



# Legislative Link

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

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**Special Edition**

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## **Education Oversight Panel Discusses Sales Tax Refund**

The Joint Legislative Education Oversight Committee (JLEOC) received an update this week on the barriers to overcome if lawmakers want to restore the state sales tax refund for public schools, as proposed by the North Carolina Association of School Administrators and other advocates.

Brian Matteson, a fiscal research analyst for the General Assembly, presented committee members with information on the history of the public school sales tax refund that started July 1, 1998 but was eliminated by the 2005 state budget effective with the 2006-07 school year. The same 2005 legislation directed the Department of Revenue to make similar but annually adjusted yearly payments to the State Public School Fund to assist with school operations.

“From what I have been told by the people who were around at the time, there was a desire on the part of the General Assembly to have more control of those (sales tax) funds through the state allotment process,” Matteson told JLEOC members.

The 2005 state budget indicated that school districts would lose their collective statewide refund of \$33.3 million, but the Revenue Department from 2006-07 forward would make quarterly payments of one-quarter of the prior year total (of state sales taxes paid by schools) adjusted by the percentage change in total state tax collections.

In essence, school districts lost their refund that had no spending limitations in exchange for access to a similar amount of money through the various public school allotments that have numerous restrictions. This scenario also raises the question of whether this funding transfer actually supplanted state funds that might otherwise have been invested in public schools.

That Revenue Department transfer to DPI for school operations has included \$45,741,277 for 2006-07, \$46,860,032 for 2007-08 and is projected to be \$46,300,000 for 2008-09.

“If the General Assembly chooses to restore the public school sales tax refund and simultaneously rescinds the Revenue Department transfer, either an additional \$46.3 million of General Fund monies would be needed in Fiscal Year 2008-09 or else that amount of reductions would need to be made to the State Public School Fund,” Matteson said.

Rep. Joe Tolson, D-Edgecombe, raised the issue of fairness and said that both public schools and community colleges should either have a refund or be totally exempt from state sales tax like the state's universities, which gained that status in 2003.

Others pointed out that school districts, particularly in high-growth areas that are doing a lot of construction, are transferring capital expenditures to the counties to make items subject to a refund that way, although this is resulting in significant but an undetermined amount of costs related to those property transfers and the contracts between the school board and county commissioners.

The JLEOC is continuing to look at this issue and could make recommendations for how the 2009 General Assembly should address it. For access to the presentation Matteson shared with the JLEOC, visit <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=202>.

## **Bus Fuel Costs, Other Topics Covered By Legislative Committee**

The Joint Legislative Education Oversight Committee (JLEOC) this week listened to reports on several issues affecting public schools, including a report on bus fuel costs and availability.

Derek Graham of the Department of Public Instruction, told JLEOC members that the \$35 million in additional funds the state budget provided for bus fuel for 2008-09 should cover prices up to \$3.23 per gallon. The initial amount funded for this year would have covered only \$1.83 per gallon.

“If the trend holds and prices continue to drop, the \$35 million in additional funding from the General Assembly should be adequate to meet our need for this year,” Graham said. He added that the year-to-date cost per gallon is \$3.48, and prices were \$3.22/gallon on Oct. 1 and \$3.03/gallon on Oct. 3.

Following Graham’s report, Ben Matthews of DPI gave the committee an update on the Plant Operations Section’s transition from receipt support to tapping up to \$1 million annually from the Public School Building Capital Fund to help provide engineering expertise, environmental management and other facility maintenance support to school districts, as allowed for the first time by the 2008 state budget.

“The school districts that had already signed up to pay receipt support for 2008-09 saw an immediate savings of \$605,000” for the services they needed from the Plant Operations Section, Matthews said.

Rep. Douglas Yongue, D-Scotland and a JLEOC co-chairman, said Robeson County Schools had informed him that the district planned to spend \$225,000 for plant operations support from private vendors until the state budget provided the coverage for the services through DPI.

“This has been a real plus for our school districts, and I hope more of them are able to take advantage of it,” Yongue said.

Other information the JLEOC received this week included updates on:

- Capital needs of school districts,
- The teacher mentor program,
- Existing locally-operated principal mentor programs and the potential for a statewide initiative,
- Efforts to expedite and streamline the teacher licensure process,
- The NCWISE rollout timeline and costs,
- Efforts regarding dropout prevention, and
- A graduation rate update from State Superintendent June Atkinson and a team of administrators and students who highlighted the successes of the Highland School of Technology in Gaston County and Weaver Academy in Guilford County, which both had a 100-percent graduation rate last year.

The JLEOC meets again Dec. 2-3.

## **State Health Plan To Seek Approval For Cost-Saving Pilot Projects**

Dr. Jack Walker, Executive Administrator of the State Health Plan, this week informed employee association leaders, including representatives of the N.C. Association of School Administrators (NCASA) and the N.C. Principals and Assistant Principals’ Association (NCPAPA), of his proposal for two potential pilots to study lower co-payments for certain State Health Plan members.

While one pilot reflects a salary-based benefit plan providing lower co-payments for state employees and school personnel in the lowest salary quadrant, the second targets lowering co-payments for generic cholesterol medication from \$10 to \$4. Past experience with these options indicate that both could lower medical expenses for the State Health Plan overall by decreasing the need for hospitalization through more affordable access to necessary prescriptions and preventive health care. Both pilots need approval from the N.C. General Assembly in order to be enacted. If approved, the pilots will include approximately 500 participants and will be conducted over a year and half.

The pilot proposals are part of Walker's efforts to address a deficit in the State Health Plan and to reduce the amount of funding the state will need to invest in the plan over the next two years. Information he presented to lawmakers in September indicates that up to \$1 billion in General Fund money would be needed by the State Health Plan for the 2009-2011 biennium, and monthly premiums for spouse and family coverage could increase by as much as 32 to 38 percent Oct. 1, 2009.

NCASA and NCPAPA will provide additional updates on future developments in regards to the pilot plans and other efforts to reduce State Health Plan costs and their impact on active and retired school personnel.

## **UNC Leader Makes Pitch To Continue Principals' Executive Program**

Mike Williams, Executive Director for the UNC Center for School Leadership Development, caused quite a stir at the Joint Legislative Education Oversight Committee (JLEOC) Wednesday, when he stated the Principals' Executive Program (PEP) will cease to exist if it doesn't receive funding by July 2009.

"We will have to start to shut the program down shortly after Christmas, if we don't receive funding in July," Williams stated.

Members of the Joint Legislative Education Oversight Committee were deeply concerned to hear this information.

"I feel this is one of the greatest programs we have to support the public schools," said Sen. Martin Nesbitt, D-Buncombe. "It all breaks down if you don't have good leadership at the top."

In 2007 the General Assembly's Fiscal Research Division conducted a justification review of PEP. It concluded that "to justify continued state funding, PEP must demonstrate a measurable impact on conditions and learning in schools." In 2007 PEP lost its recurring state funding and instead was provided non-recurring or one-time funding for both the 2007-08 and 2008-09 years. Additional state funds are needed effective July 1, 2009, for PEP to continue operations.

JLEOC Co-Chairman Douglas Yongue, D-Scotland, told the committee that this funding need could be addressed in the committee's recommendations to the 2009 General Assembly. Those recommendations will be completed before the legislative session begins Jan. 28.

## **All Principals Must Register By 12-1-08 To Receive Sex Offender Alerts**

A new state law aimed at enhancing efforts to protect children from sexual predators requires every school principal in North Carolina to sign up to receive email notifications when a registered sex offender moves near his or her school.

Enacted House Bill 933, the Jessica Lunsford Act for North Carolina, requires principals to sign up through the Attorney General's Office by Dec. 1, 2008, when the new law takes effect statewide.

Principals can comply with this new requirement by visiting the following website, <http://www.ncfindoffender.com/>, and then clicking on the blue box at the left that says "Sign Up for Email Alerts."

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