies:** No cut
- **Teacher Assistants:** No cut
- **District & School Transformation:** \$2.5 million increase
- **Dropout Prevention:** \$13 million increase
- **Learn and Earn:** \$3.72 million increase to make 12 new sites operational with 68 total sites
- **NC Virtual High School:** \$2 million increase
- **Longevity** – No changes although a proposed freeze was discussed earlier this year.

- **Salaries** – No pay increases for anyone. (Note: The state budget bill has INCORRECT salary schedules for principals and assistant principals, and the General Assembly approved House Bill 1172 to enact the correct salary schedules for school-based administrators. That information is at <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H1172v5.pdf>.)
- **Retirement** – No cost-of-living adjustment, but the state is contributing \$21 million in 2009-10 and \$160 million in 2010-11 to keep the Teachers' and State Employees' Retirement System financially sound.
- **State Health Plan** – Maintained fully paid premiums for employees & retirees but out-of-pocket costs increased as of July 1, 2009 (as covered in enacted Senate Bill 287.)

A comprehensive summary of all state budget line items and special funding directives that impact public schools will be made available by NCASA next week. Additional information on the state budget and access to the budget bill and its accompanying money report are available at <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>.