

Lawmakers Approve Compromise On State Budget; Governor Cooper Expected To Veto

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Legislative leaders unveiled their compromise on a \$24 billion state budget Tuesday, reflected in this [bill text](#) and [money report](#), and the House and Senate both gave preliminary approval Wednesday, despite concerns Governor Roy Cooper has raised about key priorities he says are missing from the deal. The Governor's opposition to lawmakers not including Medicaid expansion, a K-12 school bond referendum and what he has referred to as "significant" pay increases for teachers, make it likely the budget will face his veto after it clears its final vote in both chambers later today as expected.

While a budget veto is likely, what is less certain is what will happen as the next step. Following Wednesday's budget debate in each chamber, four Democrats joined with Senate Republicans to approve the package 34-14. Three House Democrats also joined their chamber's GOP colleagues in voting 66-50 in favor. This could signal that there may be enough Democrats who would side with Republicans in overriding a budget veto to put the package into law over the Governor's objections. If most Democrats ultimately side with Governor Cooper in support of his veto, House and Senate Republicans will not have sufficient numbers for an override. If the latter occurs, budget negotiations could stretch into the summer or early fall, leaving the 2018-19 budget as status quo and delay pay increases, public school enrollment growth funding, and other key state needs from being addressed until a deal ultimately is reached.

The 2019-21 budget reflects compromises between the House and Senate on the K-12 spending plan and the numerous policy changes it would implement for public schools if ultimately enacted. It appears that most controversial proposals that had emerged in either the House or Senate plan have been dropped, including proposed cuts to early college high schools and repealing the authority of local school boards to sue county commissioners in capital funding disputes.

K-12 funding would total \$11.77 billion in FY 2019-20 and \$11.83 billion in FY 2020-21. Both totals reflect \$2.18 billion in funding from receipts – including lottery proceeds, fines and forfeitures etc. – and a total net appropriation of \$9.59 billion the first year and \$9.65 billion in the second.

Highlights of key budget provisions affecting public schools and their personnel are as follows:

Salaries and Benefits

- **Teachers and Instructional Support** – Appropriates \$57 million in FY 2019-20 and \$85.4 million in FY 2020-21 to increase teacher and instructional support compensation. The estimated average State-funded salary increase for these personnel who are employed in FY 2018-19 and remain employed through the upcoming biennium is 2% (\$1,000) in FY 2019-20 and 3.9% (\$1,875) in FY 2020-21, compared to their FY 2018-19 salary. The FY 2019-20 individual increases range from 1% to 5.2% (individual base salary increases range from \$500 to \$2,600). The average State-funded salary base for teachers and instructional support is projected to grow by approximately 0.73% in FY 2019-20 and 1.2% in FY 2020-21, relative to FY 2018-19. The estimated annualized average teacher pay, including local supplements and recurring bonuses, is approximately \$54,350 in FY 2019-20 and \$54,600 in FY 2020-21. The average non-recurring bonus amounts not included in

these averages total approximately \$70 in each year of the biennium. Specifically, the budget would:

- Increase the base teacher salary schedule for steps 16-20 by 1% in each year of the biennium.
 - Increase the base teacher salary schedule for steps 21-24 by 3% in FY 2019-20, and an additional 1% in FY 2020-21.
 - Increase the base teacher salary schedule for steps 25+ by 1.2% in FY 2019-20 and an additional 0.9% in FY 2020-21.
 - Provide teachers with 25+ years of experience a \$500 bonus in each year of the biennium.
 - Provide funding for recruitment bonuses to school districts receiving funding from the small county allotment; funding would match local funds up to a cap of \$2,000 per teacher.
 - Provide licensed school counselors with an additional \$80 monthly supplement in addition to their pay provided under the teacher salary schedule.
 - Call for a study on school psychologist and school counselor positions and their allocation across LEAs statewide, with a report due to the Joint Legislative Education Oversight Committee by March 1, 2020.
- **Principals and Assistant Principals** – Provides an additional \$18.1 million in FY 2019-20 and \$19.2 million in FY 2020-21 to increase principal and assistant principal (AP) compensation. The annualized average State-funded salary base for principals is projected to grow by approximately 6.2%, or \$4,650. The estimated average State-funded AP salary increase for APs employed in FY 2018-19 and who remain employed through the upcoming biennium is 1.9% in FY 2019-20 and 3.5% in FY 2020-21, compared to their FY 2018-19 salary. Specifically, the budget would:
 - Implement a revised principal schedule that increases all levels and including a new ADM tier of 201-400 (previously ADM range from 0-400 paid the same).
 - Adjust the ADM level for the top tier of the schedule from 1,301+ to 1,601+ to reflect larger schools across the state.
 - Modify the existing principal bonus program by increasing the bonus amounts for principals in the Top 5% and Top 10% in growth from \$10,000 and \$7,500 to \$15,000 and \$10,000 respectively, and eliminate the doubling of the bonus for principals in “D” or “F” schools.
 - Create a new principal recruitment program that provides up to 40 principals currently paid on the “exceeded” growth column of the schedule a \$30,000 annual salary supplement for 3 years (for a \$90,000 total incentive) if they accept employment at a school in the bottom 5% in school performance.
 - Extend the hold harmless for principals and assistant principals who may have earned more under previous pay schedules.
 - Provide assistant principal salary increases in-line with the revised teacher salary schedule, retain their 19% differential over teachers with the same years of experience, and keep in place their supplements for advanced and doctoral degrees.

- **Central Office and Non-Certified** – Provides a 1% increase in each year of the biennium, although most state agency employees (including those with similar jobs as custodians and clerical personnel) will see increases of 2.5% each of the next two years.
- **Bonus Leave Days** – Provides 5 non-expiring bonus leave days for eligible State employees and Community College employees, but all public school personnel are excluded.
- **State Health Plan** – Fully funds requirements over the biennium by providing \$51.0 million in FY 2019-20 and \$137.1 million in FY 2020-21 to increase employer premiums to the State Health Plan for active employees. The annual premium to be employer-paid for active non-Medicare-eligible employees is \$6,306 in FY 2019-20 and \$6,647 in FY 2020-21.
- **Retirement System** – Spends \$132.0 million in FY 2019-20 and \$331.0 million in FY 2020-21 to increase contributions to State retirement systems and the Retiree Health Benefit Fund for retiree medical benefits and fully funds requirements over the biennium. Associated retirement contribution rates for LEAs and other employing entities are 13.13% (with 19.86% total for retirement and other employer-provided benefits) in FY 2019-20 and 14.52% (with 21.60% total) in FY 2020-21.
- **Short-Term Disability** – Allocates \$6.1 million in both FY 2019-20 and FY 2020-21 to provide funds to State employers to pay short-term disability benefits under Session Law 2018-52. There is a corresponding reduction of the same amount reflected in the contributions to State retirement systems above.
- **Retiree Supplement** – Provides \$17.4 million in FY 2019-20 and \$17.4 million in FY 2020-21 to provide a one-time 0.5% supplement for retirees in each year of the biennium.

Public School Funding and Provisions

- **K-12 Capital** – Outlines the General Assembly’s intent to provide \$4.4 billion over 10 years for K-12 capital funding for new schools and renovations. Specifically includes:
 - \$1.5 billion in aggregate over 10 years through the State Capital and Infrastructure Fund (SCIF), utilizing a pay-as-you-go plan with investments from the State’s General Fund. This new K-12 capital funding will start with \$453.8 million over the biennium to reflect a \$281.3 million appropriation in FY 2019-20 and a \$172.5 million appropriation in FY 2020-21. Amounts for each LEA are specified from the total 10-year SCIF package.
 - \$1 billion from the Public School Capital Fund that reflects the current \$100 million per county annually through lottery funding.
 - \$1.9 billion in needs-based capital funding that also comes from lottery proceeds.
 - Notably, the K-12 capital package does not include a previous Senate proposal to prohibit LEAs from suing counties when local capital funding disputes are not settled in mediation.
- **15-Point Scale for School Performance Grades** – Makes permanent the 15-point scale used in calculating school performance grades that had been set to change to a 10-point scale July 1, 2019. (This same measure also moved forward in Senate committees this week in [House Bill 362](#).)
- **School Safety** – Invests more than \$91 million in school safety measures to protect children in schools, including:

- \$9 million in new recurring funding for additional school resource officers, including \$3 million in FY 2019-20 and \$6 million in FY 2020-21.
 - \$43 million over the biennium for schools to hire new mental health personnel through increased funding in the Instructional Support allotment, with \$20 million added in FY 2019-20 and another \$23 million added in FY 2020-21.
 - Grants – Adds the following non-recurring funds in 2019-20: \$6.1 million for equipment, \$4.5 million for training, and \$4.5 million for students in crisis community services.
- **Textbooks and Digital Resources** – Provides \$12 million in additional recurring funding each year of the biennium, including \$1.1 million in receipts from the Indian Gaming Reserve Fund in 2019-20, for a total allotment of \$74 million.
 - **Instructional Support Allotment** – Increases funding by \$20 million in FY 2019-20 and \$23 million in 2020-21, with a stated intent for LEAs to hire additional school mental health support personnel: school psychologists, school counselors, school nurses, school social workers.
 - **Classroom Supplies** – Provides \$15 million additional non-recurring funds each year of the biennium and requires it to be allocated to cover \$150 per eligible classroom teacher in FY 2019-20 and \$200 per teacher in FY 2020-21 to purchase supplies through the Class Wallet app at participating retailers.
 - **Cooperative Innovative High Schools** – Provides \$1.5 million in recurring supplemental funding for five Cooperative Innovative High Schools (CIHS's) which opened in FY 2018-19, and two CIHS's approved to open in FY 2019-20. Caps the number of CIHS's that the State Board of Education (SBE) may approve each year to operate with supplemental funding at four. Makes the opening of any new approved schools contingent on the General Assembly appropriating additional funds for them within one calendar year; the school cannot open unless that contingency is fulfilled, and if not, the school can resubmit a revised application that drops the supplemental funding request. This new law takes effect for schools applying to open in the 2020-21 school year.
 - **Economics and Personal Finance** – Provides \$1 million NR in FY 2019-20 to the NC Council on Economic Education to provide professional development to teachers for a new Economics and Personal Finance course that will become a high school graduation requirement with students entering the 9th grade in 2021-22.
 - **Arts Education Graduation Requirement** – Requires one arts education unit for graduation, to be completed any time in Grades 6-12, and applies with students entering the 6th grade in 2022; does not adjust the Program Enhancement Teacher allotment or full funding phase-in as previously proposed by the House.
 - **Free Lunch** – Provides \$3 million in one-time funding in FY 2019-20 to pay the reduced-priced lunch copays for students qualifying in all schools participating in the National School Lunch Program, and directs the SBE to recommend policy options for uniform administration of unpaid meal charges in LEAs. Also directs DPI to use any excess funds from the National School Breakfast Program for this free meal initiative if the appropriated funds are inadequate.

- **Transportation** – Adds \$14.6 million non-recurring in 2019-20 to cover higher fuel costs; also cuts \$9.65 million the first year and \$1.65 million the second year from school bus replacement funds to reflect actual expenditures.
- **Average Salary Adjustment** – Provides recurring funding to cover the increase in the average salary of various public school positions (\$47.5 million, recurring).
- **ADM Adjustment** – Provides recurring funding beginning in FY 2019-20 to fund average daily membership (ADM) adjustments (\$3 million, recurring).
- **School Business System Modernization** – Provides funds for this DPI project that includes an ERP for increased efficiency in payroll, human resources, licensure, and financial information (\$6.9 million in FY 2019-20 and \$40.2 million in FY 2020-21).
- **Transportation/Homeless and Foster Children and Children with Disabilities** – Provides \$3 million non-recurring in FY 2019-20 to establish a grant program to help cover the extraordinary costs associated with transporting homeless and foster children to and from their schools of origin. Also allows LEAs to apply to the Special State Reserve Fund for grants to help cover the costs of transporting high-needs children with disabilities.
- **Advanced Teaching Roles** – Codifies the previous pilot and increases funding to allow four additional LEAs to develop new models of job responsibility and compensation for participating teachers. Also provides class size flexibility and budget flexibility for participating schools.
- **Excellent Public Schools Act 2019** – Revises the N.C. Read to Achieve Program as follows:
 - Establishes individual reading plans, the Digital Children's Reading Initiative, and a Comprehensive Plan to Improve Literacy Instruction.
 - Provides \$500,000 recurring to the North Carolina Center for the Advancement of Teaching to support professional teacher development, with a priority on literacy instruction.
 - Requires the SBE and DPI to align literacy curriculum and instruction with the Read to Achieve Program.
 - Requires Educator Preparation Programs to provide literacy training in programs for elementary education teachers.
 - Requires approval of LEA plans for local summer reading camps, effective for camps that will follow the 2019-20 year.
 - Requires a study on phasing out some alternative assessments for third grade reading.
 - Creates uniform reporting for Read to Achieve data.
 - Provides for continuing education credits related to literacy for certain reading camp instructors and allows certain retired teachers to serve as reading camp instructors.
 - Expands the Wolfpack WORKS program at NCSU or other campuses.
 - Funds a reading camp pilot utilizing Imagine Learning and Failure Free Reading curricula.
- **Joint Legislative Task Force on Education Finance Reform** – Extends the work of this commission through March 31, 2020, rather than adopting the previous House plan to fund a third-party organization to develop a weighted student funding model for public school allotments.

- **Holocaust and Genocide** – Allocates \$75,000 for DPI to acquire curriculum content and implement professional development for a new requirement for instruction addressing the Holocaust and genocide.
- **Rehire High-Need Teachers** – Includes the provisions of [Senate Bill 399](#), which also is moving forward as free-standing legislation, that would allow LEAs to employ in low-performing or Title 1 schools certain retired teachers without negatively impacting their pensions.

University Funding and Provisions of Interest to Public Schools

- **NC Personal Education Student Account for Children with Disabilities Program** – Consolidates the Special Education Scholarship Grant and the NC Personal Education Savings Account programs into this program, with a revised net appropriation of \$16.0 million in each year of the biennium.
- **Teaching Fellows** – Directs that three additional institutions of higher education be selected to offer this state-funded scholarship-loan program that develops teachers, bringing the total to 8 programs.
- **Opportunity Scholarships** – Lifts the previous cap on allowing these scholarships (which are vouchers for education in private schools) to be awarded to kindergarten and first grade students; also clarifies eligibility of certain four-year-old's who are deemed gifted and mature.

The N.C. Association of School Administrators will provide additional updates on budget developments as they occur, and if this budget legislation is signed into law, we will prepare a full summary of all provisions and funding changes that affect public schools. Details will be shared at NCASA's 2019 School Law and Policy Symposium being held Sept 23-24 at the McKimmon Center in Raleigh. [Registration](#) for that event is now open.