



North Carolina: “Monumental” investment in teachers and middle class tax relief highlight budget

TAX AND BENEFITS CHALLENGES | JUL 25, 2016

Gov. Pat McCrory recently signed the new \$22.3 billion state **budget**, which was 2.8 percent over the previous one. He **cheered** the fact that teachers will get a “monumental” 4.7 percent raise that brings average teacher pay in North Carolina to more than \$50,000 for the first time in state history: “This budget further fulfills my vision to increase average annual teacher pay to \$50,000 for the first time in state history, provides a middle class tax cut, makes college more affordable and makes much needed investments to improve mental health services, all while strengthening our position as one of the fastest growing economies in the nation.”

In addition, lawmakers provided funding that gives schools the opportunity to trade textbooks for tablets, “so students can learn anytime, anywhere using the latest information available.” When Gov. McCrory entered office in January 2013, only 22 percent of classrooms were connected to robust Wi-Fi. Now, according to the Governor, investments included in the budget will help ensure 100 percent of classrooms are connected to Wi-Fi by 2018. Relatedly, the budget also tripled funding for textbooks and digital resources, to \$71.5 million.

Beyond this, the budget makes college more affordable by freezing undergraduate tuition for students at all University of North Carolina schools that graduate in four years, or five years for those in five-year programs, starting with students entering this fall. It caps fee increases at 3 percent annually, and reduces tuition to \$500 per semester for in-state students at Elizabeth City State University, UNC-Pembroke, and Western Carolina University.

With respect to the middle class tax cuts, Gov. McCrory anticipates savings of \$132 million in the coming year. This is the result of a \$2,000 increase to the personal income tax standard deduction for taxpayers married filing jointly, and proportionately for other filers. The budget also eliminates income taxes for approximately 75,000 taxpayers.

Beyond education and tax cuts, the Governor was satisfied that, “[i]n line with responsible fiscal management,” the budget invests \$473 million in the state’s rainy day fund, bringing the reserve to an all-time high of nearly \$1.6 billion.

Not surprisingly, euphoria over the budget is not unanimous. For example, a **Progressive Pulse** blog post challenged the figure of the teachers’ 4.7 percent pay increase. It argued that it is too difficult to forecast the average teacher salary in future years to be able to state the increase with certainty.

This is so because North Carolina’s teachers are paid according to an experienced-and credential-based salary schedule, so it is difficult to know what the mix will be in the future. The group explained that when one teacher leaves the profession, a teacher who almost certainly has a different salary replaces him or her. For instance, a teacher with 30 years of experience and National Board Certification receives a base salary of \$57,120 under the 2016 budget, while a new teacher receives a base salary of \$35,000. With a turnover rate of 11.6 percent last year, along with other factors, like the age of the teaching force, student growth, teacher working conditions, the salary schedule, economic conditions, and the political climate, “[p]redicting teacher turnover is incredibly challenging.”



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