

The Public School Forum's Friday Report

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Governor Perdue Offers Roadmap To Break Budget Impasse

On Tuesday, Governor Perdue met with legislative leaders and offered a budget roadmap calling for \$1.6 billion in new tax revenue. Her unexpected proposal came after it appeared unlikely that the legislative impasse that has prevented the State from adopting a budget for the current fiscal year would be resolved soon by House and Senate budget negotiators.

The Governor's proposal contains elements of her original budget proposal, the Senate's revenue plan and the latest proposal crafted by House members. Key elements of the plan include:

- An increase in the sales tax and higher income tax rates for high-earners, both of which were included in the House plan.
- Expansion of the sales tax to services now not subject to taxation, a key element of the Senate plan.
- So-called "sin" taxes on cigarettes and alcohol, included in the Governor's original proposal.

The question now is whether the Governor's intervention will provide the impetus for House and Senate budget negotiators to find middle ground before the current continuing budget resolution expires on July 15th. As Governor Perdue has pointed out, every day that lawmakers fail to reach agreement on the budget will deepen the budget deficit. Not only is the State unable to collect new tax revenue designed to balance the budget, but projected savings from cuts in the budget will not be realized until the budget is adopted.

The following chart outlines the revenue roadmap proposed by the Governor. It should be noted that her new revenue target is substantially higher than that under discussion in the General Assembly. The Governor's roadmap would generate \$1.6 billion in new revenue in the current fiscal year. Under consideration in the General Assembly are plans that would generate roughly \$1 billion in new revenue.

Governor Perdue's Proposed Revenue Roadmap

Short Description

2010-11

| | | |
|---|----------------|----------------|
| <u>Personal Income:</u> | 90.0 | 210.0 |
| *Start with Adjusted Gross Income (AGI) as in 27 Other States | | |
| *Include various child, home and family credits; no tax on social security | | |
| *Reduce current rates from 6.0%, 7.0%, 7.75% to 5.5%, 6.75%, 7.5% | | |
| *Emergency surcharge for >\$500,000 single or >\$1,000,000 married filing jointly for 2 Years | | |
| <u>Sales:</u> | | |
| Emergency 1% Sales Tax Increase (effective 9-1-09 through 9-30-10 only) | 843.3 | 253.0 |
| Reduce Sales Tax on Existing Base to 6.5% effective 10-1-10 | 0.0 | (189.8) |
| Transfer 0.1% of Existing and Expanded Local Base to State (effective 7-1-10) | 0.0 | 113.0 |
| Digital Click-through (effective 1-1-10) | 7.1 | 17.8 |
| Warranties, Installations and Repairs (effective 1-1-10) | 122.0 | 244.0 |
| Property and Some Personal Services (effective 1-1-10) | 96.3 | 232.0 |
| Amusements/Movies (effective 1-1-10) | 15.8 | 31.6 |
| Courier Services (effective 1-1-10) | 36.5 | 91.1 |
| Recreation and Entertainment (effective 1-1-10) | 53.0 | 106.0 |
| Storage (effective 1-1-10) | 9.6 | 19.6 |
| Luxury Services (cosmetic surgery, limos, chartered flights effective 1-1-10) | 6.2 | 12.5 |
| Sub-State Government Sales Tax Refund (effective 1-1-10) | 0.0 | 71.0 |
| Subtotal | 1,189.8 | 1,001.8 |
| <u>Business:</u> | | |
| Reduce Corporate Income Tax Rate from 6.9% to 5.9% (effective 1-1-11) | 0.0 | (52.0) |
| New Uniform Franchise Assessment on LLC's (effective 1-1-10) | 59.0 | 131.1 |
| Repeal State and Local Privilege License Taxes | (57.3) | (51.9) |
| Repeal Annual Report Fee and Fee Credit | (20.2) | (25.5) |
| Eliminate Corporate Income Tax Transfer to Public School Capital Fund | 54.1 | 53.4 |
| Repeal Other Credits Except New Economy Credits | 6.2 | 17.2 |
| Insurance Gross Premium Tax to 2.25% | 59.1 | 93.8 |
| Repeal Credits to Insurance Guaranty Association | 0.0 | 17.0 |
| Exempt Depreciable Equipment; Tax Supplies at General Rate | 56.5 | 116.1 |
| Limit Farm Equipment and Building Materials Exemptions | 18.0 | 35.9 |
| Unitary Reporting (effective 1-1-10) | 20.0 | 46.0 |
| Subtotal | 195.4 | 381.1 |
| <u>Excise:</u> | | |
| Cigarette and Other Tobacco Products Tax Increase (\$.50 cents effective 9-1-09) | 187.5 | 225.0 |
| Alcohol Taxes (beer 2 cents; wine 8 cents; liquor 2% effective 9-1-09) | 46.6 | 56.0 |
| Subtotal | 234.1 | 281.0 |
| <u>Targeted Tax Relief:</u> | | |
| IRC Update Changes | (41.7) | (49.7) |
| Small Business Tax Reduction (effective 1-1-10) | (12.0) | (24.0) |
| Earned Income Tax Credit to 6.0% (effective 1-1-10) | 0.0 | (14.0) |
| Expand College Savings Credit (effective 1-1-10) | (1.5) | (3.0) |
| Homebuyer's Credit (effective 7-1-09) | (20.0) | (20.0) |
| Film Credit (effective 1-1-10) | (12.5) | (25.0) |
| Department of Revenue Implementation Costs | (5.0) | 0.0 |
| Founder's Credit (effective 7-1-09) | 0.0 | 0.0 |
| Subtotal | (92.7) | (135.7) |
| Total Adjustments | 1,616.6 | 1,738.2 |

Teacher Ed Programs Face More Rigorous Requirements

Beginning this year, the National Council for Accreditation of Teacher Education (NCATE), the national organization that ensures quality in teacher education, will introduce a new approach to accrediting nearly 700 teacher education programs that prepare a majority of the nation's teachers.

Institutions seeking the NCATE seal of approval must either demonstrate that they are on track to reach an "excellent" level of performance, or make transformative change in key areas such as:

- Strengthening the clinical focus of their programs to better prepare educators to meet the needs of today's P-12 students and foster increases in student learning
- Demonstrating the impact of their programs and graduates on P-12 student learning
- Increasing knowledge about what works in teacher education to improve P-12 student learning, using a research and development strategy to build better knowledge and help institutions use that knowledge to improve programs, and
- Addressing critical needs of schools, such as recruiting talented teachers and bolstering teacher retention.

The new accreditation strategy creates two alternative pathways; the *Continuous Improvement* track raises the target level of performance beyond the "acceptable" level, and the *Transformative Initiative* track encourages institutions to build the base of evidence in the field about what works in teacher preparation and help P-12 schools they serve address major challenges from raising student achievement to retaining teachers. For more information, visit the council's site at www.ncate.org.

Results Show Promise for California's Early Assessment Program

California's Early Assessment Program (EAP) looks to create meaningful assessments that signal to students their readiness for post secondary study while they are still in high school. The EAP is the result of a partnership between the California State Board of Education, the California Department of Education, and the California State University (CSU) System.

The EAP consists of fifteen additional questions not on the existing California Standards Tests (CSTs) and a 45-minute essay added to the CST in English-language arts and fifteen additional questions in mathematics. Students taking the EAP receive one of two messages; "ready for college," which comes with an exemption from the CSU placement exam and remedial coursework upon enrollment, or "did not demonstrate college readiness."

Results (cont'd)

A study led by Michal Kurlaender (UC Davis) and researchers at California State University, Sacramento and the University of Minnesota recently looked at remediation rates at Sacramento State. Researchers found that students participating in the EAP exam in English are, on average, 6.2 percentage points less likely to require remediation compared to similar students who graduated from high school before the EAP was administered. Students completing the EAP exam in mathematics are, on average, 4.2 percentage points less likely to need remediation.

While the results are early and apply to only one campus, they suggest a number of lessons for other states to consider as they strive to make college and career readiness the goal for all students. States should not overlook the important role state high school assessments can play. They can be a critical signaling device and help to motivate students to make their senior year more meaningful.

Bob Wise Elected Chair of NBPTS

Governor Bob Wise, president of the Alliance for Excellent Education, former West Virginia governor and nine-term member of Congress, has been elected to chair the Board of Directors of the National Board for Professional Teaching Standards (NBPTS).

Wise succeeds Governor Barnes, former Georgia governor, who served as chair for nearly six years. Wise, author of the book, *Raising the Grade: How High School Reform Can Save Our Youth And Our Nation*, became president of the Alliance for Excellent Education in February 2005.

This announcement comes at a time when NBPTS is in the initial phase of developing an advanced certification for principals and teacher leaders. Embraced by policymakers, business leaders, administrators, principals and teachers, these new programs are expected to launch within the next two years.

California's Budget Cuts to Target School Bus Service

Budget cuts and increased fuel costs are combining to make it harder for California school districts to provide bus service for its students. And a new state proposal could render transportation funding as "optional" for school officials. The plan would also reduce state school transportation spending by 20 percent to \$496 million.

Many districts already have reduced bus rides to and from school by increasing the distance students must walk before a bus is made available. In Elk Grove Unified School District, busing is now offered only to special education students (mandated) and students in the district's rural areas.

School officials are concerned about cutting too much. They fear deeper reductions could mean few children attending school, translating into less money schools get for average daily membership (ADM).

Forum News...

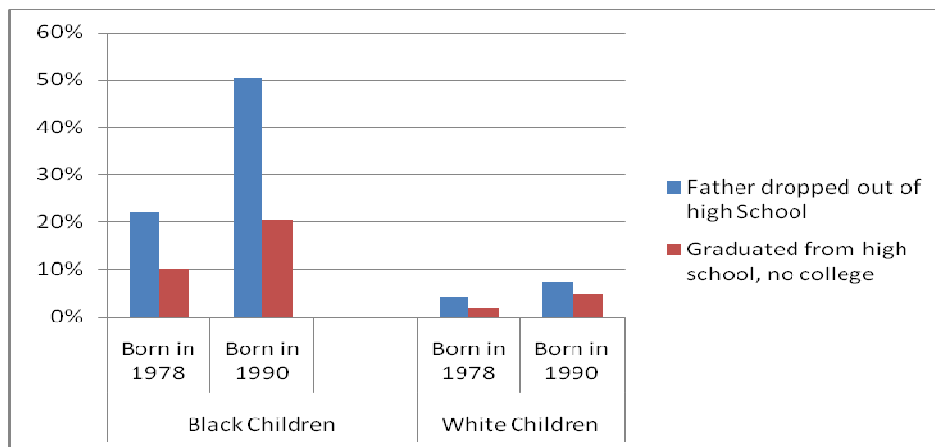
Call for EPFP Applications

Applications are now being accepted for the Forum's Education Policy Fellowship Program (EPFP). The ten month seminar program meets weekly on Tuesday night from 5:30 to 8:30 pm from September 15, 2009, to May 11, 2010. The program addresses issues related to policy and leadership development. North Carolina boasts almost 600 EPFP alumni. The program seeks high energy individuals committed to enhancing their professional career through networking and exploring leadership and policy in the "real" world. An application may be obtained at the Forum's website. Go to www.ncforum.org and click on EPFP. The deadline is July 31st. Don't delay. Apply today!

Did You Know...

More Proof of the Importance of a High School Diploma

As reported in the *New York Times* this week, the rise of the adult prison population has increased the share of children with a parent in prison. According to the NYT, a child born in 1990 was more likely to have had a parent in prison by age 14 than one born in 1978, and black children had a significantly higher chance than whites. In addition, more than half of black children born in 1990 to high school dropouts had their father imprisoned by age 14.



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