



BTC

Budget & Tax Center

North Carolina's State Budget

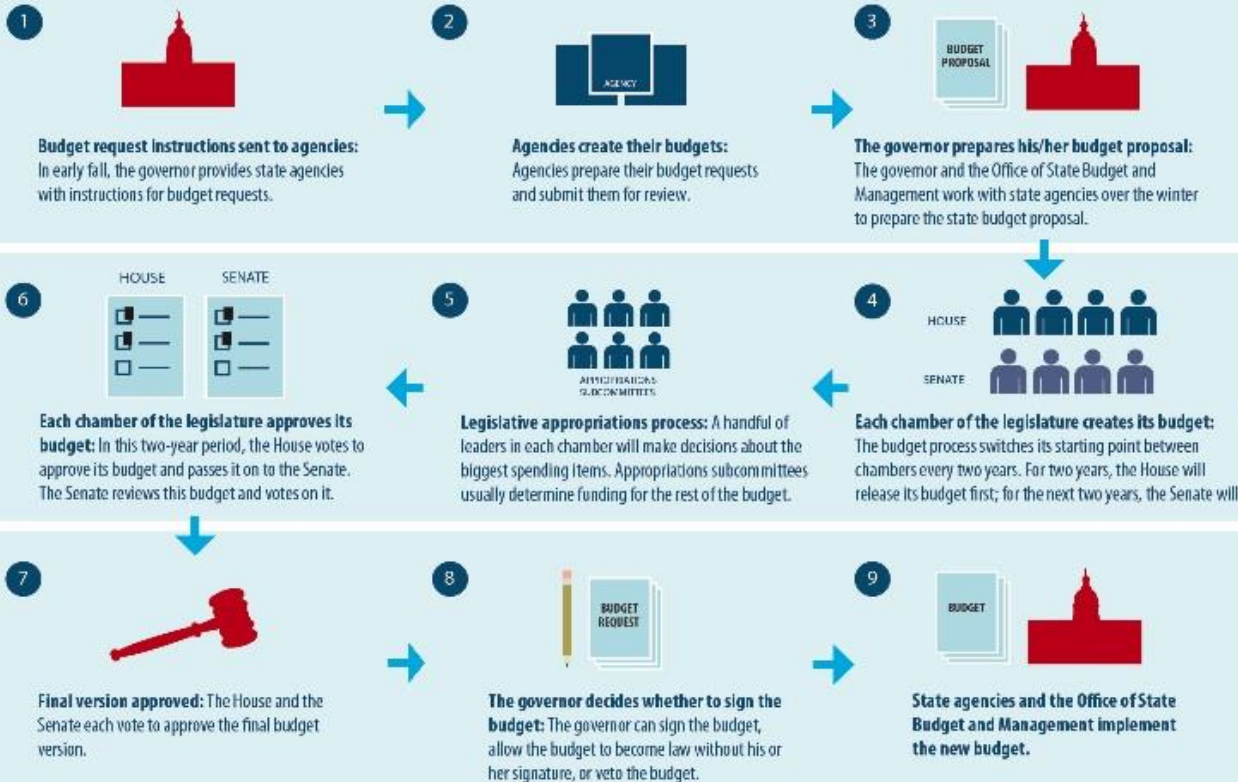
**A Tool for Ensuring
High Quality
Education for ALL
Students**

**February 11, 2017
Raleigh, NC**

North Carolina's State Budget Process

How does the budget get decided?

Steps Along North Carolina's Budget Path



Key Highlights:

- State constitution requires balanced budget
- Governor recommends two-year (biennial) budget in odd-numbered years
- House and Senate approve official final biennial state budget
- Even-numbered years, lawmakers make adjustments to second year of biennial budget

State Budget Process Recap

- Governor releases recommended budget (around Feb/Early March)
- Senate will then take lead and present its proposed biennial budget
- House will either accept Senate's proposed budget or reject it and present its proposed budget
- Senate and House will then work jointly to create a "conference" budget
- Full House and Senate vote on conference budget, respectively
- Approved conference budget sent to Governor to sign, not sign, or veto

Key Decision-making Committees

House Standing Committees

- Appropriations
- Appropriations, Education
- Education (K-12)
- Finance

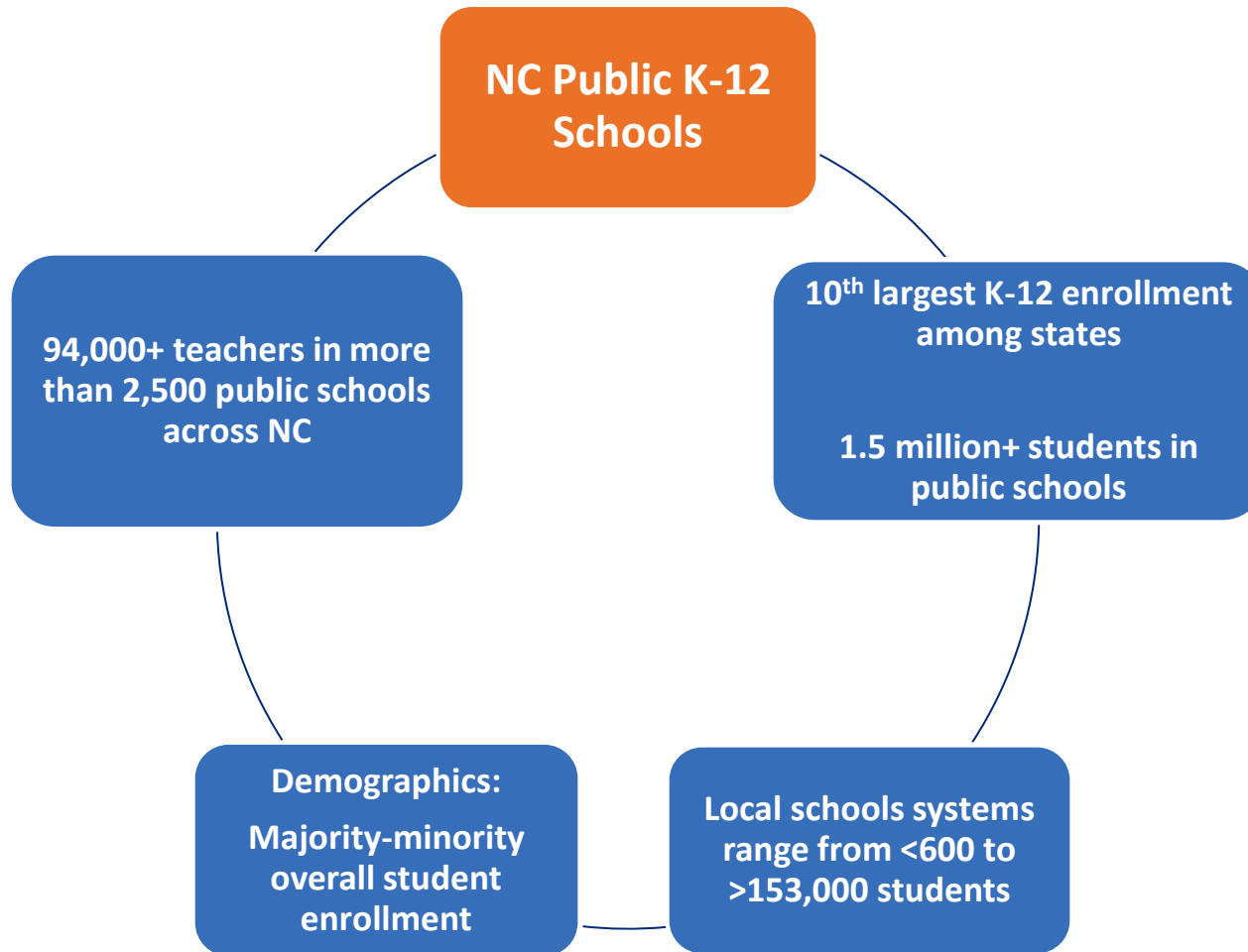
Senate Standing Committees

- Appropriations / Base Budget
- Appropriations, Education / Higher Education
- Education / Higher Education
- Finance

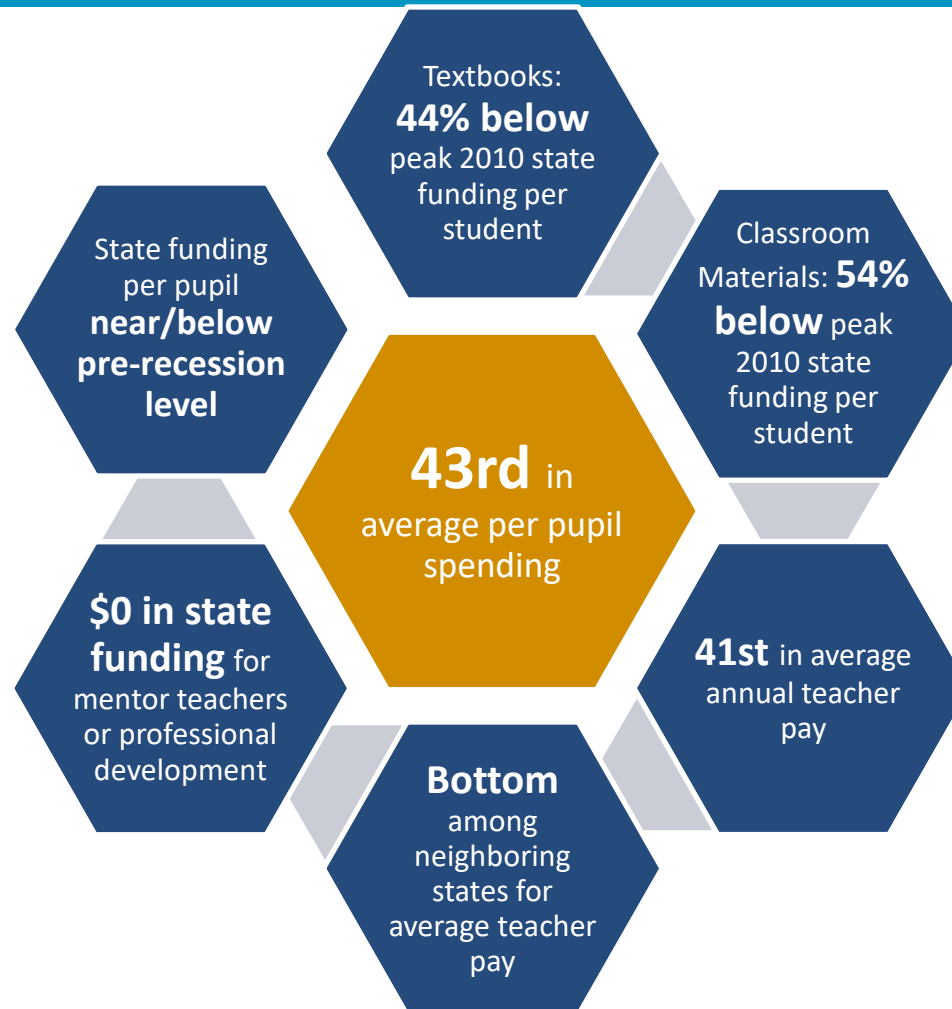
- State agencies submit budget requests to Office of State Budget & Management (OSBM) – **complete**
- Consensus revenue forecast provided by NCGA Fiscal Research Division – **complete**
- Governor submits budget to Legislature – **Feb/March 2017**

North Carolina's K-12 Public Schools

Who We Are



Where Does North Carolina Stand: “Not Making the Grade”



Source: NCGA approved budgets FY2008 and FY2017, adjusted for inflation, and National Education Association, Rankings & Estimates 2016



Where Does North Carolina Stand: “Positives to Build On”



Eroding state support for K-12 education create inequity in access to a high quality education

K-12 Funding Sources (%)

	1999-2000	2015-16
State	68.8%	64.2%
Federal	7.7%	11.5%
Local	23.5%	24.3%
Total	100%	100%

Fact: Eroding state support results in increased reliance on local and federal dollars.

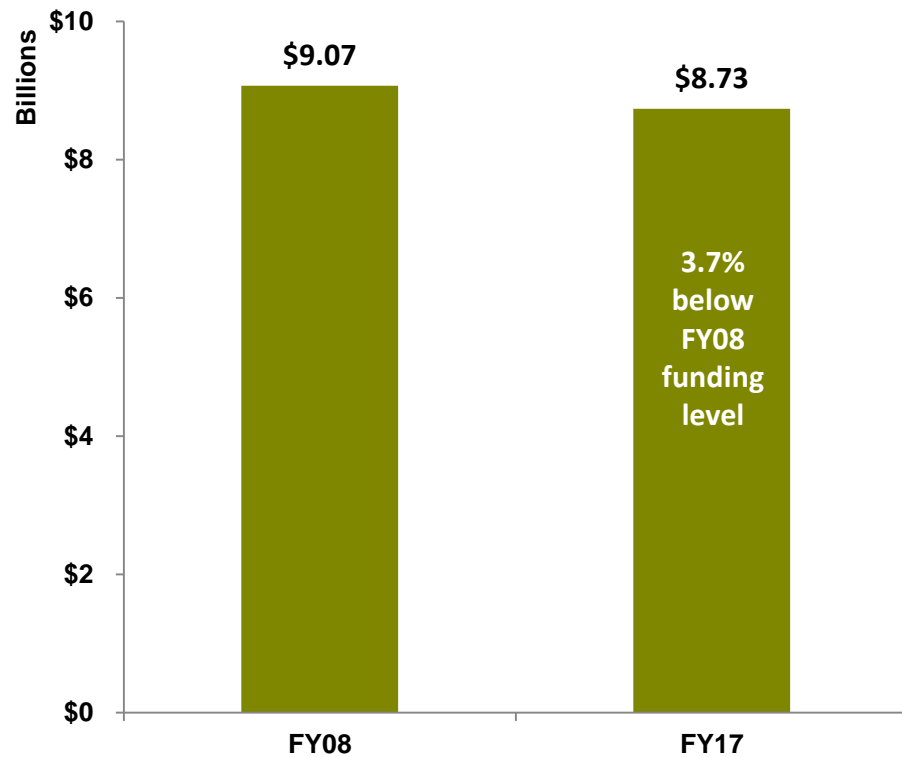
Reality: Ability of local communities to replace eroding state support varies greatly across the state.

State spending for K-12 education remains below pre-recession level under FY2017 budget

Fact: More than 81,000 additional students in public schools since 2008.

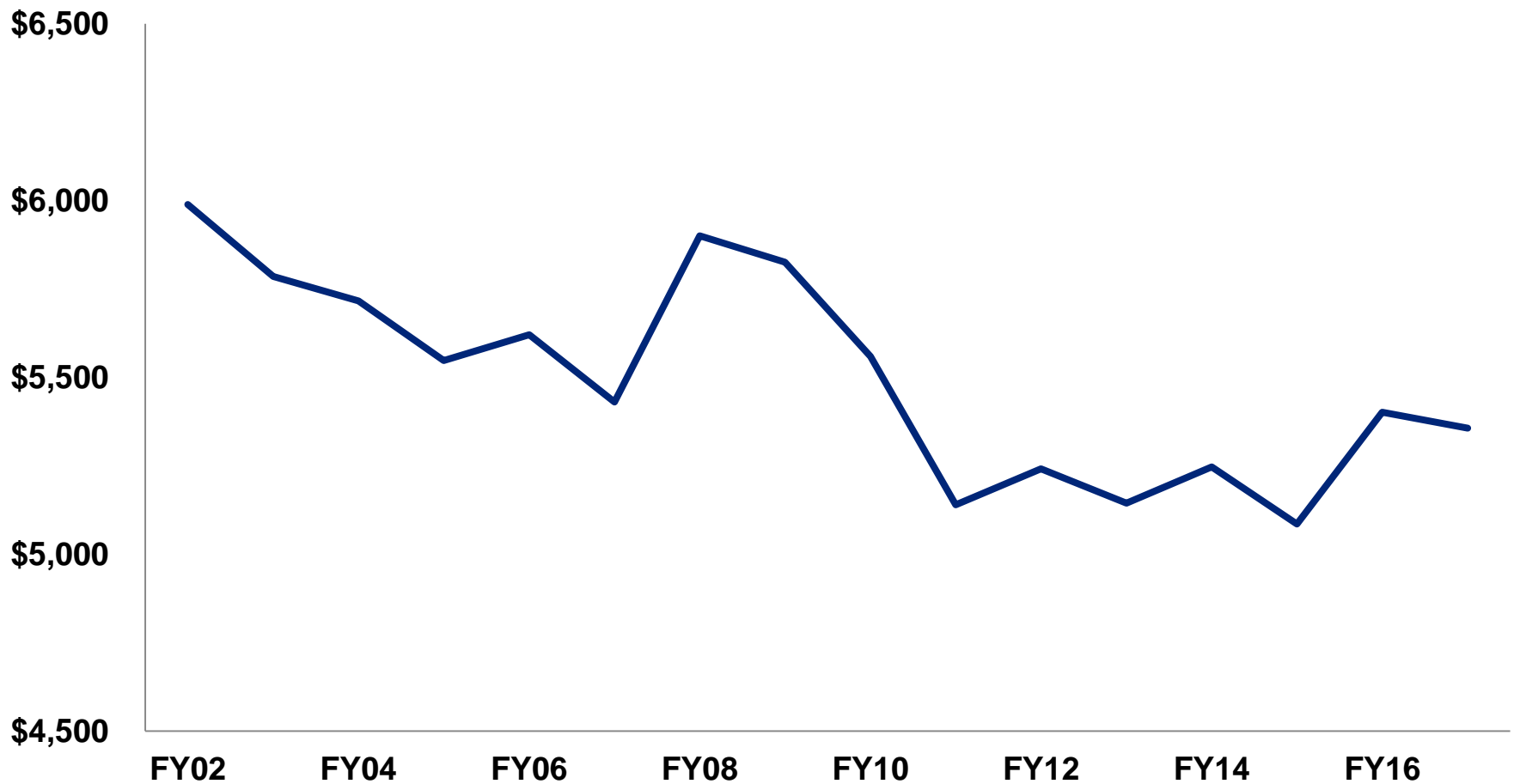
Reality: Public schools challenged with educating more students with fewer resources.

Total State Spending, K-12 Budget (inflation adjusted)



State spending per pupil well below pre-recession level under FY2017 budget

Per Pupil State Spending by Fiscal Year, K-12 Budget (inflation adjusted)

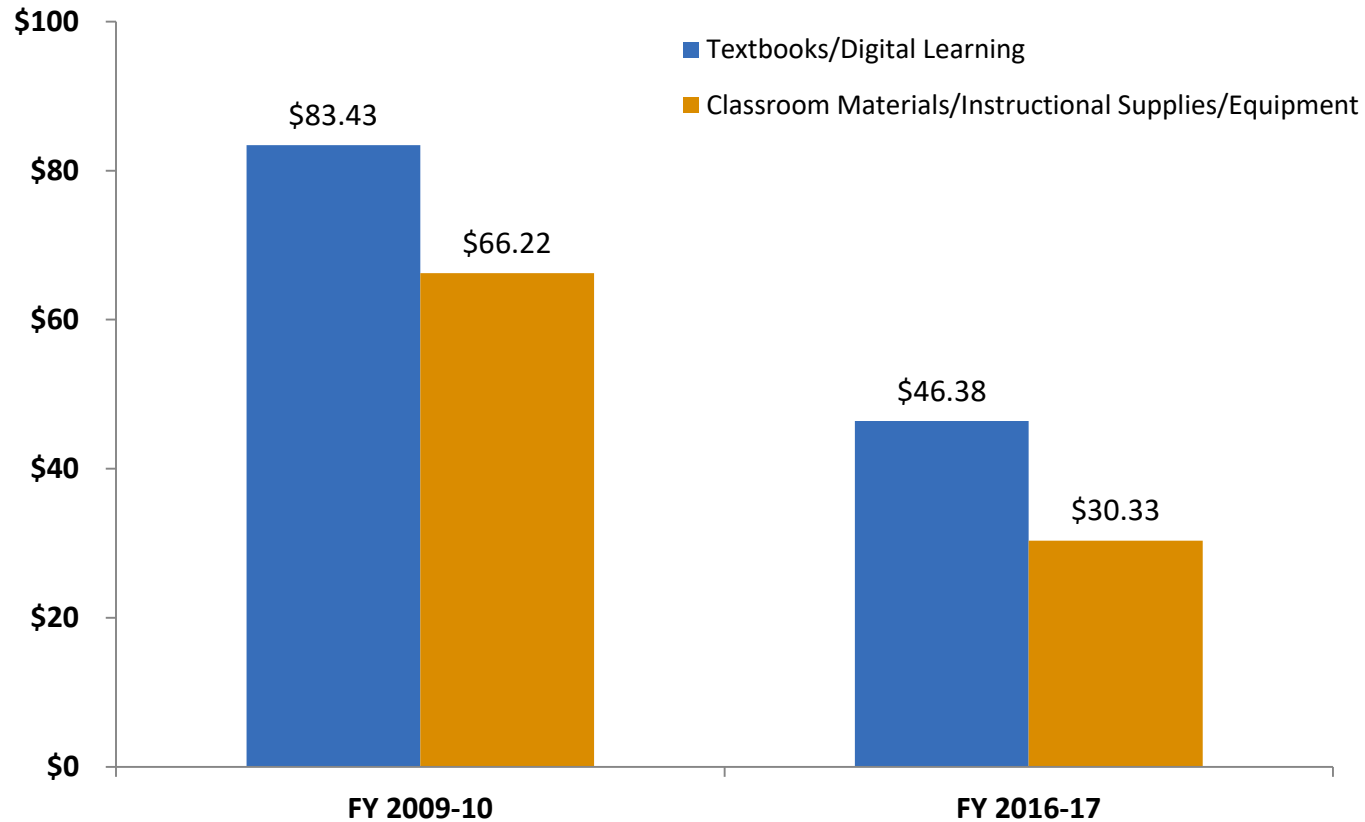


Source: NCGA approved budgets FY2002-FY2017, adjusted for inflation. For FY 15, FY16, and FY17, PPS figures excluded state funding provided for teacher pay raises to align with previous budgeting practice, which included this funding in the reserve section of the state budget.



State spending per pupil remains below peak spending level under FY2017 budget

Per Pupil State Spending by Fiscal Year, K-12 Budget



Source: NCGA approved budgets FY2010 and FY17, adjusted for inflation



K-12 Issues of Focus (2017)

- **Getting average teacher pay to the national average**
 - Equates to nearly \$1 billion in additional investment in teacher pay for current fiscal year (FY17).
 - How will NC pay for such an initiative?
- **State funding Formula**
 - Efforts have focused on moving existing inadequate state dollars around to address equity issues
 - Lawmakers must also focus on ensuring adequate funds are available for public schools
 - Equity AND adequacy must be the focus of improving state funding formula

K-12 Issues of Focus (2017)

- **Charter Schools**

- Shifting of existing inadequate state dollars for traditional public schools to growing charter schools
- Public funding for charter schools should be fair

- **Vouchers**

- Shifting existing inadequate state dollars for traditional public schools to voucher program
- \$62 million in state appropriations to voucher program since FY15
- Annual appropriation for vouchers set to increase to as much as \$144 million in 10 years.

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