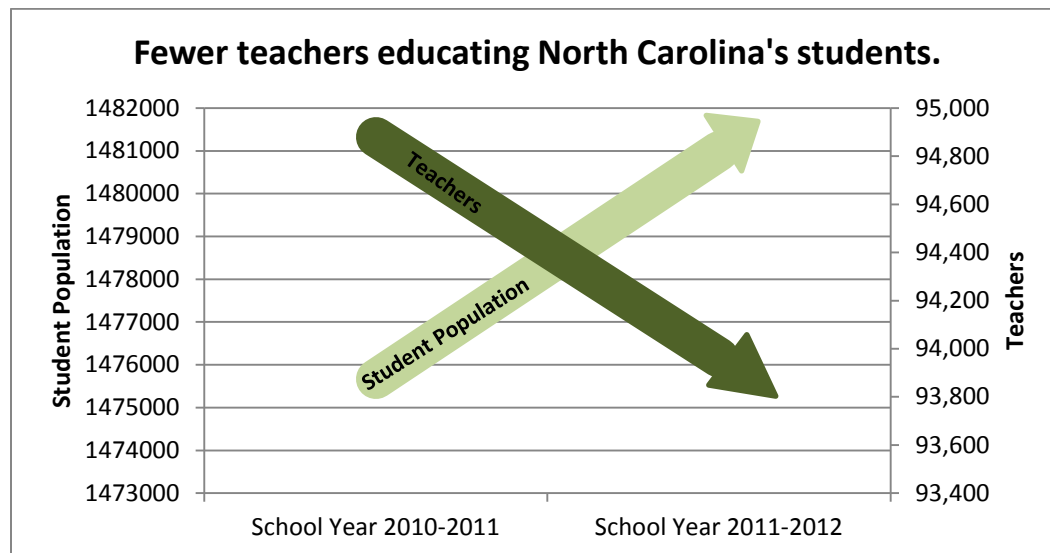


Real Solutions Require Real Facts

Claim: NC Real Solutions, a joint venture of Americans for Prosperity Foundation and the Civitas Institute, claims that the state budget passed for Fiscal Year 2011-2013 was balanced and created 2,000 teacher jobs, all while cutting taxes for working families in North Carolina.

Fact: The state budget that was passed last year was fundamentally out of balance because it cut taxes and used one-time money to pay for recurring obligations. It resulted in the loss of 915 teacher jobs and 2,042 teaching assistant jobs, directly impacting students experience in the classroom.

The budget – no matter how one looks at it – did not add teacher positions to North Carolina’s schools. It resulted in the loss of 915 teacher and 2,042 teaching assistant positions, directly impacting students experience in the classroom.ⁱ At a minimum, we estimate that 19,215 students, based on average class size, were impacted by policymaker’s failure to fund classroom instruction.ⁱⁱ



But what about the line items that funded more than 1,000 teachers this year? One line item in the state budget appropriated \$61 million for 1,124 teacher positions. Another appropriated \$55 million for enrollment growth (“ADM Adjustment”) in 2011-12. These were cancelled out by a separate line item that cut over \$124 million in state aid to Local Education Authorities – an accounting maneuver that resulted in historically low state funding for public schools despite record-high enrollment.ⁱⁱⁱ

The change in the number of “state funded” teacher positions from last school year to this school year masks the overall loss of 915 teachers. Teacher positions are funded by federal, state and local sources. During the Great Recession, federal dollars were provided to states to fund teacher positions and ensure that our children’s education was not disrupted significantly by the economic downturn. When some of those dollars expired at the end of last fiscal year, state policymakers took back responsibility for funding some positions with state dollars – but not enough to avoid significant net position losses. Since 2009, North Carolina has received and spent nearly \$1.6 billion in federal funds to continue operating our public schools, keeping the lights on and the heat running as

well as keeping educators at work in the classroom. Even with federal recovery funds standing in for state appropriations, since the start of the Great Recession, 16,678 public school positions have been eliminated.^{iv}

It's going to get worse. Next year North Carolina will lose more than \$250 million in federal EduJobs funding. As the last source of federal money for education in NC dries up, a further 5,000 currently funded positions are at risk for elimination if policymakers do not re-commit to adequately funding North Carolina's classrooms with state dollars.^v

The budget passed was out of balance. The state budget used one-time money to pay for recurring obligations and relied on unrealistic anticipated savings while further cutting into available resources by cutting taxes. The 2011-2013 budget pays for more than \$750 million in recurring obligations – like public school teachers – with one-time money in this year alone,^{vi} but the budget impacts extend beyond the classroom. This year's budget shorted the Medicaid program by \$149 million dollars, anticipating savings that at the time were deemed unrealistic and that by the fall had already created a current year shortfall.^{vii} The result has left NC's health providers and most vulnerable residents wondering how their services, and claims, will be paid when the Medicaid program literally runs out of money in May.^{viii} While revenue collections have been coming in ahead of target that is not the same as a revenue surplus. Even if it was, the \$140 million ahead of target at current time isn't even enough to meet current-year obligations, let alone increase availability for next year's budget.^{ix}

By failing to mend North Carolina's outdated tax system, policymakers have not addressed the fundamental challenges to the state's long-term budget outlook. Instead, policymakers enacted tax cuts in the budget that benefit the wealthiest North Carolinians and businesses at the expense of moderate- and low-income families. Two examples: Discontinuing the higher personal income tax surcharge and the tax surcharge^x on profitable corporations put \$200 million per year into the pockets of the wealthiest North Carolinians and profitable businesses; and legislative leaders gave away more than \$467 million over the biennium to businesses in the form of a \$50,000 business tax exemption.

Next school year, North Carolina stands to lose thousands more educators and public school personnel unless appropriate action is taken. Doing so will require policymaker's to raise revenue in a way that moves North Carolina forward towards an adequate and equitable tax system that supports economic opportunity and prosperity for all.

ⁱ North Carolina Public Schools, Statistical Abstract: Table 16, State Summary of Public School Full-Time Personnel for School Year 2011-12 and School Year 2010-11. Available at <http://apps.schools.nc.gov/pls/apex/f?p=1:21:0::NO::>

ⁱⁱ BTC calculation of direct student impact of 2011-12 staffing loss assuming the current state average student to teacher ratio of 1:21 as reported on page 13 of "Highlights of the North Carolina Public School Budget, February 2012," Information Analysis, Division of School Business, North Carolina Department of Public Instruction. Available at <http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2012highlights.pdf>

ⁱⁱⁱ North Carolina General Assembly, Fiscal Research Division. "2011 ANNOTATED COMMITTEE REPORT ON THE CONTINUATION, EXPANSION AND CAPITAL BUDGET," Section F, Public Education: lines 1-5 (page F-1). Available at http://ncleg.net/fiscalresearch/highlights/highlights_pdfs/2011_Annotated_Committee_Report_2012-02-23_FINAL.pdf

^{iv} McLenaghan, Edwin. "North Carolina's Disappearing Educators." N.C. Budget and Tax Center: September 2011. Available at <http://www.ncjustice.org/?q=node/956>

^v Ibid

^{vi} Burch, Brenna, and McLenaghan, Edwin. "The 2011-2013 Final Budget - Neglecting a Balanced Approach, Budget Costs Jobs and Delays Economic Recovery," N.C. Budget and Tax Center: June 2011. Available at <http://ncjustice.org/?q=node/889>

^{vii} Burch, Brenna. "Numbers come out on Medicaid shortfall for FY2011-12." Available at <http://pulse.ncpolicywatch.org/2012/01/20/numbers-come-out-on-medicaid-shortfall-for-fy2012-13/>

^{viii} Burch, Brenna. "Cutting it close on Medicaid." Available at <http://pulse.ncpolicywatch.org/2012/01/25/cutting-it-close-on-medicaid/>

^{ix} McLenaghan, Edwin. "Putting the Mid-Year 'Surplus' in State Revenues in Context." Available at <http://pulse.ncpolicywatch.org/2012/01/11/putting-the-mid-year-surplus-in-state-revenues-in-context/>

^x Sirota, Alexandra Forter. "The Oft-Ignored Part of the Temporary Tax Package - Continuing High-Income and Corporate Surcharges Would Raise Needed Revenue and Support Economic Recovery." N.C. Budget and Tax Center: May 2011. Available at <http://www.ncjustice.org/?q=node/853>