



2012-13 State Budget Concerns



Issue:

While North Carolina's school leaders realize that North Carolina's economy is struggling to recover from the recent recession, they also understand that a strong public education system is essential for preparing career- and college-ready graduates who help the state attract and retain the businesses and jobs needed for economic vitality. Recent declines in state support for public schools have dropped North Carolina's per-pupil funding to 49th in the nation, ahead of only Utah and behind Mississippi. Our organizations that represent the 115 local superintendents and more than 6,000 other school leaders believe this trend must be reversed with an increased investment in K-12 education that will benefit all students and our state as a whole. Specific concerns regarding recent public school budget cuts and reductions already planned for 2012-2013 include, but are not limited to, the following:

- General Fund appropriations for K-12 education in 2011-12 is almost \$250 million less than funding provided in 2007-08, despite an increase of 19,251 students since that time.
- Public schools are projected to add 13,886 students in 2012-13, for enrollment of almost 1.5 million, while the state funding to serve that population will decrease by more than \$20 million unless legislative action in 2012 changes the course.
- State funding this school year decreased by \$459 million from 2010-11 levels to exacerbate the large and ongoing LEA Discretionary Reduction that forces each school district to identify which programs and personnel to cut beyond those specified in the state budget.
- The 2011 State Budget set in motion a \$74 million increase in the LEA Discretionary Reduction that school districts must absorb for 2012-13 by identifying which programs and personnel to cut to cover their ADM-based share of the whopping \$503.1 million total that must be reverted to the state.
- Fewer caring and competent adults are available to support each student this school year, since 6,382.9 positions were eliminated and 2,421.1 people were laid off, including 534.1 teachers and 1,260.2 teacher assistants.
- Public school layoffs are likely to grow in 2012-13 with the September 30th expiration of \$254 million in federal Education Jobs funding that is supporting approximately 5,000 teachers, teacher assistants, custodians, clerical staff and other school-based personnel this school year.
- Personnel reductions already have forced class sizes in Grades 4-12 to exceed 40 or more students in many school districts, meaning each student receives less individual attention for his or her specific learning needs.

Solution:

Since a strong public school system is critical to make North Carolina viable in the global economy, the Governor and General Assembly should consider the following for the 2012-2013 state budget:

- **Maintaining and increasing public school funding should be the top priority, and additional cuts to proven K-12 services and programs, and the personnel who are necessary to implement them, should not be considered.**
- **Public school jobs are essential both for student support and North Carolina's economy.**
- **The \$428.9 million LEA Discretionary Reduction that is set to increase to \$503.1 million in 2012-2013 should instead be reduced and ultimately eliminated to minimize public school job losses and preserve student learning opportunities.**
- **Line item cuts to public schools should be avoided, especially those that would result in additional job losses that would negatively impact the classroom and the state economy.**

State General Fund Appropriations for Public Schools

Year	Continuation Budget	Net Changes	% Change	Revised Budget	Allotted ADM
2003-04	6,086,682,250	-51,631,948	-0.85%	6,035,050,302	1,342,806
2004-05	6,034,995,183	122,269,724	2.03%	6,157,264,907	1,370,253
2005-06	6,585,323,929	22,675,016	0.34%	6,607,998,945	1,398,226
2006-07	6,579,807,097	139,944,021	2.13%	6,719,751,118	1,434,625
2007-08	7,466,321,736	248,107,833	3.32%	7,714,429,569	1,461,740
2008-09	7,708,315,285	93,731,253	1.22%	7,802,046,538	1,476,566
2009-10	8,245,341,827	-789,080,587	-9.57%	7,456,261,240	1,464,914
2010-11	7,360,833,223	-275,244,311	-3.74%	7,085,588,912	1,475,668
2011-12	7,923,548,951	-459,056,894	-5.79%	7,464,492,057	1,480,991
*2012-13	7,923,548,951	-479,426,851	-6.05%	7,444,122,100	1,494,877

* Budget totals denote approval in 2011 State Budget to be revised by 2012 General Assembly and Allotted ADM is the current projection.

Sources: Enacted State Budget Money Reports, N.C. General Assembly & Budget Highlights, N.C. Department of Public Instruction

State News

Revenue Collections Up for First Half of Year

Governor Bev Perdue issued a press release on Tuesday announcing that North Carolina's revenue collections were strong in December, exceeding budget projections by \$60 million and bringing the overall amount collected above forecasts for the first half of the fiscal year to \$150 million.

"Creating jobs is my top priority," Gov. Perdue said. "We still have a long way to go, but these figures suggest that the top-rated business climate and educated, trained workforce we have built over the years is helping our recovery gain traction."

- Businesses did particularly well in December, with corporate and franchise collections reaching 14.5 percent above budget that month and ending on target for the first half of the year.
- Individual income tax collections finished December 2 percent above budget expectations and remain above forecast for the first half of the fiscal year.
- Sales collections reflected the modest success of retailers this season, ending 3.8 percent above budget projections in December but slightly below budget for the first half of the year.

State economists report that the recent economic data remains upbeat. A stronger business confidence, stronger consumer spending and stronger housing starts suggest the economy gained momentum as 2011 closed. Challenges still exist, however, as

consumers still face high debt levels, home prices are still falling and the financial situation in Europe remains worrisome. In addition, the most volatile revenue sources are collected during the second half of the year.

The combination of a first half with collections modestly above forecast, combined with recent upbeat economic news has improved the overall revenue outlook for the second half of the fiscal year.