

## North Carolina

*Eric Houck, Walter Hart, and Jim Watson*

North Carolina's biennium budget became law in November 2021 following lengthy negotiations between Republican leaders in the General Assembly and Democratic Governor Roy Cooper. North Carolina had not passed a comprehensive budget since 2018, leaving the State to operate under 2018 funding levels along with a series of independent funding laws.

### FUNDING PRIORITIES FOR P-12

#### *Overall funding*

The budget allocates \$10.6 million for K-12 schools in 2021-2022 and \$10.9 million in 2022-2023.

#### *Salaries*

The budget provides an average pay increase of five percent for teachers over two years (a 1.3% increase and a longevity step). State employees will receive a \$1000 bonus, those making less than \$75,000 will receive an additional \$500 bonus, and teachers will receive an additional \$1000 bonus. A previous bonus for teachers whose students met specified test scores was converted into a \$300 bonus for all teachers.

Most state employees will receive an average five percent pay increase over two years, with a \$15.00 per hour minimum wage for non-certified school staff. The principal salary schedule will increase by 2.5%.

Retirees receive a five percent cost of living bonus over two years (2% in 2021-2022 and 3% in 2022-2023).

The budget provides \$100 million for 95 of 100 counties to increase supplemental teacher pay. Five counties were excluded: Buncombe, Mecklenburg, Durham, Guilford, and Wake.

### CHANGES TO THE FUNDING FORMULA

North Carolina will continue its resource allocation model despite debate about whether the state should use a weighted pupil funding model (see Houck & Abbott, 2019). In what may signal support for a weighted pupil model, the budget directs the Department of Public Instruction to develop a formula for determining the full-time equivalency for student enrollment for the purposes of providing funding on a per pupil basis.

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## PRESSING STATE ISSUES

### *The Leandro Case*

The budget does not fully address the funding requirement of \$1.7 billion additional dollars for education that was ordered in October 2021 by Judge David Lee as part of the landmark school funding case (Lange & Wood, 2006). Legislative leaders resisted this order, maintaining that they alone allocate funding. Others suggested that the funding must be provided in order for the state to comply with its unmet constitutional requirement of a sound, basic education (as stipulated by the Leandro ruling and delineated by the court-ordered 2019 WestEd report).

### *Capital Needs and Infrastructure*

The budget provides \$5.9 billion for capital repairs in schools and state agencies, and \$1 billion for expanded broadband access. It also transfers \$528 million from the North Carolina Education Lottery to the “Needs-Based Public Schools Capital Building Fund” (\$375.3 million in 2021-2022 and \$153.3 million in 2022-2023). Additionally, each county will receive \$300,000 in 2021-2022 and \$500,000 in 2022-2023 for school repairs and renovations (\$30 million in 2021-2022 and \$50 million in 2022-2023). The governor’s proposed \$4 billion bond referendum for capital needs was not included.

### *ADM Hold Harmless*

In response to COVID-19, state allocations to individual LEAs will not be reduced if their state-projected ADM was higher than actual ADM. Absent this provision, districts would collectively have faced cuts of \$132 million.

### *Changes in the Tax Code*

North Carolina’s personal income tax rate decreases from 5.25% to 3.99% over 6 years, with the rate dropping to 4.99% on January 1. A gradual elimination of the corporate tax will begin in 2025, with the complete elimination of the tax by the end of the decade.

### *The “Rainy Day” Fund*

North Carolina’s savings reserve is set at \$4.5 billion by 2022-2023.

### *Excellent Public Schools Act of 2021*

The new “Science of Reading” program is mandated in K-12 schools, including training for current and prospective teachers and the allocation of positions at NCDPI to support this initiative.

### *Innovative School District*

The Innovative School District program, an initiative involving a state takeover of select, low performing schools, was eliminated.

### *Medicaid Expansion*

Medicaid expansion, an ongoing source of political conflict, was not included. A committee was assigned to review Medicaid funding.

### *Walker Kelley v. State*

A lawsuit has been filed which challenges the tuition voucher program. Plaintiffs, whose children would be denied admission to religiously-affiliated private schools because of their personal beliefs and/or sexual orientation, argued that the program violates the state's constitutional protections against religious discrimination.

### ALTERNATIVES TO P-12

The budget makes it easier for quality charter schools to receive approval to be replicated.

The budget adds \$30 million to the voucher program, called Opportunity Scholarships, over the next two years. Total funding for vouchers will reach \$120.5 million.

Individual private school vouchers increase from \$4200 per student to 90% of the statewide per pupil expenditure. The new amount will be approximately \$5850 per voucher. The income eligibility to receive vouchers will increase from 150% to 175% of the amount needed to qualify for free-and-reduced meal prices (\$85,794 for a family of four).

### TOTAL STATE PPE

State per pupil spending for 2020-2021, the last year reported, was \$7155.63. Local funding added \$2298.92 per pupil and federal funding added \$1298.06 per pupil.

### REFERENCES

- Houck, E. A. & Abbot, K. (2019). North Carolina. in Wood, C. R. et al (Eds). Funding Public Schools in the United States and Indian Country (pp. 505-516). Charlotte: Information Age Publishing.
- Lange, G., & Wood, R. C. (2006). Education finance litigation in North Carolina: Distinguishing Leandro. *Journal of Education Finance*, 32(1), 36-70. SB 105.2021 Appropriations Act. [webservices.ncleg.gov/ViewBillDocument/2021/53458/0/5101-PCLS25005-MLXR-3](https://webservices.ncleg.gov/ViewBillDocument/2021/53458/0/5101-PCLS25005-MLXR-3)