CIVITAS INSTITUTE PUBLIC POLICY SERIES

LEARNING THE LESSON 1985-2016

A Guide to North Carolina Education Policy

CIVITAS INSTITUTE

THE CIVITAS INSTITUTE PUBLIC POLICY SERIES

Learning the Lesson 1985-2016

A GUIDE TO NORTH CAROLINA EDUCATION POLICY

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ABOUT THE SERIES

Civitas Institute Public Policy Series

The purpose of the Civitas Institute Public Policy Series is to equip the legislator, as well as the layman, with the tools necessary to understand public policy in North Carolina. Toward this end, each guide does three things: defines basic terms, answers essential questions, and provides a legislative and political history regarding a particular policy area. Thus each guide consists of three distinct sections — Key Terms, Q & A, and a year-by-year timeline — that can be used to easily find specific information on a particular issue or time period. Detailed charts and graphs provide additional data for those readers interested in learning more about select topics. Overall, the guides provide a roadmap for the citizen legislator — and perhaps more important, the average citizen — interested in learning more about essential policy ideas and long-term trends.

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If a nation expects to be ignorant and free,
in a state of civilization, it expects what never
was and will never be.

Thomas Jefferson

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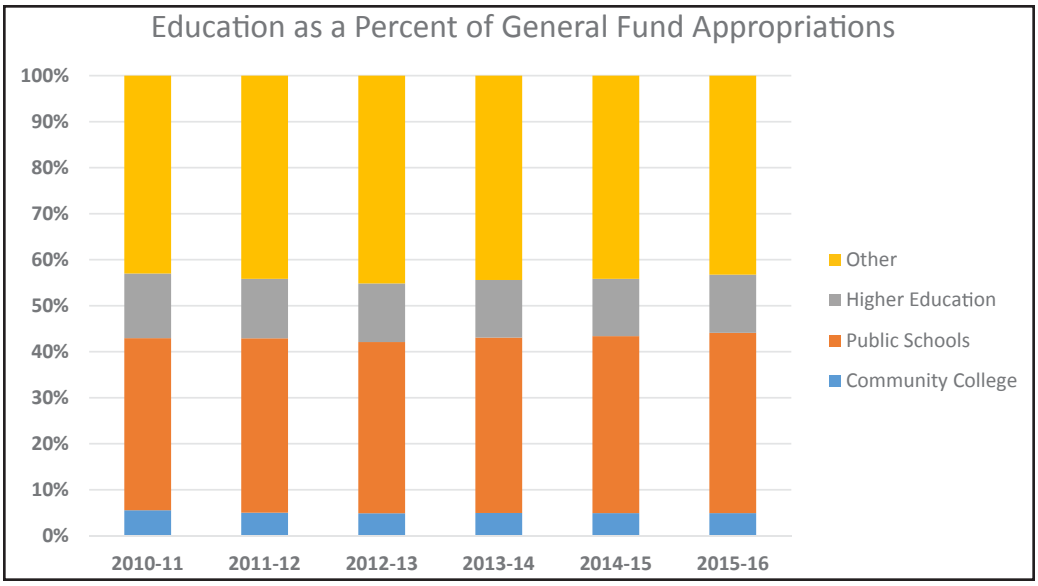
TIMELINE

EXECUTIVE SUMMARY

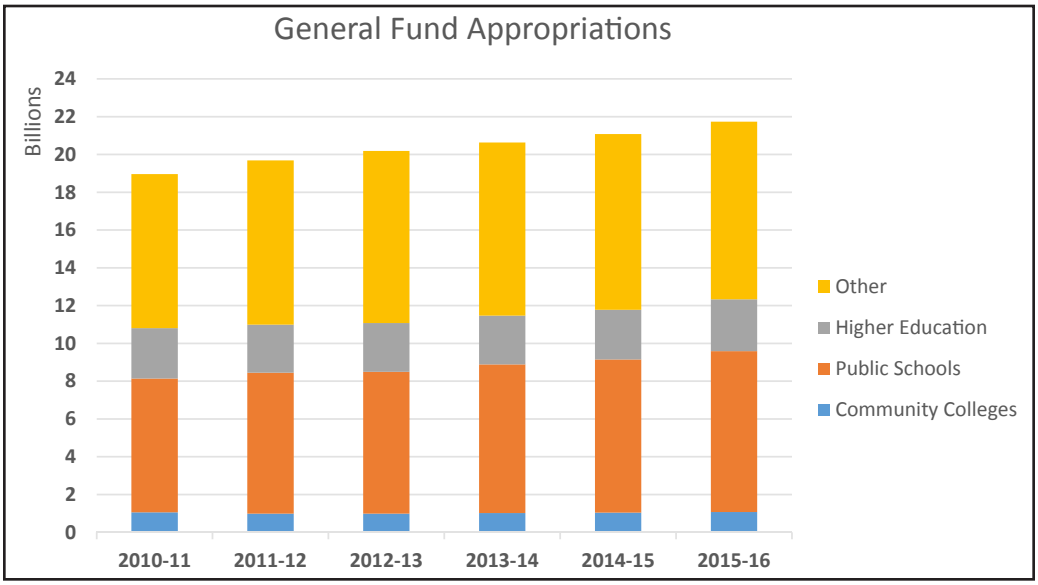
In North Carolina, education is a high stakes game. When polled, voters consistently select education as one of the top issues of concern. More than 50 organizations associated with schools and education, including some public schools and universities, pay lobbyists to act on their behalf in Raleigh.[1] Some of the most contentious debates in the General Assembly revolve around education, whether it's the creation of an "Education Lottery" or a movement to start schools later in the summer. Education is big money and big business, business that has far-reaching consequences for North Carolina's future.

Billions of dollars are at stake. The General Fund budget for K-12 and higher education (community colleges and universities) reached $12.3 billion in 2015-16. Compare this to $9.4 billion 10 years earlier, and $3.3 billion 25 years before that. Public schools alone cost taxpayers $8.5 billion, compared to $5.5 billion in 1999-00 and $2.2 billion in 1985-86.[1] Yet even with spending more than quintripling over 30 years public education has been outpaced by the rest of the state's expenditures. Between 1985 and 2015, overall education spending as a percent of the General Fund budget decreased from 68 percent to 56 percent.[2] Over the same time period spending on K-12 public education declined from 45 percent to 39 percent of the budget.[3] Even with the decreased emphasis in the state budget, however, education remains the single largest cost driver. For every dollar paid in taxes, 38 cents goes to K-12 education and 18 cents goes to higher education. For every dollar spent on a lottery ticket, about 25 cents goes to education.

Millions of futures are at stake. Even more critical than the financial significance of education is its social and economic importance. Approximately 1.5 million school age children currently represent the future of North Carolina. In 2014-15, 1.5 million of these children were enrolled in traditional public schools in North Carolina. That same year, the parents of 268,295 children chose alternatives to traditional public schools: private schools (97,259)[4], home schools (106,853)[5], and public charter schools (64,186). [6] The 15.5 percent of children not served by the traditional public school system represent a growing segment of the student population.

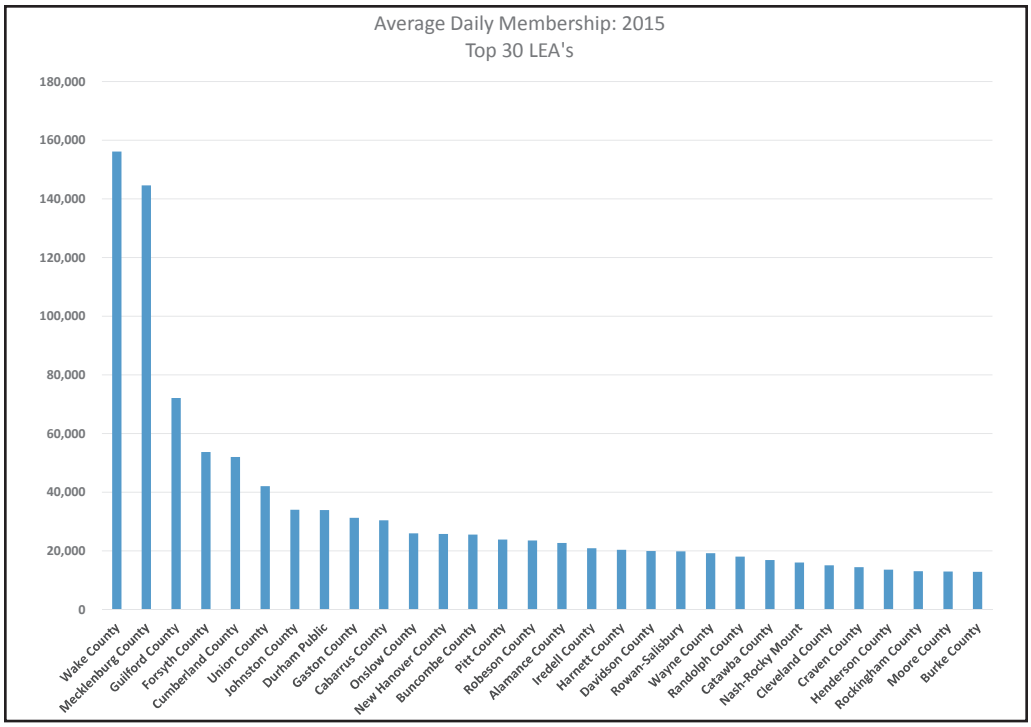


Created by Civitas Institute. Data Source: North Carolina General Assembly, Fiscal Research Division, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Fiscal Years 2000-01 through 2015-16. Available at: http://www.ncleg.net/fiscalresearch/budget_legislation/budget_legislation.html



Source: Division, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Fiscal Years 2000-01 through 2015-16. Available at: http://www.ncleg.net/fiscalresearch/budget_legislation/budget_legislation.html

Between 1985 and 2010 the public school population in North Carolina grew by more than 327,000 students, an increase of more than 30 percent. Over the same time period, the actual school age population (ages 5 through 17) grew by just over 37 percent for an increase of nearly 438,000 children, while the state's overall population increased about 30 percent over the same period. [7]



Created by Civitas Institute. Data Source: North Carolina Department of Public Instruction, Initial Allotments for LEAs 2015-16. Available at: http://www.ncpublicschools.org/fbs/allotments/state/

The growth in student population, however, was not spread evenly over the state. Metropolitan areas such as Charlotte/Mecklenburg and the Triangle, particularly Wake County, have seen the most new growth. From 2000 to 2005 the student population in Mecklenburg and Wake Counties has mushroomed by more than 20 percent, creating spending demands, school overcrowding and school construction issues. With the economic downturn, growth has slowed and spending has become a more prominent issue.

The major influences impacting the state's population growth are changing as well. Native North Carolinians are slowly being replaced with transplants from other states and countries. Between 2000 and 2005, for every resident who died someone moved in from another, usually non-southern, state to take their place.[8] North Carolina is home to an increasing immigrant population as well. People from other regions bring their own ideas and beliefs about education – collective bargaining, teacher salaries, class size, charter schools and testing. As a result North Carolina has begun to respond.

WHERE ARE WE NOW?

Many students have unmet needs. Native and new residents alike face challenges rooted in North Carolina's educational history. One in four students will not complete high school. Of those students who do graduate, nearly one in two will not complete college in five years. Low income and minority students continue

to graduate from high school and college at considerably lower rates and demonstrate consistently lower levels of student achievement. While this problem is not unique to North Carolina, it is a persistent obstacle that must be overcome.

Looking at students' school experience itself, North Carolina schools struggle to bring student achievement, particularly for minority students, up to state standards. Meanwhile, state standards themselves fall short of national standards. The result has been an increasing focus on bringing up the performance of marginal students from below grade level, up to grade level – oftentimes at the detriment of middle and high achieving students. In addition, the emphasis on results of such legislation as No Child Left Behind and the ABCs, while in many respects worthwhile, has put a greater emphasis on standardized tests and reading and math while stealing time which normally would have been devoted to other subjects.

Innovations are needed. Thirty-one years ago, policy makers and advocates were talking about raising teacher salaries, reducing class sizes, teaching more than "the basics," and improving the graduation rate. Today, more than three decades later, we face many of the same challenges. In the last 30 years, North Carolina has poured billions into raising teacher salaries and has more National Board-certified teachers than any other state. Yet after five years, half of all teachers have left the field. Leaders have committed to reducing class size and, as a result, metropolitan counties are running out of space to put students and teachers. The state has charter schools, magnet schools, private schools, home schools, year-round schools, restructured high schools, and high schools on college campuses.

How did we get here? North Carolina has seen some improvements over the last 31 years. The timeline on the following pages will take the reader from 1985 to 2016, a time period when education policy was driven by everything from money, to student outcomes, to litigation.

In the latter half of the 1980s, spending on education skyrocketed to fund a plan for educating "the whole student." In the 1990s, which began with a budget crisis, the state began looking at accountability measures – rather than funding – as the key indicator of success. At the turn of the new century, although another budget crisis slowed spending in many areas, the education budget continued to grow. In the late 1990s and early 2000s, the *Leandro* court case pushed the state to spend more on specific segments of the school population. As a new decade begins concern again seems to be focusing on accountability and expanding educational opportunities for students.

North Carolina schools are still more heavily state-funded than all but just a handful of states. The result means that state officials retain a great deal of control over school policies at the local level. But over the last 31 years, the state-held reins have been loosened. The state now allows school districts to use most of their money as they see fit, holding each district accountable for student progress through published report cards and bonuses. In the recent years, the state

has increasingly channeled money to schools based on certain defined populations: exceptional students, disadvantaged students, low wealth counties, small counties. With budget difficulties in recent years, state government has given local administrators more leeway on managing schools and spending decisions. Most administrators hope the discretion doesn't go away when times improve.

During the last quarter century, the focus on funding in North Carolina has moved in some ways from education inputs to outputs and outcomes, but it has held fast to some input-driven policies as well. In the late 1980s, the Basic Education Program was phased in, infusing schools with a vast expansion of resources to increase teacher salaries, reduce class sizes, and educate "the whole child." Twenty-five years later, the state continues to spend millions raising teacher salaries and reducing class sizes. Meanwhile other changes have occurred:

School accountability: In 1996, the state established a program – the ABCs – designed to hold schools accountable for student progress on state standards. A predecessor to the federal requirements of the No Child Left Behind Act of 2001, the ABCs use standardized tests and other measures to determine whether a school meets yearly expectations. Teachers and other personnel in schools that score well are rewarded with bonuses. Schools that consistently perform poorly are given state assistance. The accountability measures were coupled with funding flexibility to allow districts to spend more money as they saw fit to meet the state's outcome measures. While there have been criticisms of the ABCs, they do represent a significant turning point in education policy: an attempt at results-based governance *(See ABCs and No Child Left Behind in Key Terms section)*.

School choice: Also in 1996, the Legislature approved charter school legislation. As of 2015 there were about 150 active charter schools in North Carolina operating outside of some of the state's requirements for public schools but held accountable to the same standards *(See Charter Schools)*.

Court involvement and state responsibility. In 1997, in *Leandro v. State*, the State Supreme Court upheld every child's right to a "sound, basic education" and ordered the Superior Court Judge involved with the case, Judge Howard Manning, to flesh out the state's responsibilities to meet the rulings in Leandro. Judge Manning found that the responsibility for providing a sound, basic education ultimately rested with the state, that a "minimal education" (i.e., below grade-level proficiency) does not meet that requirement, and that while state education funds were fairly distributed, they were inadequate. Judge Manning made further recommendations regarding teacher qualifications, at-risk four-year-olds, and disadvantaged students. The governor and Legislature have responded to these rulings by directing more and more money to specific groups of students: disadvantaged students and those in low wealth or small counties.

At every turn it seems that education policy is increasingly structured to highlight one particular segment of the school population: students who are not quite up to grade-level standards. These are the students who bring in extra money that schools must use on services specifically targeted to these populations. These are the students who spurred efforts to improve student achievement and proficiency while creating teacher and staff bonuses to help do so. This, in part, seems to be part of the long shadow cast by No Child Left Behind (NCLB). Roughly 15 years in, it's obvious most states will not meet the performance standards outlined in the NCLB. The verdict is still out. While NCLB showcased the limitations of top- down education reform, the legislation's ability to get state and local officials to focus on education provided benefits that can't be calculated.

This guide attempts to answer three questions: "Where have we been? What should we take with us? And what should be left behind?" The following pages hope to shed light on those questions by chronicling the evolution of education policy in North Carolina over the last 31 years. We provide the reader with a Key Terms section to help translate education lingo and a Q&A section to give readers background on the important questions of the day. Finally, we also chart the ebb and flow of policy changes with a 31 Year Timeline of education policy history in North Carolina.

ENDNOTES:

1 Budget Legislation, Fiscal Research Division Available online at: http://www.ncleg.net/FiscalResearch/Budget_Legislation/budget_legislation.html, Budget for specific years

2 North Carolina General Fund Operating Appropriations Historical Tables, tables available at Office of State Budget Management and Administration http://www.ncleg.net/fiscalresearch/budget_summaries/budget_summaries_PDFs/2015_Annotated_Committee_Report_final.pdf

3 Ibid

4 Department of Non-Public Instruction, Department of Administration, *North Carolina Private School Statistics: Information from the 2009-2010 school term*, (Raleigh:Department of Administration, 2010) available from: http://www.ncdnpe.org/documents/hhh559.pdf

5 Department of Non-Public Instruction, Department of Administration, *2010 North Carolina HOME SCHOOL Statistical Study*, (Raleigh:Department of Administration, 2010) available from: http://www.ncdnpe.org/documents/hhh235.pdf

6 Highlights of the North Carolina Education Budget, 2015, North Carolina Department of Public Instruction, Available online at: http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2015highlights.pdf

7 National Center for Education Statistics, Institute of Education Studies, "Digest of Education Statistics" available from: http://nces.ed.gov/programs/digest/d09/tables/dt09_017.asp. Also: US Census Bureau, Population Division, "Resident Population of States" (Washington DC:U.S. Census Bureau, July 1, 1985); available from: http://www.census.gov/popest/archives/1980s/staig785.txt

8 North Carolina State Data Center, N.C. State Demographics "2005 Certified County Population Estimates (Raleigh North Carolina State Data Center,2005) Available from: http://demog.state.nc.us

key terms

ABCs of Education

First implemented in 1997, the ABCs (Accountability, Basics, and Maximum Local Control) of Education represented a comprehensive restructuring of public education in North Carolina. The plan, developed by the State Board of Education, put forth a defined accountability framework and benchmarks to assess student progress. ABC rewards schools and teachers whose students make progress on state measures of student achievement. Schools which fail to meet standards are held accountable by formula. In addition, the ABC initiative also provides increased local control and budget flexibility.

ACT

A standardized test to measure high school achievement. ACT bills itself as a "curriculum based achievement test" that predicts student performance in first year college courses. ACT is used for college admissions in the United States and other countries. The first ACT test was administered in 1959 as an alternative to the College Board's SAT test. ACT consists of four parts: math, English, reading and science. A fifth writing test was added in 2005, but is largely considered optional. In 2011 approximately 1.6 million students took the ACT exam, making it the first time the number of ACT test takers surpassed the SAT. That number has increased steadily since then. All North Carolina 11th graders are required to take the ACT exam. In 2015, North Carolina was tied with Mississippi for the lowest scores among states where all students are required to take the ACT.

A-F School Grading System

The 2013 Legislative session approved (G.S. 115C-83.15) school performance grades as part of the North Carolina School Report Cards. The first grades were released in Feb. 2015 and were based on results of the 2013-14 school year. Sen. President Pro Temporare Phil Berger said the grades were intended to "increase transparency, encourage support and reform for struggling schools, and allow us to explore what our top performers are doing right so we can replicate their best practices elsewhere." One of the most controversial aspects of the School Performance Grades is how the grades are calculated, via a formula combining student achievement and growth. Under the current system 80 percent of the grade is derived from student achievement scores. The remaining 20 percent of the grade is derived from student growth as measured by the education Value Added Assessment System (EVAAS). The achievement scores are calculated on a 0-100 scale, with the growth score calculated on a 50-100 scale. Critics of school grades say they correlate with the incidence of poverty. They advocate changing the formula to weight more heavily academic growth. Supporters say the grades enhance transparency and provide parents valuable information regarding the quality of local schools.

Academic Standards Review Commission

Created by Session Law 2014-78, the Academic Standards Review Commission (ASRC) was developed to review and replace existing common core math and English standards and to ensure the new academic standards are robust, appropriate and enable students to succeed academically and professionally. ASRC was comprised of 11 members appointed by the Governor, Senate President and Speaker of the House and met from September 2014 until December 2015. ASRC

issued its final report to the State Board of Education and the State Legislature in December 2015. Critics of the Common Core Standards believe ASRC made too few changes and have allowed the Common Core math and English standards to remain in North Carolina public schools in direct conflict with the goals of the legislation to create ASRC.

Adequate Yearly Progress (AYP)

A key federal measure of accountability included in the Elementary and Secondary Act (ESEA), as amended by the No Child Left Behind Act (2001). AYP is a measure of progress-based pupil scores on state assessment tests. In order to be eligible for grants under ESEA- Title 1, Part A, "Education for Disadvantaged Pupils," – schools must implement all AYP standards for all public schools and local education agencies (LEAs). Schools that fail to meet AYP standards for two or more consecutive years will receive technical assistance supplied by LEAs and spend at least 10 percent of Title I-A grant money on professional development activities. Pupils attending schools that fail to meet AYP standards for two or more consecutive years have the option to attend other public schools that meet AYP standards. Schools that do not receive Title 1funds must also participate, but they face less severe sanctions if they do not meet AYP.

ADM (**Average Daily Membership)**

A term developed to reflect school enrollment. Specifically, ADM is the sum of the number of students in each Local Education Agency (LEA); times the number of days each student is enrolled, divided by the number of days in the school year. Thus, a student enrolled for the entire year is counted as one student, and a student enrolled for only one semester is counted as half a student.

DID YOU KNOW?

There are 2,422 public schools in North Carolina, but only 96 charter schools.

Source: Highlights of N.C. Public School Budget, Feb. 2010

Basic Education Program (BEP)

The release in 1983 of the national report, "A Nation at Risk," sparked a host of school reform initiatives across the country. In 1985, the General Assembly passed legislation directing the State Board of Education to adopt a basic education program. The Basic Education Program (BEP) defined a basic education to include: study in the arts, communications skills, physical education, personal health and safety, mathematics, media computer skills, science, second languages, social studies and vocational and technical education. The original funding for BEP was $800 million and included allocations for dropout prevention, additional teachers to lower class size, and support staff and materials. The recession of the early 1990s, coupled with concerns about expense and accountability, cut into funding and ended the phase-in of BEP. Although funding for BEP ceased in 1994 the stream of resources connected with the program (i.e. lower class size, dropout programs, support staff, etc.) continues to this day. BEP was the first statewide program that ultimately led to a significant expansion in funding for public education.

Budget Appropriation

Represents money authorized by the legislature to be spent on a particular program or line item. Budget appropriations can be unexpended or unappropriated. An unexpended appropriation is one that could have been spent, but was not. An unappropriated balance refers to cash reserves that have not been allocated for any purpose.

Budget Bill
The session law that appropriates funds for the next biennium (or fiscal year). In sections called special provisions, the budget bill enumerates the total monies appropriated to each agency, the salaries of government officials and the legal language that specifies how agencies and other entities may or may not spend their money and how to report expenditures.

Charter School
A charter school is a public school authorized by the State Board of Education and funded with tax dollars. In 1996 North Carolina passed charter school legislation [S.L. 1995-731] that according to many put North Carolina in the forefront of the Charter School movement. When the bill passed, North Carolina's law was considered one of the best charter school laws in the country. The legislation was intended to expand educational choice for parents, students and teachers and encourage curriculum innovation. North Carolina's charter school legislation capped the number of charter schools at 100. The cap was met in 2001 and for the next decade an ever lengthening waiting list was a common feature at many charter schools. In 2010, the waiting list totaled almost 18,000 students.

Charter schools are public schools and do not charge tuition. The state provides operating funds based on the number of students, however no money is provided for capital costs. Students who wish to attend a charter school must apply – applicants are selected by lottery. Because the school receives state funding, the state's accountability measures apply to charter schools in the same way as traditional public schools. Schools that fail to meet state requirements may lose designation and be forced to close.

Unlike public schools whose policies are set by a school board, charter schools are administered by an independent unelected board. Charter schools are required to administer state-mandated tests. However, charter schools are free from some of the administrative regulations other traditional public schools face. For example, only 75 percent of teachers in primary and middle school grades need to be state certified. In addition, only 50 percent of the faculty in a charter high school must hold state certification. Charter schools must follow the requirements of No Child Left Behind regarding a highly qualified staff.

Schools must adhere to open enrollment policies and be free from discrimination. Charter Schools are also required to reflect the demographic composition of the surrounding district, which is difficult when enrollment is frequently determined by lottery.

Public Charter schools are free to choose their own curricula. Many schools offer unique pro-

grams such as STEM, Classical, Montessori or Immersion programs. While charter schools are free to choose their own curricula, charter schools must still take the same EOG Tests.

A 2014-15 recent comparison of charter schools and public schools on NC EOG test show charter school performance average at 66.7 percent. The state average EOG performance for traditional public schools is 56.1 percent. In addition in 10 of 12 demographic subgroups – i.e. minorities, economically disadvantages and students with disabilities—charter schools outperform traditional public schools[1].

[1] See: press release: National School Choice Week: Are NC public charters a good choice for your child? Demographic Data reveals "yes, Release Feb. 1, 2016. National Alliance of Public Charter Schools.

Career Ready

One of the two declared goals of the Common Core State Standards developed by the National Governors Association, Achieve.org and the Council of State Chief School Officers. The other goal being college ready. Career Ready implies a greater emphasis on foundational skills, readiness for the workforce and job-training.

Common Core State Standards (CCSS)

An educational initiative in the United States developed by private organizations and embraced by the Federal government that details what K–12 public school students should know in English language arts and mathematics at the end of each grade. One of the goals of CCSS is to establish consistent educational standards across the states as well as ensure that students graduating from high school are prepared to enter the workforce or to enter credit-bearing courses at two- or four-year college programs. CCSS burst onto the national scene when the Obama Administration tied Race to the Top Funds to state adoption of CCSS. The State Board of Education adopted Common Core State Standards in June 2010. Supporters say Common Core develops critical thinkers and provides a common standards across states to facilitate comparisons and gauge progress. Critics say the standards are not the magic bullet to raise student achievement, create a national curriculum – something prohibited by law, federalizes education decisions that were formerly left up to the states, and are a major violation of the principle of federalism. In 2014, the General Assembly passed Senate Bill 812, creating the Academic Standards Review Commission to study the effects of Common Core Standards on Education in the state and make recommendations as to what can be done to improve education further, including repeal of CCSS or a modification.

A preliminary draft of the Commission's final report showed the Commission had outlined various criticisms of the Common Core Standards and was suggesting major revisions. The commission found that the standards were difficult to actually apply in the classroom. They also found content to not be age appropriate. The English and Language Arts were also found not to be age appropriate or backed by solid research. The commission found that the standards lacked clarity, meaning teachers were unable to turn the standards into successful instruction. The Commission recommended a series of revisions to the English Language Arts standards that would essentially remove common core standards and replace them with new standards. In Mathematics, the Commission recommended that the state return to the normal sequence of study, Algebra I, Geometry, and Algebra 2, rather than the blended sequences that Common Core had established. In both cases, the Commission essentially found that common core standards are failing our children.

The draft suggested changes to English Language Arts standards and adopting Minnesota's math standards or grades K-8 and returning to returning to the state's pre-Common Core approach to math in essence would have amounted to dumping the math standards.

Interestingly the final report the Commission unexpectedly failed to approve the changes discussed. As a result. The Commission's recommendations would lack teeth. Frustrated that Commission members failed to make recommendations, a number of legislators suggested changes to the math sequence, but failed to gain support to actually pass a bill. While the Commission laid out a plan that established Common Core is failing our children, it failed to develop an alternative. Is there the stomach and political will to continue to review the standards? That's a question on many legislators and parents are asking.

Current Expenditures

Expenditures made for educational goods and services, excluding capital outlays and interest on school debt, incurred in the operation of a school. Current expenditures represent costs in a given year. Items may include: salaries for school personnel, fixed charges, student transportation, supplies, scholarships, energy costs, administration and minor capital repair. Current expenditures do not include capital expenditures which are typically incurred over the course of several years. Such costs include: costs associated with school construction, major renovation, school buses or large equipment items. According to the Digest of Education Statistics, current expenditures for elementary and secondary education in North Carolina increased from "$7.3 billion in 2010" to say "$8.5 billion in 2015 (unadjusted dollars).

Intelligence plus character – that is the goal of true education.

Martin Luther King, Jr.

Department of Public Instruction (DPI)

State agency in North Carolina responsible for administering $8 billion in state and federal education funds, including $1 billion in federal stimulus funds in budget years 2010 and 2011. The Department of Public Instruction (DPI) implements public education laws for grades pre-K through 12 as well as implementing policies developed by the State Board of Education. DPI also grants licenses to approximately 95,000 public school teachers and works with nine Regional/ Education Service Alliances/Consortia and directly with the 115 local education agencies (LEA). DPI is headed by the Superintendent of Public Instruction, a constitutional office. Voters elect the Superintendent to a four year term. Article IX of the North Carolina Constitution states, "The Superintendent of Public Instruction shall be the secretary and chief administrative officer of the State Board of Education." DPI has a staff of 750 and is divided into the areas of curriculum and instruction, accountability, finance, teacher and administrator preparation,

licensing, professional development and business support operations. DPI is responsible for developing the Standard Course of Study, the courses and subjects which must be taught in every public school in North Carolina, and heads up recent efforts to redefine the Standard Course of Study.

Disadvantaged Students Supplemental Fund (DSSF)

Started in FY2003-04 as a $23 million dollar appropriation to 16 pilot districts with high percentages of disadvantaged students who failed to achieve grade proficiency. Funds have mostly increased each year since then. In 2015, DSSF received $85.4 million in state funds. DSSF funds are distributed by local education agencies. In conjunction with local educational assistance teams, LEAs are responsible for developing a plan to address the needs of students and ultimately gain the approval of the State Board of Education. DSSF may be used in conjunction with other supplemental services such as low wealth, small county, and at-risk student services/ alternative schools. Funds may be used for instruction, instructional support personnel, or for teacher bonuses and supplements. Opponents of the program say DSSF replicates existing services.

Elementary and Secondary Education Act (ESEA)

United States federal statute signed into law in 1965 by President Lyndon B. Johnson (D). ESEA was the first comprehensive legislation to provide federal funds for primary and secondary education in the United States. The legislation authorized funds for educators' professional development, instructional materials, resources to support educational programs, and parental involvement promotion. Title I of ESEA provided federal assistance to schools and districts with a high percentage of students from low-income families. The act has been reauthorized every five years since the Johnson administration. ESEA has had two significant amendments: Improving America's Schools Act (1994) and No Child Left Behind (2002).

English as a Second Language (ESL)

Language instruction program for non-native speakers wanting to learn English. Public schools in North Carolina must offer ESL programs. School system officials are responsible for identifying students as having limited proficiency in English. Students are required to participate in intensive language instruction.

EOG/EOC (End of Grade/End of Course)

State administered tests in specific subject areas to assess competencies as determined by the North Carolina course of study. End-of-Grade tests are standardized tests in math and reading administered to students in grades 3-8. End of Course tests are state mandated tests administered to high school students in the areas of Algebra I, Algebra II, Biology, Chemistry, Civics and Economics, English I, Geometry, Physical Science, Physics and U.S. History.

Exceptional Students

Term used for disabled students and academically-gifted students. Special funding streams are available to serve these students.

Fiscal Year (FY)

The 12-month period covered by the state budget: July 1 to June 30.

General Fund

State fund dedicated to meeting general needs, as opposed to specific or restricted purposes. The General Fund accounts for about half of the state's total budgetary financing and is supplied by revenue from a variety of taxes and fees, as well as money

from court fees, disproportionate share receipts, investment earnings and bonds, the tobacco settlement, the Highway Fund, and the Highway Trust Fund.

Graduation Rate

North Carolina computes graduation rates for high school and college students. At the high school level, two different graduation rates are used; a four-year and a five-year rate. The four-year graduation rate reflects the percentage of ninth graders who graduated from high school four years later. The same formula is used for a five-year graduation rate. Graduation rates include students who transfer into the state and subtract those students who transfer out of the state. North Carolina categorizes graduation data by ethnicity (American Indian, Asian, Black, Hispanic Multi-Racial and White) and exceptionality (Economically Disadvantaged, Not Economically Disadvantaged, Limited English Proficient, Not Limited English Proficient, Student with Disabilities, Students without Disabilities). For academic year 2014-15, North Carolina's four-year graduation rate was calculated as 74.2 percent. Graduation rates for specific groups include Whites (87.1 percent); Hispanic (77.4 percent); Black (82.2 percent) and Asian (92.1 percent). Graduation rates are also calculated for public colleges and universities in North Carolina. Rates can be applied for specific institutions or system-wide. System wide graduation rates are usually preferable because they will include any students who transferred from another UNC institution. For any freshman who entered the UNC System as a freshman in 2008, 62.5 percent of all freshman had graduated 6 years later. North Carolina four year and five year college graduation rates mirror the national average in both areas.

LEA Assistance Program

State Board of Education initiative piloted in 2003 with a $500,000 appropriation from the General Fund to help school districts that performed poorly on AYP (Adequate Yearly Progress) and ABC measures. The LEA Assistance Program targets low performing LEAs rather than individual schools. Once a district has been identified, a team is assigned to the LEA. The team works full-time within the district's central office and with individual schools to improve student achievement and further continuous improvement.

Leandro v. State (1997)

Unanimous North Carolina Supreme Court decision that all children have a constitutional right to a "sound, basic education," as defined by the court. N.C. Superior Court Judge Howard Manning issued a series of opinions through 2004 to flesh out the details of this ruling. Key opinions declared (1) the current distribution of state money for education to be fair and (2) state spending to be inadequate to educate disadvantaged students. *(See Leandro Q&A)*

Local Education Agency (LEA)

In North Carolina, an LEA is a school district. Specifically, an LEA is the public authority maintaining administrative control of the school or schools in a city or county. Currently there are 115 LEAs in North Carolina. In the case of charter schools, each charter school is its own LEA.

Long Session

With elections held in November of each even-numbered year, the General Assembly convenes in legislative session from January to July (but often even longer) of each odd-numbered year for what is called the long session (as compared to the short session which meets in even-numbered years. The biennial budget is crafted and adopted during the long session.

Low Wealth Supplement Funds

Funds distributed to "enhance the instructional program and student achievement." Low wealth funds are distributed to local school administrative units where county wealth as a percentage of the state average wealth is less than 100 percent. The amount counties receive in Low Wealth funding is based on average daily membership (ADM) for the county and the difference between the state average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and average effort to fund public schools. Low wealth funds can be used for instructional positions, instructional support positions, supplies and equipment, or professional development. More than $209 million in low wealth supplement funds were distributed to local school administrative units in 2010.

National Assessment of Educational Progress (NAEP)

Federal testing program, also known as the nation's report card. It is the only nationally representative and continuing assessment of American students in such areas as reading, mathematics, science, writing, U.S.history, civics, geography and the arts. NAEP provides the ability to compare academic performance across states. It draws scores from a sample of students in each state. It does not provide scores for schools or individual students. (For further results on how North Carolina students did on NAEP tests, see Q&A on NAEP exam).

National Board Certification

Shorthand reference to certification awarded by the National Board of Professional Teaching Standards (NBPTS). North Carolina has more NBPTS-certified teachers than any other state. In 1994 Gov. Jim Hunt included NBTS provisions in the state budget that allowed the state to pay for a large part of the NBPTS certification process. NBPTS teachers are awarded certification for ten years and receive an automatic 12 percent salary increase. Research on the impact of NBPTS certified teachers on student achievement has been inconclusive. Teachers who pursue NBPTS certification are usually superior teachers. Questions remain as to whether NBPTS certification actually improves classroom performance. A 2008 study in North Carolina conducted by Mathematica Research Inc. found that the impact of NBPTS teachers on student mean scores was "about 1 point on a test with a mean score of 150."

National School Lunch Program

Federal program administered by the Department of Agriculture that provides free and low cost lunches to millions of school children every school day. Children from families with incomes at or below 130 percent of the federal poverty line – $28,655 for a family of four in 2010 – are eligible for free meals. Those with incomes between 130 percent and 185 percent of the FPL -- $40,792 for a family of four – are eligible for reduced priced meals. Students can be charged no more than 40 cents for a reduced price lunch. Children from families with incomes of over 185 percent FPL pay full price. In fiscal year 2010, the federal government spent $8.9 billion on the National School Lunch program. In many states, participation in the school lunch program has become a closely watched indicator of poverty. Federal school lunch programs have been criticized over methods for calculating the federal poverty rate and for introducing an eligibility formula that has the effect of redefining and expanding the definition of poverty to 185 percent of the original threshold. According to Action for Children North Carolina, in 2009-10 the average school district in North Carolina had about 58 percent of students eligible for free and reduced lunch. An investigative report

by David Bass of the John Locke Foundation found that 61 percent of households in North Carolina verified during the 2006-07 school year had their school lunch benefits reduced or revoked because they reported incorrect income or refused to substantiate income claims. In 2007-08, that figure rose to 66 percent of verified households.

NC-Pre K

Formerly known as Smart Start, NC-Pre K is a statewide pre-K program designed to provide high quality educational experiences for eligible four year old children. To be eligible, a child must be four years old on or before August 31st of the school year and must come from a family whose income is at or below 75 percent of the state median income. Military families are also eligible without reference to income. In addition, up to 20 percent of the age eligible children may have family incomes in excess of 75 percent of state median income -- if they have risk factors such as developmental disabilities, limited English Proficiency, educational needs or chronic health conditions. In 2015, total funding for NC Pre-K was $144.1 million. Of the total, $78 million was from the NC Lottery Fund, $17.5 million from federal funding and $48.6 in state funds.

No Child Left Behind Act (NCLB)

Federal law (Public Law 107-110) signed on January 8, 2002. NCLB reauthorized several federal programs aimed at improving the performance of U.S. primary and secondary schools. NCLB's major goal is for every school to be proficient in reading/language arts by 2013-14 as measured by state tests. NCLB developed standards of accountability for states and school districts based on the belief that high standards and expectations will help students succeed. NCLB required new standards for teachers. Under NCLB, students in Title I schools that did not meet achievement standards for two or more consecutive years had the option to attend another school and receive tutoring. Students enrolled in Non-Title I schools that fail to meet academic progress goals (Adequate Yearly Progress) must amend the School Improvement Plan to demonstrate how improvements will be made. NCLB continues to be controversial and its impact uncertain. While NCLB created proficiency standards for American students, it's obvious nearly all states will fall short of meeting these goals. The development of weak state standards and unrealistic federal proficiency goals are the criticisms most frequently mentioned when discussing NCLB.

North Carolina Association of Educators (NCAE)

A professional development and advocacy association for public school employees in North Carolina. NCAE was formed in 1970 when the North Carolina Education Association merged with the North Carolina Teachers Association. Members of NCAE are also automatically members of the National Education Association (NEA). The Association has been a vocal participant in legislative and gubernatorial elections. Like its parent organization, NEA, NCAE's support has been almost exclusively lined up with those candidates or organizations that articulate support for liberal and progressive ideals. As such, NCAE organizational and financial support has been almost totally in support of Democratic and against Republican candidates. Since the Republicans gained control of both branches of the North Carolina General Assembly in 2010 and the Office of the Governor in 2012, NCAE has been on the defense actively fighting various bills to eliminate dues check off privileges, grant vouchers to students to attend private schools, lift the cap on charter schools and legislation to eliminate teacher tenure in North Carolina. At one time, NCAE claimed to have close to 60,000 members. In recent

years, the organization has suffered significant membership losses, some estimate to be below 40,000. In 2015 the State Auditor was unable to verity NCAE membership of 40,000 or more, required in state law to be eligible for the organization to maintain the dues check off. As of this writing its uncertain if the controller can continue to legally collect dues checks when it's clear the numerical threshold has not been met.

North Carolina Charter School Advisory Board

Created in 2011 the Charter School Advisory Board (CSAB) was comprised of 15 members and intended to give charter advocates a greater voice in the administration of charter schools. CSAB's purpose is to recommend policies for adoption by the State Board of Education regarding all aspects of charter school application and operation. CSAB also monitors Charter schools regarding the revocation of charters. SB 337, approved in 2013 modified CSAB and reduced the number of voting members to 11.

North Carolina Education Lottery

Approved by legislation on August 31st 2005 only after then Lt. Governor Bev Perdue cast a tie-breaking vote in the North Carolina Senate, the North Carolina Education Lottery is one of the youngest lotteries in the United States. The North Carolina Education Lottery is overseen by a nine member commission. According to the NC Education Lottery web site, since its inception, over $4.2 billion has been raised for public schools. The 2015-16 budget bill changed the distribution of how lottery funds would be spent. The current distribution of funds is as follows: 58% non-instructional support personnel; 19% school construction; 15% pre-kindergarten; 6% need-based college scholarships; 2% UNC Need-Based Financial Aid. Public sentiment on the lottery continues to be divided. Opponents continue to view the lottery as a regressive tax on the poor. Advocates say it provides badly needed money for education. To the dismay of many, politicians have used lottery revenue to backfill budgets when necessary. In 2009, facing a budget shortfall Gov. Beverly Perdue withheld about $88 million in lottery revenue to manage a revenue shortfall. Perdue took $50 million from the lottery reserve fund and $38 million from the school construction fund. The move prompted some lawmakers to suggest dropping "education" from the lottery name.

North Carolina Virtual Public School (NCVPS)

Opened in 2009, NCVPS is currently the second largest state-led virtual Public School in the country. In 2014-15 NCVPS enrolled over 55,000 students from across North Carolina. NCVPS classes are taught by certified teachers. Funding for each NCVPS is determined by demographic and cost factors. One course costs for the summer average about $235; Fall/Spring Block classes $349/class. Year-long classes average $438. Students are not charged for courses, however local LEAs are reimbursed for costs. NCVPS is intended to augment instruction and is focused on classes not offered at the local high school.

North Carolina Window on Student Education (NC WISE)

Begun in North Carolina Public Schools in 2004, the North Carolina Window on Student Education (NC WISE) is an electronic student account system that integrates all aspects of public school life from the classroom to the central office. It is web-based and centrally maintained for capturing, accessing and reporting a wide spectrum of student information. In 2009, NC WISE completed a statewide rollout which included all of the state's 115 LEAs and 98 charter schools. Among other things, NC WISE will serve as an extensive statewide student data system that will allow schools to track individual students from school to school, and thus provide

better data on graduation and dropout rates. NC WISE replaces the Student Information Management System (SIMS) which the public schools used for almost two decades. NC WISE will make it easier for North Carolina to collect reliable data for the ABCs of Public Education, Uniform Education Reporting System (UERS) and the No Child Left Behind Act.

No Child Left Behind and other education reform initiatives have made large systems like NC WISE a necessity for tracking statewide reporting, data collection, and accountability efforts. Like many projects of similar size, however, NC WISE has been plagued by glitches and cost overruns. In February of 2006, dissatisfied with the pace and the quality of the work, the state cancelled IBM's contract to oversee the project and decided to work directly with the software provider. The action cost the state about an additional $140 million – about $100 million over budget. Criticism is not limited to cost overruns. According to the Rhinoceros Times, a print and online newspaper in metropolitan Charlotte, in the weeks leading up to the first release of 65,000 report cards for middle and high school students using the NC WISE system, several Charlotte-Mecklenburg teachers called the newspaper to complain about the system's inability to handle and process data at peak times like grading periods. Teachers and administrators said the system was frustrating and provided too much information.[1]

[1] Alan Hodge, "NC WISE Gets Bad Report Card Grades" Rhinoceros Times, Feb. 15, 2007. Available from: http://charlotte.rhinotimes.com/1editorialbody.lasso?-token.folder=2007-02-15&-token.story=154357.112113&-token.subpub=.

Opportunity Scholarship Grant

Legislation was passed by the General Assembly in 2013 and signed by Governor McCrory to provide vouchers of up to $4,200 to students from families whose income does not exceed 133 percent of the guidelines needed to qualify for the federal free and reduced price lunch program ($59,688 for a family of four in 2015-16). In addition to income guidelines, students must also have been attending a public school during the previous semester. Kindergarteners, foster children and children who have been adopted in the past year also qualify without having to attend a public school. In 2015-16, 2,522 students participated in the program, along with 263 schools. The enrollment figure represented more than a 100 percent increase in enrollment from the previous year (1,216). The average voucher value was $4,009. Vouchers cannot exceed $4,200 or be higher than the private school's actual tuition and fees. The voucher can be used for tuition, transportation, equipment or other educational expenses. In 2015-16 total funding for Opportunity Scholarships was increased to $17.6 million. In 2016-17, funding is slated to increase to $24.8 million.

PowerSchool

A web-based student information system for North Carolina public schools that can be shared with parents through a PowerSchool web portal. PowerSchool collects a wealth of student information including attendance, academic progress, admit/withdrawal information, scheduling, as well as school and student information. The system has been plagued by ongoing technical glitches and complaints from staff and parents.

Race to the Top

Race to the Top is a competitive federal grant program designed to promote innovation and reform K-12 education. In 2010, North Carolina was named one of ten state winners. It will receive approximately $400 million over four years. Half of the money North Carolina receives will go to the state to benefit all Local Education Agencies (LEAs) and charter schools. The other half will be distributed to participating LEAs and charter schools for

efforts to align schools with the policy goals outlined in North Carolina's Race to the Top application. North Carolina's Race to the Top plan is premised on four goals: 1) improving teacher and principal effectiveness; 2) using data to drive decision at all levels; 3) turning around low-performing schools and 4) implementing statewide standards and assessments that prepare students for success in college and allow for meaningful comparisons of North Carolina's public schools against other states and countries. Critics of Race to the Top say the grant program requires too much buy-in from teacher unions and the educational establishment and results in little meaningful reform. Other critics say it's just another effort by the Department of Education to entice states to cede more and more control of public education to the federal government.

Short Session

The legislative session that convenes in even-numbered years. The session meets from May to July (and often longer) in order to make adjustments to the biennial budget adopted during the long session.

Standard Course of Study

Developed by the Department of Public Instruction, the Standard Course of Study refers to the curriculum that is made available to every child attending public schools in North Carolina. First developed in 1898, the Standard Course of Study provides a set of competencies for every content area in each grade and high school course. It is designed to ensure rigorous student academic performance standards that are uniform across the state. Standard Course of Study is based on a philosophy of teaching and learning and consistent with current research, exemplary practices and national standards. It is periodically altered to reflect changes in national, state and local communities.

State Assistance Teams

Created in 1995 as an essential component of the ABCs of Education, state assistance teams are assigned to schools designated by the State Board of Education, as low-performing. Assistance teams work to improve student achievement and to promote continuous improvement among faculty. Teams serve full-time within individual schools and work with both school executives and students. At the completion of the assignment, assistance teams share recommendations with the State Board of Education, school superintendent, and the local school board.

State Board of Education

State entity responsible for supervising and administering "the free public school system and the educational funds provided for its support." The Board of Education is charged with setting and implementing policy impacting public education in North Carolina. The board consists of the lieutenant governor, the state treasurer and 11 members appointed by the governor. The governor's appointments are subject to confirmation by the General Assembly in joint session. Eight of the appointed members represent the eight educational districts of the state. Three members are considered at-large appointments. Members are appointed for eight years and have staggered terms. The elected state Superintendent of Public Instruction serves as secretary and chief administrative officer of the board.

Stimulus Funds

Stimulus funds is the common name given for funds distributed through the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA distributed nearly $100 billion to education across the nation. North Carolina public schools received about $1.4 billion in ARRA funding. North Carolina colleges and universities also received money from ARRA primarily in the form of research grants. The U.S. Department of Education distributed ARRA

funds to states to save jobs and spur education reform for K-12 students. Stimulus funding for public education was divided into two types: stabilization funds and formula grants. Stabilization funding was either distributed through the Secretary of Education or through Governor's offices. Stabilization funding distributed through Governors' offices was divided into K-12 and higher education monies and general monies for "other government services." About 80 percent of all ARRA funding was allocated for education stabilization. These funds were meant to cover budget shortfalls and were distributed based on state funding formulas. North Carolina received approximately $1.1 billion in Education Stabilization Funding. In 2009 and 2010, North Carolina used approximately $750 million in ARRA funding to pay the salaries of teachers and educational personnel.

Other allocated ARRA money was awarded via increases in various formula grants (School Improvement Grants - $10 million; Education Technology Grants - $6 million; Student with Disabilities Grants - $326 million; Homeless Education - $1.4 million and School Construction Bonds $252 million). The Secretary of Education also distributed ARRA funds primarily through a competitive grant process designed to encourage innovation and best practices among the states. The $4.35 billion Race to the Top competition is the largest of these. In 2010, North Carolina was one of ten winners in round two of the competition. The state will receive approximately $400 million over four years.

Student Accountability Standards

The 1997 General Assembly instructed the State Board of Education to establish student accountability standards for North Carolina public school students in the 3rd, 5th, 8th and 12th grades. Standards were approved by the State Board of Education in 1999 and went into effect for the first time with the fifth grade in 2001. High school standards went into effect with the class of 2005. New high school standards went into effect with students entering high school in 2006-07. Simply stated, Student Accountability Standards, also called gateways, require students to perform at grade level on End-of-Grade (EOG) tests before they are promoted to the next grade. Students not meeting this standard can be retested, receive academic intervention, or have their situation reviewed by a panel of educators.

Title I

Title I of the Elementary and Secondary Education Act (ESEA) enacted April 11, 1965 (Pub. L. 89-10, 79, Stat.77 20 U.S.C. Ch.70) and amended by "Improving America's Schools" (1994) and "No Child Left Behind" (2002) provides federal funds to elementary and secondary schools in the United States. Title I refers to a set of programs administered by the U.S. Department of Education to distribute funding to schools and school districts with a high percentage of low income students. Title I schools typically have approximately 40 percent of their students classified as "low-income" as defined by the U.S. Census definitions. The majority of Title I funds are used for grades 1 through 6.

Teacher Tenure/Career Status

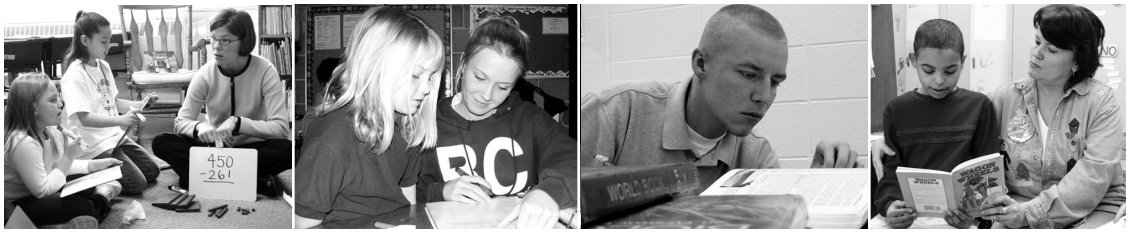
Teacher Tenure in North Carolina is usually achieved after four years. Teachers can be removed for violating at least one of the fifteen criteria listed in (G.S. 115C-325(e) 1. In hopes of improving the quality of teachers, in 2013 the legislature passed a law that eliminated teacher tenure and awarded teachers a series of one, two or four year contracts. In 2016, the law was struck down by the North Carolina Supreme Court because it constituted an unjust taking of a vested property right. The Court said the state could not take away tenure from those who had been awarded the benefit. However the court did let stand the provision that said in place of tenure or career status new teachers would be offered one-, two-, or four-year contracts.

UNC Board of Governors

The 32 member body entrusted to make policy decisions for the University of North Carolina System and its constituent institutions. The Board of Governors is also responsible for electing the president of the UNC System who oversees the system's administrative affairs. The General Assembly elects all voting members to four-year terms. Members serve on committees such as audits, budget and finance, educational planning, policies and programs, personnel and tenure, public affairs, strategic directions and university governance.

Wainstein Report

Name of the 2014 report authored by former federal prosecutor Kenneth Wainstein – and paid for by UNC-Chapel Hill -- that found more than 3,100 UNC–Chapel Hill students – almost half of them athletes -- were given academic credit for classes that never met or met infrequently over the period 1993-2011 as part of a scheme to keep many athletes eligible for sports. The Wainstein Report does not directly implicate any coach, although the beginning of the time period in question stretches back to the last four years of Coach Dean Smith's tenure at UNC. The report identifies a cheating regime supervised by former Department of African and Afro-American (AFAM) studies chair, Julius Nyang'oro and Deborah Crowder, a tutor for athletes in charge of grading and keeping athletes eligible. The Wainstein report notes that the only requirement for students participating was to submit one paper for the class. The classes were usually labeled lecture classes to circumvent UNC's limit on "independent study" classes. Around the UNC-Chapel Hill campus the classes were simply known as "paper classes" and usually involved no work and no attendance.



1 HOW ARE THEY FUNDED? Public Schools

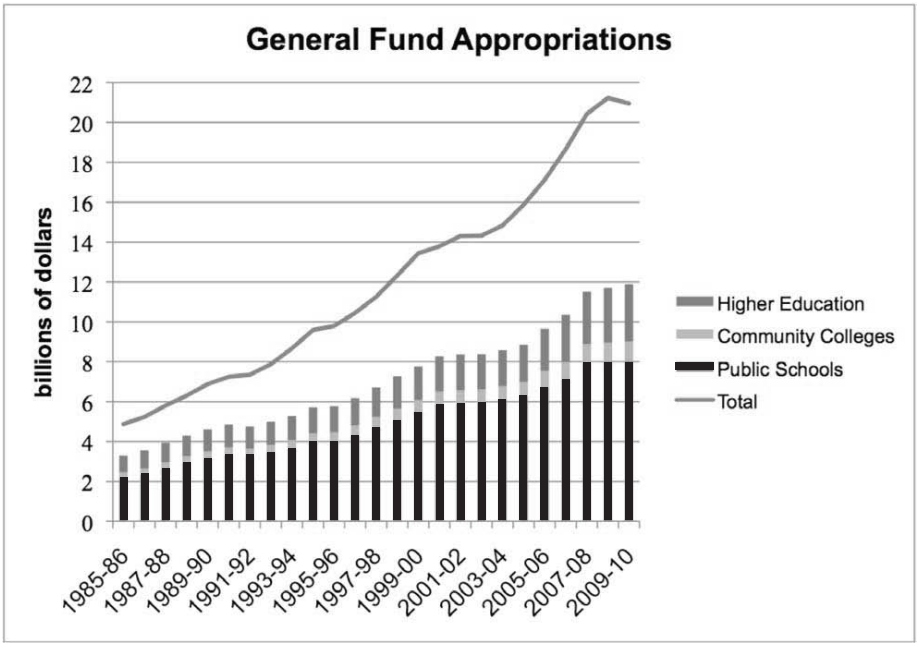
North Carolina public schools receive a higher percentage of their revenue - about 62 percent[1] - from state government than all but a handful of states. As with most things though, along with the state dollars comes state control. This is most visible in control over the curriculum, funding allotments and general policy through the State Board of Education. State law charges the state with responsibility for "instructional expenses for current operations of the public school system as defined in the standard course of study".[2] By contrast, county governments are responsible for "the facilities requirements for a public education system."[3]

All told, schools receive nearly two-thirds of their funding from the state, a little more than a quarter from local sources, and about 12 percent from the federal government. In contrast, the average school system in the United States receives almost an equal share of money from state and local governments (47 percent state; 43 percent local). Over the years, the state has given more budgetary control to local education agencies (LEAs) while putting standards and measures in place to hold LEAs accountable for student results.

Local school funding. Currently, the LEAs have discretion over how approximately 85 percent of their budgets are spent. The bulk of state funding for local schools is based on the number of students in each district. Aid is calculated using "Average Daily Membership" (ADM): the number of students in each LEA times the number of days each student is there, divided by the number of days in the school year. (Thus a student enrolled for the entire year is counted as one student, and a student enrolled for only one semester is recorded as half a student.) When the governor and General Assembly write the budget, a projected ADM figure for the public schools is used. Each LEA is funded based on projected ADM for the first or second month of the previous year's actual ADM, whichever is highest. Nearly all funding is allocated based on ADM. In 2014-2015, North Carolina spent an average of $8,784 per ADM pupil, when totaling state, local and federal dollars.[4] Funding per pupil varies considerably between districts, however, with some small districts such as Tyrell receiving as much as $14,786 per pupil.[5]

How is revenue allotted to LEAs? Most state revenue distributed to LEAs is allotted by funding formulas. There are approximately 13 different funding formulas covering things from instructional and non-instructional staff to at-risk and disadvantaged students. The single largest revenue allotment LEAs receive is teacher salaries. Exactly how much each LEA receives is determined by ADM and legislatively established class size ratios. As of 2015, the state supplies funds for one teacher per 18 students in kindergarten; one teacher per 17 students in grades 1-3; one teacher per 24 students in grades 4-6; one teacher per 23 students in grades 7 and 8; one per 26.5 students in grade 9; and one per 29 students in grades 10-12.[6] Although the state pays each teacher's salary (as determined by the salary schedule), LEAs actually hire the teachers. Therefore, a beginning teacher and a 10-year veteran teacher both count as one "teaching slot." In short, LEAs have no

financial incentive to hire an inexperienced, less costly teacher. Most other positions are allotted to schools based on set ratios to ADM. Professional positions are paid based on salary schedules or derivatives of those schedules. Schools also receive supplemental funding for specific categorical needs or to "address conditions that can create disparities among students (special ed., at-risk, LEP, low wealth, vocational ed., etc.)". In 2015, these supplements totaled nearly $2.5 billion dollars. The largest categories of supplemental funds include: Children with Special Needs ($784 million); At-Risk Student Services ($291 million); Disadvantaged Student Supplemental Funding ($85 million) Low Wealth Supplemental Funding ($215 million) and Limited English Proficiency ($77 million). The fastest growing supplement is Disadvantaged Student Supplemental Funding, which increased from$22 million in 2005-06 to $85 million in 2014-2015.[7]



Created by Civitas Institute. Data Source: Office of State Budget and Management, Historical BudgetTables. Available at: http://www.osbm.state.nc.us/new_content/historical_budget_data.pdf.

Finally, local schools also receive a portion of money raised by the North Carolina Education Lottery. Legislation establishing the North Carolina lottery passed in 2005 and was directed towards increasing and maximizing the available revenues. It also specified how lottery revenues were to be spent. The original lottery legislation specified 50 percent of net proceeds go to pay for teacher salaries in grades K-3 and the former More at Four program, 40 percent was designated to local counties for school construction costs and 10 percent was set aside for need-based college scholarships[8]. However it should be noted the legislation also allowed the legislature to adjust payouts on an annual basis as the needs arose. Under the allocation as of 2015, 58 percent of lottery revenue is paid out in prize, 30 percent is transferred to the Education Lottery Fund for distribution. Of that 30 percent of lottery revenue, approximately 44 percent is distributed to pay for classroom teachers; 19 percent to pay for Teacher Assistants;13 percent for NCPre-K,17 percent for school construction; 5 percent for college scholarships and 2 percent for UNC Need-based aid. In 2015, the North Carolina Legislature distributed $254 million for teacher salaries; $113 million for teacher assistants; $75.5 million for NCPre-K;$100 million for school construction; $30.4 million for college scholarships and $10.7 million for UNC Need Based aid.[9]

What do local governments fund?

While the state is responsible for paying instructional expenses, counties have the constitutional responsibility to pay capital costs for facilities. Because LEAs receive money dedicated for school construction costs from the North Carolina Education Lottery, the state and local division is slightly blurred. Class size reduction policies establishing lower class ratios in grades K-3 create the need for additional teachers, classroom and staff which also increase the financial burden on local governments. In addition, LEAs also offer teachers and administrators salary supplements to attract and retain staff. In 2015, the average teacher salary supplement was about $3,689 for teachers and about $12,500 for principals.[10] Currently, 100 of the 115 LEAs give local salary supplements.

ENDNOTES:

1 Highlights of the North Carolina Public School Budget, 2015, published by the North Carolina Department of Public Instruction. Available at: http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2015highlights.pdf

2 North Carolina General Statutes, 115C-408(b)

3 Ibid.

4 Statistical Profile, Public Schools of North Carolina. Available online at: http://apps.schools.nc.gov/pls/apex/f?p=1:33:0::NO:::

5 Ibid.

6 Highlights of the Public School Budget, February 2015, North Carolina Department of Public Instruction. Available at: http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2015highlights.pdf

7 Ibid.

8 NC Education Lottery web site, Where the Money goes. Available at: http://www.nc-educationlottery.org/uploads/docs/History%20of%20Lottery%20Fund%20Assignment%20

9 Table 20, Statistical Profile Online, North Carolina Public Schools, Available online at: http://apps.schools.nc.gov/pls/apex/f?p=1:25:835853592068501::NO::P25_SELECTYEAR:2015

10 Ibid.

2 WHO PROVIDES IT? Oversight of School Systems

The two-headed governance structure of the State Board of Education and the State Superintendent of Public Instruction have fueled controversy over who has authority to make state education policy for several decades. In addition, the General Assembly creates education policy through legislation, including budget priorities. Finally, the governor holds the purse strings and the power of the bully pulpit. Even the courts have a hand in education policy, the most glaring example being the series of Leandro decisions handed down by Judge Howard Manning (See Q&A).

Article IX of the state Constitution is the genesis for the seemingly never-ending dispute between the State Board of Education and the state superintendent. Article IX created the State Board of Education, whose members include the State Treasurer, the Lieutenant Governor, and 11 members appointed by the governor. The board has the responsibility to "supervise and administer the free public school system and the educational funds provided for its support." The same article also designates the elected position of superintendent of public schools, who serves as the secretary and the chief administrative officer of the board. The result is that the superintendent is in the rare position of administering, in some sense, the will of the board, but also being accountable, not to the board, but to the voting public. This distribution of power is actually less confusing than it used to be, thanks to the revisions of the Constitution that took place in 1971:

The Superintendent of Public Instruction was eliminated as a voting member of the State Board of Education but retained as the Board's secretary. He was replaced with an additional at-large appointee. A potential conflict of authority between the Superintendent and the Board (both of which previously had Constitutional authority to administer the public schools) was eliminated by making the Superintendent the chief administrative officer of the Board, which is to supervise and administer the schools.[1]

Still, the 1971 rewrite did not resolve the conflict. In 1991 and 1992 the superintendent and the State Board filed lawsuits against one another challenging the other's right to make decisions that affect public education. To help ease this contentious relationship, Governor Hunt asked the General Assembly in 1993 to take steps to help resolve the conflict. It was suggested that the position of state superintendent become appointed rather than elected, but this suggestion never materialized. Rather, in 1995 the General Assembly clarified the roles of the board and the superintendent through Senate Resolution 1. The superintendent was now responsible for managing the day-to-day operations of the public school system, but "under the direction, control and approval of the State Board of Education." Lastly, the resolution specified that "the appointment of all administrative and supervisory personnel in the Department of Public Instruction is subject to the approval of the State Board of Education." Even with Senate Resolution 1, however, the state continues to struggle with the complex nature of who is ultimately accountable for North Carolina's public schools.

In January 2009, hoping to find a way through the chaos, the Program Evaluation Division of the North Carolina General Assembly released its report, "*A Study of the Structure and Organization of the State Board of Education, the State Superintendent of Public Instruction and the Department of Public Instruction*." The report was highly critical of the state's governance structure for public education and said the present system fails to meet the state's needs.

The readily apparent, diffused leadership of public education, during the last 14 years has resulted in an education system of governance which stakeholders feel is dysfunctional, confusing and in need of change. This mixed governance arrangement does not provide the focused and sustained leadership to advance pre-K-12 education in North Carolina. In order for a Department of Public Instruction to be effective in its role of administering the policies of the State Board, responding to requests and needs of the districts, implementing state statutes and federal laws, and administering and monitoring billions of dollars of state and federal funds, there is a need for clear leadership, an identified individual at the helm and a constancy of expectations, delivery, feedback and quality control.[2]

In what seemed a direct response to the report, newly-elected Gov. Beverly Perdue appointed Dr. Bill Harrison to the position of Chief Executive Officer of the North Carolina Public School System. Feeling the governor overstepped her authority in making the appointment and believing it was a direct challenge to the position of State Superintendent of Public Instruction, the State Superintendent filed suit. In July 2009, Wake County Superior Court Judge Robert Hobgood agreed, ruling that "the General Assembly and the State Board of Education do not have the power without a constitutional amendment to deprive the Superintendent of Public Instruction of her inherent power."

Harrison resigned in the summer of 2009 and the state decided not to appeal the decision. For now it appears the Office of State Superintendent is in charge of administering the schools and implementing policy, even though it is the State Board of Education that sets and directs policy.

In the meantime, North Carolina continues to spend billions to improve student achievement. Yet, it's hard to ignore how the current confused system of governance impedes real accountability and blunts efforts to reform North Carolina public schools.

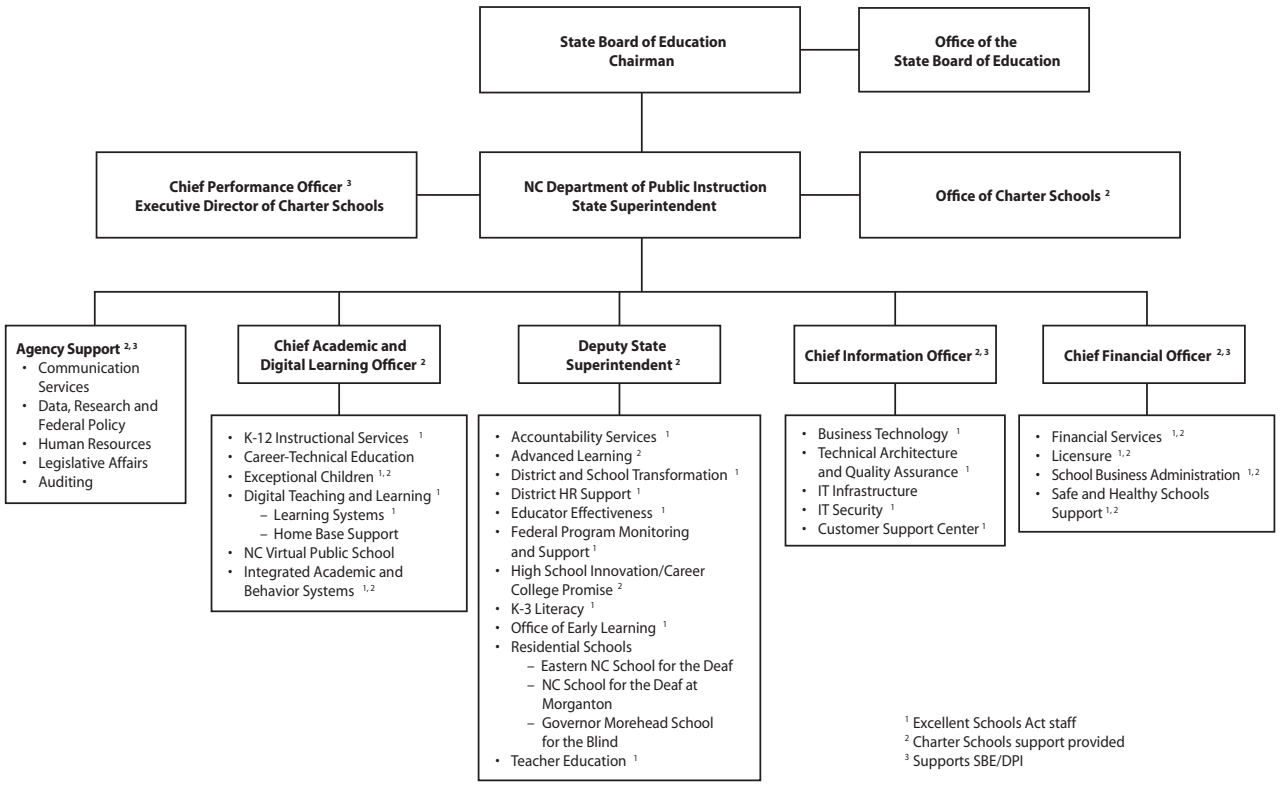
ENDNOTES:

1 Our Constitutions: A Historical Perspective, John L. Sanders, Director of the Institute of Government, University of North Carolina at Chapel Hill; available at http://statelibrary.dcr.state.nc.us/nc/stgovt/preconst.htm.

2 *A Study of the Structure and Organization of the State Board of education, the State Superintendent of Public Instruction and the Department of Public Instruction*, Final Report of the Program Evaluation Division of the North Carolina General Assembly, January, 2009.

Public Schools of North Carolina Organizational Chart

January 2016



Data Source: North Carolina Department of Public Instruction. Available at: http://www.dpi.state.nc.us/docs/organization/orgchart/orgchart.pdf

3 HOW DO THEY COMPARE? Teacher Salaries

North Carolina, like many states, uses a teacher salary scale that rises based on experience (years of teaching) and education (Bachelor's, Master's, Doctorate and National Board Certification). Teachers can add to their income through bonuses and supplements. In the past if a teacher is employed by a school that achieves expected progress under No Child Left Behind legislation, they receive an additional $750. If the school achieved "high growth" status, teachers receive a $1,500 bonus. In addition, teachers could also receive "ABC" bonuses if they are in schools making expected progress as determined by state standards. These bonuses, however, were suspended in 2009 and 2010 due to budget shortfalls. In addition to salary bonuses, teachers also receive local salary supplements. These are intended to help Local Education Agencies (LEAs) attract and retain qualified candidates and help provide salaries which reflect local market conditions. All but seven counties offer salary supplements to teachers. In 2015, average salary supplements for teachers ranged from $100 (Mitchell County) to $6,892 (Chapel Hill/Carrboro City Schools). According to data from the Department of Public Instruction, in 2015 just over 100,000 of the state's 102,000 teachers receive a salary supplement. The average salary supplement for teachers was $3,689.[1]

Average teacher salaries: Many variables help to determine the average teacher salary in North Carolina. Nearly half of the state's teachers have more than 10 years of experience, so to fully understand teacher salaries we must look at both average and beginning salaries. The state's significant number of National Board-certified teachers also skews salary averages. According to National Education Association (NEA) data for 2014-15, North Carolina ranked 41st for the 50 states and the District of Columbia, with an average teacher salary of $47,819, compared to a national average teacher salary of $57,420.[2] New York had the highest average teacher salary ($77,628) followed by Massachusetts ($75,398), California ($72,535) and Connecticut ($71,709). [3] The southeast state with the highest ranking was Georgia ($53,382) at twenty-three.

Average starting teacher salaries: With regard to average starting salary for teachers, the District of Columbia takes the number one ranking at $51,539, followed by Alaska ($44,166), Wyoming ($43,010) and Alaska ($42,687), Wyoming ($43,269) and Maryland ($43,235). The average starting salary for North Carolina teachers in 2012-13 was $30,778, 48th highest among the 50 states and the District of Columbia. The national average starting teacher salary at that time was $36,141.[4]

While many like to make comparisons of average teacher salaries and average starting salaries in various states, the data compiled from annual surveys from the National Education Association, has several shortcomings. It does not account for important factors like cost of living, experience levels of teachers in different states, pension contributions, bonuses and local salary supplements. One of the problems with the NEA salary rankings is that it fails to factor in pension contributions and cost of living. These factors can have a significant impact on salary. In 2008, Terry Stoops of the John Locke Foundation analyzed 2008 NEA teacher salaries and then factored in pension contributions and cost of living. After making those adjustments, he found North Carolina's adjusted average teacher compensation ($59,252) was actually $4,000 above the national average ($55,166). The adjustment catapulted the state from 30th place to 14th in the rankings of teacher compensation.[5] Unfortunately no similar study has been conducted since then.

National Board salaries: In addition to ABC bonuses and local salary supplements, North Carolina teachers can also increase their salary by earning certification from the National Board for Professional Teaching Standards (NBPTS). Teachers who earn this receive an immediate 12 percent increase in salary. North Carolina has the highest number of NBPTS certified teachers among the 50 states (20,677)[6], in part due to the salary inducement and because North Carolina pays the board assessment fee. This gives teachers three days of paid leave to prepare for the review and awards 15 hours of continuing credit to NBPTS teachers, benefits that have subsequently been reduced.

NBPTS salary differentials can vary from $3,920 for teachers with three years experience to a beginning teacher with a Bachelor's degree, to $6,166 for a teacher with a Doctorate and 33 years of experience. States vary considerably in the benefits they provide to NBPTS certified teachers, with North Carolina considered one of the more generous. Do NBPTS certified teachers boost student achievement? Most credible studies say not significantly. As states battle with budget deficits, adjusting NBPTS benefits is one option states may consider. North Carolina has not changed benefit levels; however it is uncertain if that stance will continue if the economy doesn't improve.

ENDNOTES:

1 Statistical Profile Online, Table 20, Local Salary Supplements. Available online: http://apps.schools.nc.gov/pls/apex/f?p=1:25:0::NO:::

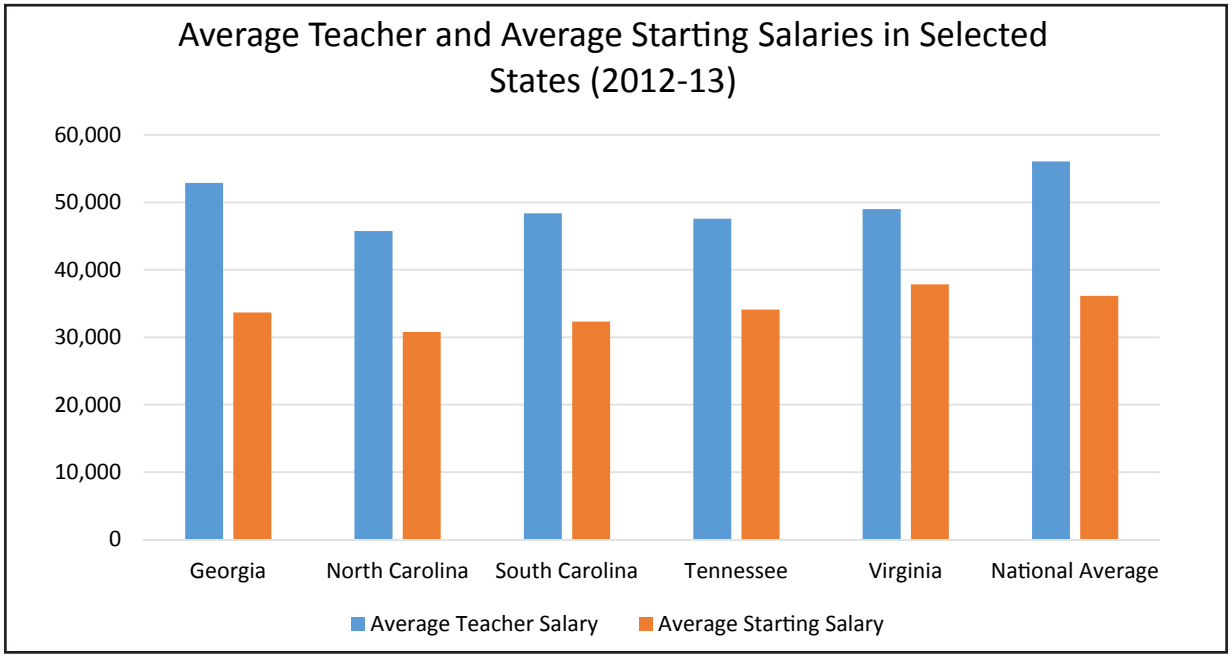
2 Rankings and Estimates 2015-16, NEA Research May 2016, National Education Association, Available online at: http://www.nea.org/assets/docs/2016_NEA_Rankings_And_Estimates.pdf

3 Ibid.

4 Ibid

5 Annual Report on Teacher Pay, Spotlight Report, Terry Stoops, February 2009, John Locke Foundation. Available at: http://www.johnlocke.org/acrobat/spotlights/spotlight-367_teacherpay2009.pdf

6 National Board for Professional Teaching Standards web site. http://www.boardcertifiedteachers.org/in-your-state/north-carolina



Created by Civitas Institute. Data Source: National Education Association. Available at: http://www.nea.org/home/2012-2013-average-starting-teacher-salary.html

Adjusted Teacher Compensation, by State (including D.C.)

State	Average Teacher Salary (2014-15)	Average Starting Salary (2012-13)
Alabama	$48,611	$36,198
Alaska	$66,755	$44,166
Arkansas	$47,823	$32,691
Arizona	$45,406	$31,874
California	$72,535	$41,259
Colorado	$49,828	$32,126
Connecticut	$71,709	$42,924
District of Columbia	$75,490	$51,539
Delaware	$59,195	$39,338
Florida	$48,992	$35,166
Georgia	$53,382	$33,664
Hawaii	$57,189	$41,027
Iowa	$53,408	$33,226
Idaho	$45,218	$31,159
Illinois	$61,083	$37,166
Indiana	$50,877	$34,696
Kansas	$48,990	$33,386
Kentucky	$51,155	$35,166
Louisiana	$47,886	$38,655
Massachusetts	$75,398	$40,600
Maryland	$65,477	$43,235
Maine	$50,017	$31,835
Michigan	$63,856	$35,901
Minnesota	$56,670	$34,505
Missouri	$47,409	$30,064
Mississippi	$42,564	$31,184
Montana	$50,670	$27,274
North Carolina	$47,819	$30,778
North Dakota	$50,025	$32,019
Nebraska	$50,525	$30,844
New Hampshire	$58,554	$34,280
New Jersey	$69,038	$48,631
New Mexico	$46,625	$31,960
Nevada	$56,703	$35,358
New York	$77,628	$43,839
Ohio	$56,172	$33,096
Oklahoma	$45,317	$31,606
Oregon	$59,811	$33,549
Pennsylvania	$64,447	$41,901
Rhode Island	$65,918	$39,196
South Carolina	$48,486	$32,306
South Dakota	$40,934	$29,851
Tennessee	$47,979	$34,098
Texas	$50,713	$38,091
Utah	$45,848	$33,081
Virginia	$50,620	$37,848
Vermont	$57,642	$35,541
Washington	$52,502	$36,335
West Virginia	$54,535	$33,546
Wisconsin	$45,783	$32,533
Wyoming	$57,414	$43,269
National Average	$57,420	$36,141

Created by Civitas Institute. Data Source: Rankings & Estimates for various years, National Education Association.

4 WHAT IS IT? The *Leandro* Decision

In 1994, five low-wealth counties filed suit against the state, claiming that it did not provide adequate funding for them to educate their students. They were joined by six urban counties who claimed that the state did not provide sufficient funds for them to educate their at-risk students and those with limited English proficiency.

The case – commonly called Leandro after one of the plaintiffs – resulted in 10 years of court appearances and decisions. In 1997, the State Supreme Court found that all children in North Carolina have a constitutional right to a "sound basic education" defined as:

> *One that will provide the student with at least: (1) sufficient ability to read, write and speak the English language and a sufficient knowledge of fundamental mathematics and physical science to enable the student to function in a complex and rapidly changing society; (2) sufficient fundamental knowledge of geography, history and basic economic and political systems to enable the student to make informed choices with regard to issues that affect the student personally or affect the student's community, state and nation; (3) sufficient academic and vocational skills to enable the student to successfully engage in post-secondary education or vocational training; and (4) sufficient academic and vocational skills to enable the student to compete on an equal basis with others in formal education or gainful employment in contemporary society.*[1]

The Supreme Court remanded the case to the original Superior Court Judge, Howard Manning who issued a series of opinions through 2004. The crux of these rulings held:

- The state is responsible for providing a sound basic education and giving assistance to LEAs who are failing at this task.
- The EOG/ EOC tests can be used to determine whether students are receiving a sound basic education – the standard is Level III (proficient) rather than Level II (basic). (The state had argued for Level II, the LEAs for Level III). Essentially this means that whether the state has met its constitutional mandate to provide a sound basic education is to be judged by student results.
- The distribution of funds is not inequitable and the state may be providing adequate funding, but it is not effectively distributed – "economically disadvantaged"

Economically disadvantaged children, more so than economically advantaged children, need opportunities and services over and above those provided to the general student population in order to put them in a position to obtain an equal opportunity to receive a sound, basic education. These additional opportunities may include additional times on task, lower class sizes, early childhood education, individual tutoring, early intervention or supplementary instruction and materials. Enabling at-risk children to perform well in school requires more time and more resources.

(Oct. 25, 2000 Memorandum of Decision, p. 10)[2]

students require more resources than their wealthier peers in order to receive a sound, basic education.

- ➤ A sound, basic education requires highly-qualified teachers and excellent principals, each with strong professional development.
- ➤ The state should provide pre-kindergarten programs for at-risk children to ensure they have an equal opportunity for a sound, basic education.

The state was required to report on the steps it planned to take to ensure that all students were afforded a sound, basic education. As part of its response, the state funded a new pot of money, Disadvantaged Student Supplemental Funds, to provide extra resources to schools to serve at-risk students. The program began with 16 LEAs in 2005, but has since been expanded to all LEAs stateside.

In 2009, Jessica Hardy, a tenth grade student in the Beaufort County School System, was suspended by school administrators for the duration of the school year (in this case, five months) for fighting on school grounds. Hardy filed suit charging that the school board had a constitutional right to provide a free and appropriate public education to her via an alternative education program. A trial court dismissed her plea before trial and she appealed.

A year later the North Carolina Court of Appeals ruled that the Leandro decision dealt with the substance of public education, not access to it.[3] Leandro did not require school districts to offer free and appropriate alternative education programs for suspended and expelled students. As such, the court said that school boards may continue to place the safe and orderly operation of traditional schools above the educational rights of students on long-term suspensions.

ENDNOTES

1 *Leandro v. State of North Carolina* 346 NC 336. 24 July 1997. Majority Opinion.

2 As cited in *Hoke County Board of Education et al v. State of North Carolina*, 95 CVS 1158, April 2002

2 *Hardy v. Beaufort County Board of Education*, 683 S.E. 2nd 774 (N.C. Ct. App.2009)

5 WHAT IS IT? NAEP

The National Assessment of Educational Progress (NAEP) is the only nationwide assessment of student proficiency. The NAEP has been used since 1969 to assess a variety of subjects including: reading, mathematics, science, writing, U.S. history, civics, geography and the arts.

The NAEP is divided into two tests: the national NAEP and the state NAEP. The NAEP national exam tests both public and non-public school students at the fourth, eighth and twelfth grade levels and provides information for the nation and specific regions of the country. The state version of the NAEP provides assessment results from public school students for the states who participate in the test. The NAEP is voluntary for all states, but if Title 1 funds are received then the state must participate.

The NAEP test is designed to answer the often-asked question of how one state compares to another in educating its students. Sadly, several states have been found guilty of manipulating test results to create a better picture of education achievement.

One striking issue on NAEP tests early on has been the discrepancy between student results on North Carolina state assessments and the NAEP. The greater percentage of students who have been deemed proficient on the state tests has led many people to question whether North Carolina set the academic bar too low. In March of 2006, the *Hendersonville Times-News* reported on the vast discrepancy between North Carolina state tests and the National Assessment of Educational Progress. They wrote, "The performance gap was often enormous. In North Carolina, 88 percent of eighth-graders were proficient or better in reading on the state test. On the NAEP, which the President and Congress use to chart the nation's progress, 27 percent were."

Upon closer examination of how well North Carolina students were performing on the NAEP test, it was apparent that the discrepancy between state and federal testing applied to all curricula that were tested. When comparing students' mathematics performance on the most recent administrations of the state assessment and the NAEP: students were 82 percent proficient while the national test reported 32 percent and 72 percent were at the "basic" level.

The trend of higher state test proficiency levels compared to NAEP proficiency is not unique to North Carolina. Studies indicate that the "proficient" level on state tests can best be compared to the "basic" (one step below proficient) level on NAEP tests.[1]

To determine whether states were setting proficiency bars low to ensure success of fourth and eighth grade reading and math tests, the respected education reform journal, *Education Next* examined 2009 National Assessment of Education Progress (NAEP) and proficiency standards in each state. Authors found:

> *States have strong incentives not to set world class standards. If they do, more of their schools will be identified as failing under NCLB rules, and states will then be required to take corrective actions to bring students' performance up to the higher standard. As a result, the temptation for states to "lowball expectations" is substantial. Perhaps for this reason, a sharp disparity between NAEP standards and the standards in most states has been identified in all our previous reports. In 2009, the situation improved in reading, but deteriorated further in math.*
>
> *Every state, for both reading and math (with the exception of Massachusetts for math) deems more students "proficient" on its own assessments than NAEP does.*[2]

Education Next rated reading scores for fourth grade (C-) and eighth grade (C). Fourth grade math standards received grades of D+ and C respectively. North Carolina's overall scores for four years of assessments was C. While it is true North Carolina's overall ranking improved, there is still plenty of room for advancement.

North Carolina results on NAEP Reading and Math tests have been a mixed bag. Fourth grade math results have consistently remained above the national average (4 points in 2015). Eighth grade math scores have also been largely above the national average, but that margin has declined from 6 points (2000) to 0 in 2015 as North Carolina's score (281) is the same as the national average. Results for fourth and eighth grade reading scores for North Carolina students are not as favorable, however. The good thing is that Fourth grade reading scores have improved since 2003 a net of five points and are five points above the national average. Eighth grade reading results are not as promising. Scores have been largely flat and since 2005 consistently below the national average. In 2015 North Carolina's eighth grade reading scores fell 3 points below the national average.[3]

NAEP Reading Scale Scores 2003-2015

	United States		North Carolina		Gap	
Year	4th Grade	8th Grade	4th Grade	8th Grade	4th Grade	8th Grade
2015	221	264	226	261	5	-3
2013	221	266	222	265	1	-1
2011	220	264	221	263	1	-1
2009	220	262	219	260	-1	-2
2007	220	261	218	259	-2	-2
2005	217	260	217	258	0	-2
2003	216	261	221	262	5	1

NAEP Math Scores 2003-2015

	United States		North Carolina		Gap	
Year	4th Grade	8th Grade	4th Grade	8th Grade	4th Grade	8th Grade
2015	240	281	244	281	4	0
2013	241	284	245	286	4	2
2011	240	283	245	286	5	3
2009	239	282	244	284	5	2
2007	239	280	242	284	3	4
2005	237	278	241	282	4	4
2003	234	276	242	281	8	5

Created by Civitas Institute. Data Source: National Center for Education Statistics' National Assessment of Educational Progress 2015 (NAEP)

ENDNOTES

1 Center on Education Policy, Answering the Question That Matters Most: Has Student Achievement Increased Since No Child Left Behind? May 31, 2007. http://www.cep-dc.org/index.cfm?fuseaction=document.showDocumentByID&nodeID=1&DocumentID=200

2 *State Standards Rise in Reading, Fall in Math*, Education Next, Paul Peterson and Carlos Xabell Lastra-Anadon, Fall 2010

3 National Assessment of Educational Progress, State Data Profiles Available online at: http://nces.ed.gov/programs/stateprofiles/sresult.asp?mode=short&s1=37

6 WHERE DOES THE MONEY GO? Education Lottery

In 2005, The North Carolina State Lottery Act (HB1023, S.L. 2005- 344), made it through the General Assembly by the narrowest of margins: one vote. How lottery money is distributed was not settled with passage of the legislation. In fact each legislature has seen fit to alter the distribution , some slightly, some in more significant ways. One thing we can say for sure that now more than ten years after passage of the original legislation, how lottery money is distributed remains a topic of intense discussion and debate.

Revenue from the first lottery in 2007 was distributed as follows[1]

30 percent - Classroom teachers
40 percent – School Construction
20 percent - Prekindergarten
10 percent – College Scholarships

In the first lottery bill, revenue was estimated at $425 million. The actual revenue delievered to schools and colleges ($325 million), fell far short of those initial estimates.

In 2015 the size and distribution of lottery revenue looked different. The distribution was as follows:[2]

44 percent – Classroom teachers
19 percent – Teacher Assistants
13 percent – Prekindergarten
17 percent – School Constrcuction
5 percent – College Scholarships
2 percent – UNC Need-Based Aid

The total lottery payout in 2016 was $584.6 million. As you can see the size and the distribution of the payout was far different than the first lottery. In recent years, there has been far less emphasis on money for classroom teachers and pre-K support. Since 2007 the Lottery has provided nearly $4 billion to North Carolina's public schools and colleges.[3]

When the lottery was passed, the General Assembly estimated that it would generate $1.2 billion in revenue. By June 2007, estimates had declined to just over $1 billion (approximately $1.05 billion). Using the General Assembly's initial revenue expectations, $97.5 million would be divided between the existing 115 Local Education Agencies for school construction and $52.5 million would be given to counties with higher than the median property tax rate based on average daily membership.

LEAs are the largest recipients of lottery revenue. Some of the largest recipients include : Mecklenburg County ($352 million); Wake County ($330.9 million); Guilford County ($207.7 million) and Cumberland County ($155 million). How was this money divided? For the largest receipient Mecklenburg County, lottery money included $25.5 million for teacher salaries; $9.7 million for school construction, $4.5 million for pre-k programs; $2.9 million for college scholarships; $1.2 mil-

lion for need –based aid and $11.3 million for teacher assistants. To date, Mecklenburg County has received $352 million in lottery funding.[3]

ENDNOTES

1 NC Education Lottery web site, Where the Money Goes, Lottery Distributions By County. Available online at: http://www.nc-educationlottery.org/uploads/docs/Beneficiary%20Summary%20fy2015.pdf

2 Ibid.

3 Ibid.

4 Ibid.

7 WHAT ARE THEY AND HOW DO THEY WORK?
ABCs of Education

A – Accountability
B – Basics
C – Maximum Local Control

During the long session of the 1995 General Assembly, the State Board of Education (SBE) was directed to completely restructure public education in North Carolina. After months of public hearings, surveys and interviews with education professionals, the ABCs of Public Education was created. The plan provided a framework for the most comprehensive restructuring of North Carolina public education in recent memory.[1] The ABCs formulated a plan of school accountability and progress. The ABC's plan was in effect in North Carolina from 1996 to 2012.

In 1996, more than 100 schools in 10 school districts piloted the new ABC initiative. These plans included several novel ideas for increasing accountability on the school level while eliminating a sizeable amount of state control. In addition, a series of end-of-grade tests was developed for students to help measure growth in student performance and ensure accountability.

Between 1996 and 1998 additional components were added to the ABCs program. These included:

- State Assistance Teams were developed to aid low-performing schools
- Charter schools were included in ABC reporting requirements
- "Report Card for the ABCs of Public Education" was published for both K-8 and high school students
- Staff at schools making exemplary growth/gain were awarded incentives per the Excellent Schools Act up to $1,500 for certified staff and up to $500 for teacher assistants
- Certified staff at schools making expected growth/gain received up to $750 bonus and teacher assistants were eligible to receive up to $375 in bonuses.
- Additional end-of-grade tests in other subject areas were implemented to better gauge student performance

In 2006, the first significant changes were made in the ABCs program. New formulas were developed to help measure change in student performance from one year to the next. The changes in performance from previous years are significant enough to dissuade against using comparisons to prior years.

In 2008, the State Board of Education adopted a new framework for assessment. The multi-year plan will necessitate revision of the state's Standard Course of Study and creation of a new curriculum, assessment system and accountability model. The changes are to be operational by the 2012-13 school year.

Each year the Department of Public Instruction publishes an annual ABCs report. It is based on several measures of performance such as reading and mathematics end-of-grade tests (grades three through eight) science end-of-grade tests in grades five and eight; and end-of-course tests in Algebra I, Algebra II, Biology, Civics and Economics, English I, Geometry, Physical Science, and U.S. History. Other measures include the dropout rate, completion of certain courses of study and student performance on alternate assessments for certain students with disabilities.

Complete details of how these measures are included in the ABCs model, definitions of school designations and other information are available in the ABCs/AYP 2010 Accountability Report Background Packet at http://abcs.ncpublicschools.org/abcs.

An important component of the ABCs Accountability program in North Carolina Schools is No Child Left Behind (NCLB) legislation. NCLB included a component called Adequate Yearly Progress (AYP) to gauge student performance which is included in the ABCs report. This requires schools to focus on closing achievement gaps and making all students proficient in math and reading by 2013-14.

In 2010-11 only 27.9 percent of schools met AYP targets, while 72.1 percent of schools did not. About 25 percent of North Carolina public schools received the following designations: No Recognition (369), Priority Schools (217) or Low Performing Schools (14). The remaining 75 percent of schools were designated Honors Schools of Excellence (212), Schools of Excellence (41), Schools of Distinction (698) or Schools of Progress (884).

In addition to holding schools accountable for student performance, the ABCs of education are also intended to provide schools greater financial flexibility.

As a result of the ABCs, districts have been allowed to allocate funds where they deemed necessary. It was not until 2000 however, when the Department of Public Instruction allowed 83 percent of funds to be transferred with local discretion; the remaining 17 percent were funds earmarked for at-risk students and incentive pay, which local districts had true flexibility to allocate. Administrators assert that the ABCs program allows each school to make decisions about how to spend money and what textbooks and materials to use, allowing schools to figure out how to meet their particular students' needs. The budget downturn of 2009-10 expanded this flexibility as lawmakers transferred additional spending and staffing authority to LEAs to help deal with funding shortfalls.

While critics of the ABCs applaud local flexibility and less control from Raleigh, many feel that the bonuses that are attached to the incentive programs are too liberally disbursed. According to the Greensboro News and Record, six Guilford high schools qualified for more than $500,000 in ABC bonuses even though those schools were on the Governor's "watch list" of low-performing schools. Critics argue that ABC bonuses should be allocated on a teacher-by-teacher basis rather than on the school level. The Department of Public Instruction has somewhat responded to these criticisms. Although bonuses are still distributed on a school basis, the performance results are now reported at the classroom level to hold individual teachers publicly accountable.

Budget shortfalls led to the elimination of ABC bonuses for teachers and staff for 2009 and 2010.

Other changes have impacted the ABC program in recent years. Senate legislation (S.L. 2009-451) eliminated The Civics and Economics and US History End-of-Course (EOC) asseessments.

In 2011 the US Department of Education approved North Carolina's request for exemption from some of the requirements of NCLB. NCDPI no longer designates whether each school as having met or not met Adequete Yearly Progress (AYP). In its place, NCDPI reports for each school the number of Annual Measureable Objectives (AMOs) and the number of those targets met as well as the percentage of targets met.

Also in 2011 the ABCs of Education made its final report to the State Board of Education. The report stated that nearly 80 percent (79.5 percent) of North Carolina public schools met or exceeded their academic growth goals; 46.2 percent of all schools met all their Annual Measureable Objectives The report also showed 43.9 percent of schools met high academic growth standards and 35.6 percent of schools met expected growth. The numbers were down slightly from the previous year.[2]

In 2012 the Ready Accountability Model replaced the ABCs of Education. The model focuses on individual schools but also measures college and career readiness.as directed by the implementation of Common Core State Standards.

ENDNOTES

1 For additional background information on ABCs Program see: *ABCs/AYP 2010, Accountability Report Background Packet*, North Carolina Department of Public Instruction. Available at: http://www.ncpublicschools.org/docs/accountability/reporting/abc/2009-10/backgroundpacket.pdf

2 *State Board of Education Receives Final ABCs Accountability Report*, August 2, 2012. News Release, North Carolina Department of Public Instruction. Available at: http://www.ncpublicschools.org/newsroom/news/2012-13/20120802-01)

8 HOW IS IT CALCULATED IN NORTH CAROLINA?
The Dropout Rate

North Carolina requires all children between the ages of 7 and 16 to be enrolled in school. Although most students graduate, many others do not. Determining how many students leave school before graduating, commonly known as the dropout rate, is a calculation that has become more important.

North Carolina counts dropouts as individual events and calculates rates accordingly. That is, the event dropout rate counts the number of students who dropout in a given year. This rate is required by the federal government and is a "duplicated count" meaning a student who drops out multiple times is counted each time he or she drops out.

A dropout is defined by the State Board of Education as "any student who leaves school for any reason before graduation or completion of a program of studies without transferring to another elementary or secondary school" (HSP-Q-001) . Practically speaking a dropout is someone who was enrolled at some time during the previous school year but who was not enrolled on day 20 of the

current school year. It is important to note that schools that cannot document a former student's enrollment must report the student as a dropout.[1]

According to the Annual Dropout Event Report for 2014-15, 10,404 (or 2.39 percent of the students in grades 9 through 12) dropped out of school. This was a slight increase from the previous year, when 2.28 percent of the students from grades 9 through 12 dropped out of school. The slight uptick ended a seven year decline in dropouts and the dropout rate beginning in 2006-07.[2]

It's important to note that the dropout rate is not the same as the four year cohort graduation rate which follows ninth graders across four years and reports the percentage of students who graduate four years later. The dropout rate identifies the number of students who dropout in one year's time. Some of these students may return to school and graduate, others may dropout out yet again next year.

Some trends stand out from a review of the 2014-15 data. The dropout rates for all groups continued to fall to their lowest levels in years. Over the three year period 2011-12 to 2014-15 the state dropout rate declined 20,6 percent . The percentage decrease by group include: Hawaiian/ Pacific Islander -35.7% Black -26%; White -21%; Hispanic -13.3%; Multiracial-9.9% ; Asian -33.1% and American Indian – 9.2%. Ninth grade males are the most at-risk to drop out – in all categories.[3] Why have dropout rates continued to fall? Officials credit the state's efforts to keep students in school for the improvement. Others say the state's high unemployment rate and sluggish economy have probably also influenced student decisions to stay in school.

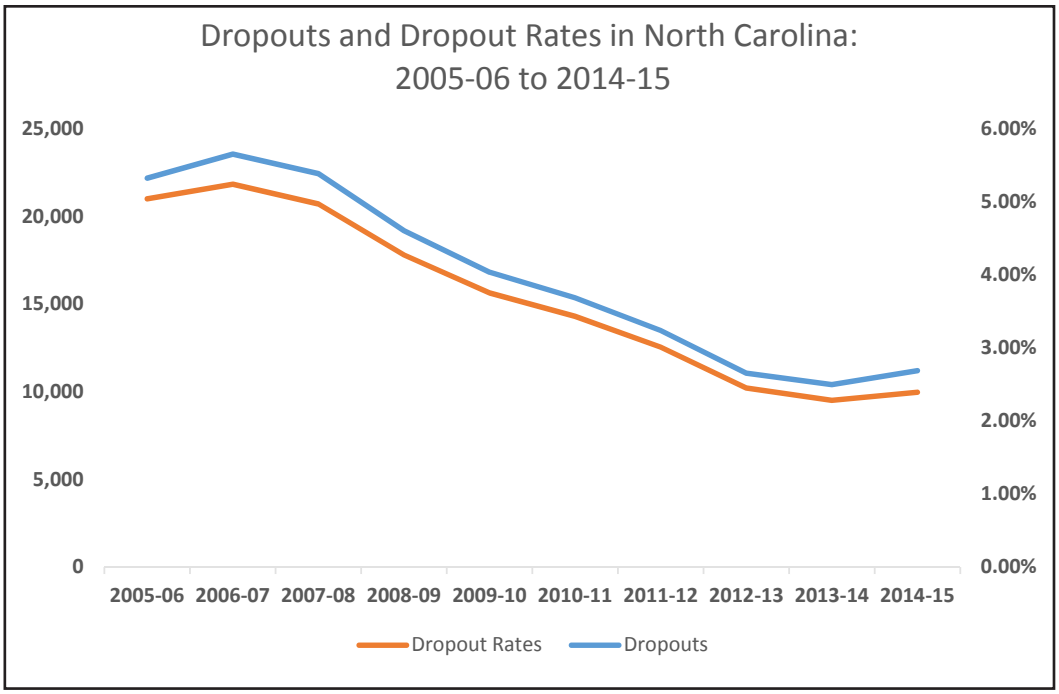
Even with the declines in the dropout rate since 2006-07, it continues to be a serious problem that commends increased attention by the public, government and the news media. The number of dropouts is especially troubling considering the efforts and expense to increase teacher pay, reduce class size and provide pre-school initiatives for at-risk children.

In 2007 and 2008 the Legislature allocated $7 million and $15 million respectively for dropout prevention grants. While it is true the number of dropouts has declined in recent years, it is uncertain how much is attributable to the grants. Critics contend they have been distributed to school districts with little or no dropout problems but have good grant writers.

In October 2007, the Milton and Rose Friedman Foundation released a study that estimated each high school dropout in North Carolina cost the state $4,437 and the annual costs associated with a class of dropouts approaches $169 million. Interestingly, the study also found that 33 percent of dropouts were Medicaid beneficiaries (compared to 20 percent of high school graduates) and that dropouts were nearly twice as likely to be incarcerated.

The earnings gap between high school graduates and dropouts – an annual difference of nearly $10,000, is well documented. With a changing economy, the challenge for those lacking a high school diploma to find stable jobs is growing, causing the earnings gap to widen.

Individuals are not the only ones who must bear the costs of dropping out of school. Society must also shoulder costs as well. The loss of training and productivity is a drain on our economy and should spur efforts to address this problem. According to the Alliance for Excellent Education, dropouts from the class of 2008 will cost North Carolina almost $11 billion in lost wages over their lifetimes.[4]



Created by Civitas Institute. Data Source: Department of Public Instruction's Consolidated Data Report 2014-15

ENDNOTES

1 Report to the General Assembly, 2014-15, Annual Report on Dropout Rates, Public Schools of North Carolina. Available at: http://www.ncpublicschools.org/docs/research/discipline/reports/consolidated/2014-15/consolidated-report.pdf)

2 Ibid

3 Ibid

4 Understanding High School Graduation Rates in North Carolina, published by Alliance for Excellent Education. Available at: www.all4ed.org

9 WHAT IS IT AND HOW WELL DO NORTH CAROLINA STUDENTS PERFORM?

The SAT

The SAT, once known as the Scholastic Aptitude Test (today the letters do not stand for anything), is a standardized test for college admission in the United States, administered by the College Board. This is a non-profit organization that oversees the management of standardized tests for high school juniors and seniors interested in pursuing postsecondary education. The SAT is the nation's most widely used college admissions test and the college entrance exam taken by most high school students in North Carolina.

The SAT is designed to measure critical thinking skills necessary for academic success in college. The test is comprised of three major sections: mathematics, critical reading and writing. Each section receives a score on a scale of 200 to 800. A perfect SAT score is 2400. The writing section is relatively new and many people still think of a perfect SAT as 1600—800 each on the mathematics and critical reading (formerly verbal) sections.

In recent years, the SAT has come under increased criticism. Initially, the SAT was designed to make 500 a mean score, with a standard deviation of 100 points. In the 1980s and 1990s, as college admissions expanded to students from less rigorous academic backgrounds, the average scores for students dropped to 428 (verbal) and 478 (math) . In order to bring both means back to 500, the College Board recentered the SAT in 1995, essentially adding 80 points to the average

verbal score and 20 points to the average math score. The changes, in essence, provide the aggregate test scores of current students a 100 point advantage over previous cohorts.

Educators and the general public greeted the decision to recenter the test with skepticism. Dr. George Cunningham, an education testing expert at the University of Louisville, called the College Board's claim that in 2000 math scores had reached a 30 year high, "propaganda." Cunningham said he thought recentering the test is a very complex process and not something than can be done with absolute accuracy. As such, inferences based on year-to-year variations of a few points in test results should be viewed with suspicion. Scores reported after 1994 are recentered scores.

Others have criticized the SAT for test biases and format changes. After learning of disparities in performance among different demographic groups the College Board dropped certain questions. The time permitted to complete the math section has also been reduced from 90 to 60 minutes and students are not allowed to use a calculator.

Despite these changes, most college admissions officers are still likely to consider the SAT as one of several important factors. Test supporters say the SAT provides a good measure of student achievement. Since grading in one school district does not necessarily compare with grading in another, test supporters also say SAT scores are a good way to compare students from entirely different backgrounds and assess their readiness for college.

How Did North Carolina Students Perform on the 2014 SAT?

Over 50,691 North Carolina public school students took the SAT exam in 2014. This puts the state among those with the highest percentage of students taking the test.

When analyzing SAT scores, it is important to take into account the considerable variation in participation rates that exist among the states. College-bound students will either take the SAT or ACT for college admission. On average, states with lower participation rates on the SAT tend to have higher average scores.

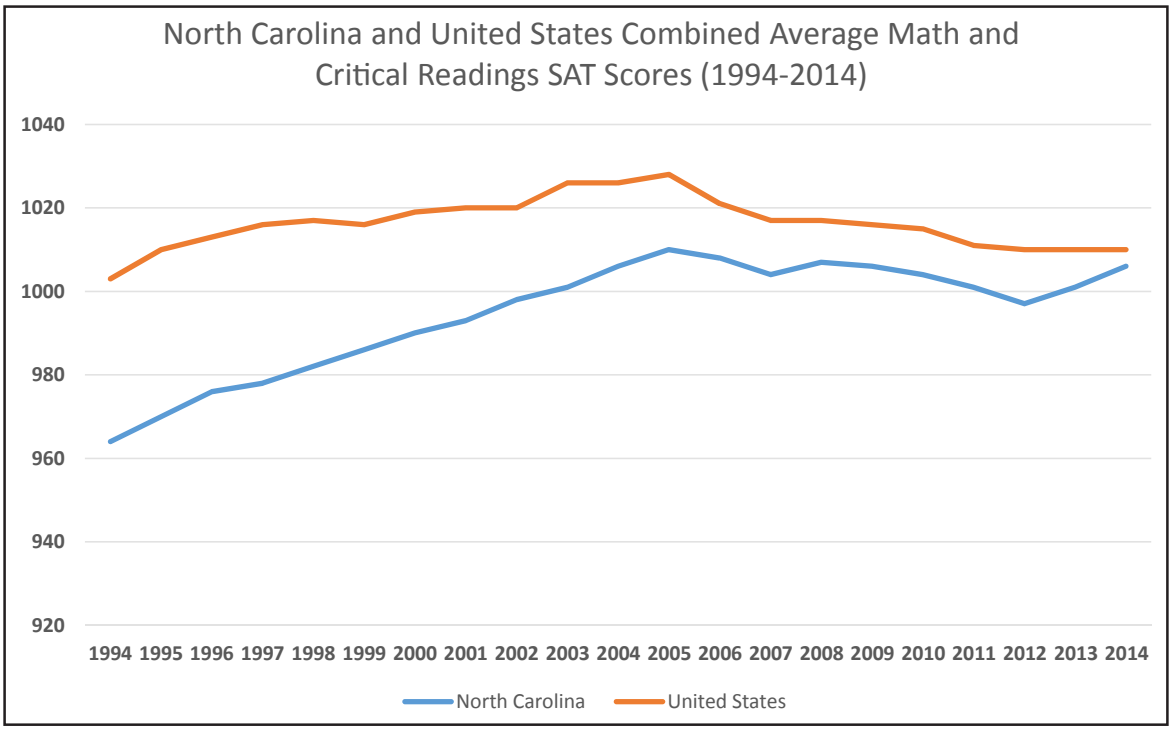
- In 2014, critical reading scores moved up four points to 499 while average math scores moved up one point to 507.
- While North Carolina continues to perform slightly below the national average in all test categories, the difference between US and North Carolina mean scores has declined from 32 points to 4 points since 1997, with NC's average now at 1006.
- North Carolina students have shown the highest gains (58 points) since 1990. Vermont and Massachusetts are a distant second and third with 47 and 46 points, respectively.
- When compared with Virginia, South Carolina, Florida, and Georgia, North Carolina's mean score was 13 points higher than the Southeast score (993) in 2014, compared to just nine points the year before.

Scores by Ethnicity and Race

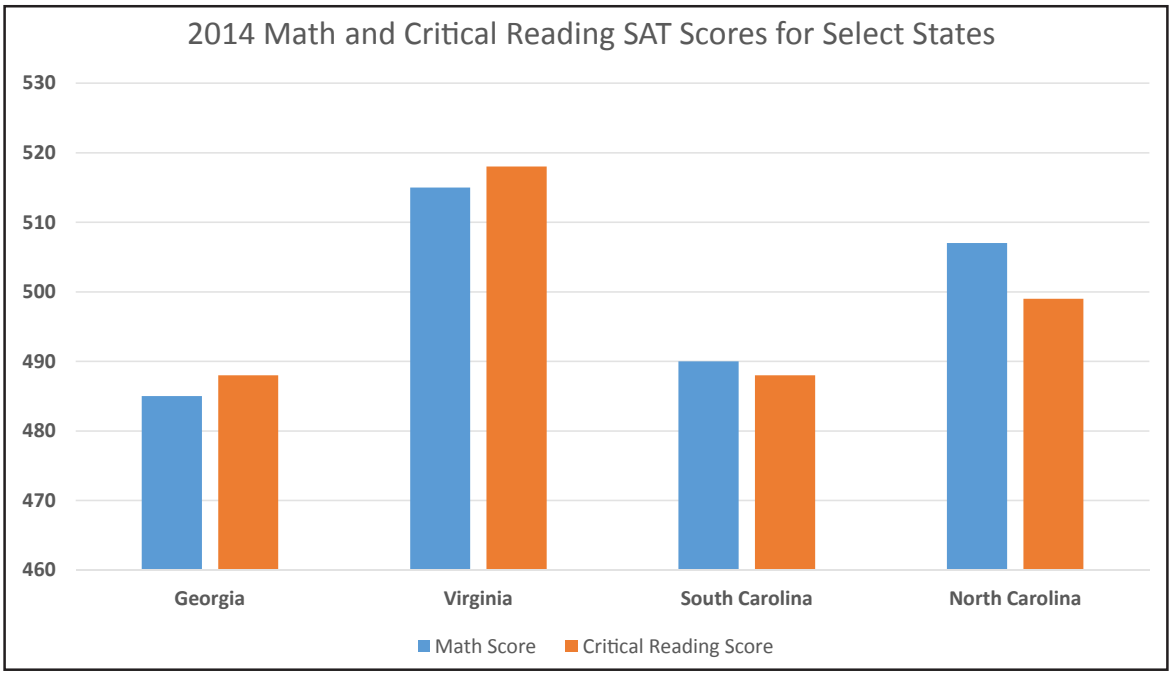
- In 2014, Asian Americans, Whites, American Indians, and Blacks all improved scores. Hispanics remained the same.
- For nine consecutive years, Asians (1117) achieved the highest SAT score. Whites (1064) came in second, followed by Hispanics (954), American Indians (934) and Black students (856).
- North Carolina's Asian (1117) and White students (1066) were the only racial/ethnic groups to exceed the national average (1010) in 2014.

- North Carolina's Hispanics score (954) was 44 points higher than the national average (910) for Hispanics. In North Carolina, Hispanics comprise 5 percent of test-takers, compared to 14 percent nationally.
- Black students have historically scored lower than all other racial/ethnic groups. In 2014 the Black average score (856) was 2 points higher than 2013.

Source: http://www.ncpublicschools.org/docs/accountability/reporting/sat/2014/satreport14.pdf



Created by Civitas Institute. Data Source: North Carolina SAT Report, 2014, Department of Public Instruction



Created by Civitas Institute. Data Source: The 2014 SAT Report on College & Career Readiness published by the College Board

10 Public Schools

HOW MANY PEOPLE WORK IN NORTH CAROLINA PUBLIC SCHOOLS?

In addition to educating 1.5 million students, North Carolina public schools employ thousands of teachers, administrators, professional and non-certified staff. In 2015-2016, the public schools employed more than 173,000 people. If the public schools were a public company, it would be ranked among one of the largest in North Carolina. If public school employees are divided equally among all school districts, each district would have approximately 1,500 employees.

What do all these employees do? Approximately a little more than half of all public school staff – 94,421 – are teachers, while 7,200 are administrators, principals and assistant principals. Another 15,258 serve as instructional support and professional staff. An additional 56,475 are classified as non-certified staff and serve as teacher assistants, technicians, clerks secretaries, service workers, skilled workers and laborers.

North Carolina Public School Personnel by Type 1999-2016																	
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
All Teachers	80,390	82,158	83,907	85,557	87,947	90,657	94,129	95,542	97,676	99,098	95,377	94,879	93,964	95,146	95,166	94,566	94,421
Administration	5,860	6,001	6,125	6,125	6,208	6,443	6,643	6,864	7,061	7,270	7,019	6,970	6,785	6,975	7,093	7,158	7,208
Inst. Suppt.	10,363	10,600	11,007	11,007	11,729	12,246	12,681	13,566	13,768	14,550	14,595	14,465	14,227	14,722	14,972	15,275	15,258
Non. Cert. Personnel	59,621	61,177	62,240	62,240	63,225	65,263	66,798	67,997	68,958	70,209	65,948	64,156	60,654	60,306	59,261	58,288	56,475
Total	156,234	159,936	163,279	163,279	169,109	174,609	180,251	183,969	187,463	191,127	182,939	180,470	175,630	177,149	176,442	175,287	173,362
North Carolina Public School Personnel by Source of Funding 1999-2016																	
State	122,135	123,700	124,934	126,513	128,396	132,045	135,149	139,152	143,280	144,793	128,540	125,981	130,594	133,792	132,254	131,751	132,079
Federal	10,030	10,278	11,552	13,185	14,031	15,101	15,976	14,844	12,944	12,524	24,715	26,070	18,650	13,993	13,617	12,951	12,614
Local	24,069	25,978	26,793	17,427	26,682	27,463	29,126	29,973	30,968	33,810	29,684	28,419	26,386	29,364	30,571	30,585	28,669
Total	156,234	159,936	163,279	166,108	169,109	174,609	180,251	183,969	187,463	191,127	182,939	180,470	175,630	177,149	176,442	175,287	173,362
ADM Enrollment	1,249,922	1,268,406	1,289,523	1,309,295	1,332,422	1,356,405	1,390,168	1,417,426	1,434,957	1,461,740	1,464,914	1,475,668	1,436,162	1,443,998	1,456,330	1,438,176	1,459,852

Created by Civitas Institute. Data Source: Facts and Figures, Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/resources/data/

Staffing Trends: Teachers

Most employment trends in schools are driven by student enrollment. Over the period 2000-2015, student enrollment in North Carolina increased about 17 percent, an average annual increase of 1.05 percent. Over the same period, public school employment increased 11 percent, or about 0.69 percent per year.

Yet from 2009 to 2011 during the Great Recession, North Carolina lost 4,200 teachers. Those losses were offset by the high number of teachers hired through federal stimulus funds. The number of federal teachers in North Carolina schools increased from 5,700 in 2008-09 to 11,450 in 2010-11. In many cases, these teachers were replacing teachers whose jobs had been eliminated.

Public School Staffing: the Economic Downturn and the Federal Stimulus

In order to truly understand staffing changes during this period, we must look at what happened before and after 2009. From 2000 until 2009, the percentage increase (22 percent) in public school staffing bested, by a significant margin, the percentage increase in student enrollment (17 percent). Tables I and II reveal that job trends for administrators, instructional support personnel and non-certified staff have similar trajectories. For the first nine years of the decade each category expanded at rates greater than the rate of increase in the student population. Before the economic downturn in 2008 North Carolina hired almost 35,000 new public school employees, 18,700 new teachers, 1,400 new administrators, 4,200 instructional personnel and 10,600 non-certified personnel. The additional staff was hired, in part, to help administer the schools and help to educate the 212,000 new students the public schools that were added between 2000 and 2009.

The year 2009 was the peak for the number of personnel working in North Carolina public schools. The Great Recession would bring that to an end. Since the staff personnel gains in many areas eclipsed the growth in the student population, when the economic downturn came in 2008 some lawmakers believed staff reductions could be made while minimizing harm to the classroom. Between 2009 and 2011 approximately 10,700 public school jobs were lost. This includes about 4,200 teaching jobs, 300 administrators, 85 instructional personnel and 6,000 non-certified personnel.

In 2011, there were about 18,800 fewer state-funded public school positions than in 2009. In order to stabilize the state budget about $1 billion in federal stimulus dollars was used to replace lost state funding for program budgets and hire school personnel. In 2010 and 2011, North Carolina public schools hired over 13,500 federal workers, of which 11,500 are teachers. The massive influx has dramatically increased the number of employees paid by the federal government in schools from 12,500 in 2009 to over 26,000 in 2011, an increase of 108 percent.

Table II

North Carolina Public School Personnel 2000-2011					
	Gain from 2000 to 2009	**Percentage Gain 2000-2009**	**Loss or Gain 2009-2011 (Loss in Parentheses)**	**Net Gain 2000-2011**	**Percentage Gain**
Teachers	18,708	23 percent	(4,219)	14,489	18 percent
Administrators	1,410	24 percent	(300)	1,110	19 percent
Inst. Personnel	4,187	40 percent	(85)	4,102	40 percent
Non. Certif. Personnel	10,588	18 percent	(6,053)	4,505	8 percent
All Public School Personnel	34,893	22 percent	(10,657)	24,236	16 percent
State Personnel	22,658	19 percent	(18,112)	4,546	3 percent
Federal Personnel	2,494	25 percent	13,546	16,040	159 percent
Local Personnel	9,741	40 percent	(5,391)	4,350	18 percent
All Public School Persnl.	34,893	22 percent	(10,657)	24,236	16 percent
Gain in ADM Enrollment	211,818	17 percent	13,928	225,746	18 percent

Definitions – Personnel categories represent all employees – state, local and federally funded -- in given categories. Teachers include elementary and secondary teachers; Administrators include central administration personnel, superintendents, school officials, directors, principals and assistant principals. Instructional Personnel includes staff involved with improving school instruction such as media support, instructional coaches and mentors. It also includes school professional staff such as psychologists, social workers, speech pathologists etc...Non-certified school personnel includes; teacher assistants, technicians, clerical and secretarial staff, skilled workers and general laborers.

A review of the data in Table I and Table II makes several things clear. First, before the economic downturn, school staffing was being added at largely unsustainable rates. Second, even considering the job losses schools sustained between 2009-2011, all employment areas – except non-certified personnel – recorded equal or better net percentage gains in staffing compared to enrollment increases for the period 2000 to 2011. Interestingly, a review of students per teacher ratios in 2000 and 2011 reveals that despite the budget turmoil, the ratio of students per teacher in 2011 was the same as it was in 2000: 15.5 students per teacher. So claims that budget cuts would force schools to open without teachers and significantly trimmed staffs did not come to pass. What is also clear from employment figures is that federal funding paid for several thousand North Carolina teachers during the first two years of the economic downturn. Those funds ran out at the end of 2010-11, however. In 2009 however, lawmakers were eager to take the federal stimulus money, avoid the tough budget decisions and hope the economy improved. Two years later the money was gone, the economy had not improved and the tough staffing decisions still weren't made.

While the economy has improved some in recent years, the current difficulties are made worse by lawmakers and local officials who refuse to cut wasteful spending and run away from making tough decisions. The current hardships provide an opportunity for state and local districts to thoroughly review staffing needs and the formulas that drive them. Such a review could yield benefits to teachers, students and taxpayers for years to come. Regrettably, too few lawmakers and local officials have been willing to seize the opportunity to do so.

11

ARE THEY GOOD FOR NORTH CAROLINA?

Charter Schools

Those who argued against raising the cap on charter schools frequently pointed to two studies which allege charter school students don't score as well on state tests and contribute to racial segregation. In 2006, Helen Ladd of Duke University and Robert Bifulco of the Institute on Urban Affairs at the University of Connecticut, found that charter school students lagged behind traditional public school students on end-of-grade tests.[1] In addition, a 2007 study by the North Carolina Center for Public Policy Research said charter schools were racially imbalanced. Charter school advocates explain the lower test scores by stating they serve at-risk populations as they are often located in low income areas. The families of these children are frequently trapped in school systems that lack accountability. While critics contend that charter schools are required to mirror the diversity of the surrounding school district, charter schools are no more racially segregated the any other public school in North Carolina.

In recent years there has been plenty of good news about charter schools. Terry Stoops, Director of Education Studies at the John Locke Foundation, has shown that charter schools frequently provide a better learning environment for students than traditional public schools. Specifically Stoops found charter school classes are smaller and suffer fewer discipline problems than traditional public schools. That factor is important to parents when choosing charters.[2] A 2008 report by the Blue Ribbon Commission on Charter Schools noted that some of the best and worst schools in North Carolina were charters. Indeed, Raleigh Charter School has been frequently mentioned as one of the top high schools in North Carolina. A 2009 report from Stanford University found that North Carolina charter school students performed better than traditional public school students on reading exams, but less so on math tests.1 In recent years it seems that charter schools have begun to outperform their public school counterparts.

New figures released by the NC Alliance for Public Charter schools show even more progress in the 2014-15 state tests. In 12 of 13 demographic subgroups— including minorities, economically disadvantaged students, and students with disabilities— students at public charter schools academically outperformed students at traditional public schools on standardized and state-mandated End-of-Grade (EOG) tests.[3] Overall for the most recent year, NCDPI data reveal that the performance average of NC charter school students was 66.6% compared to the traditional public school student performance average of 56.2%. The only subgroup that performed higher from traditional public schools was the Academically Gifted subgroup.

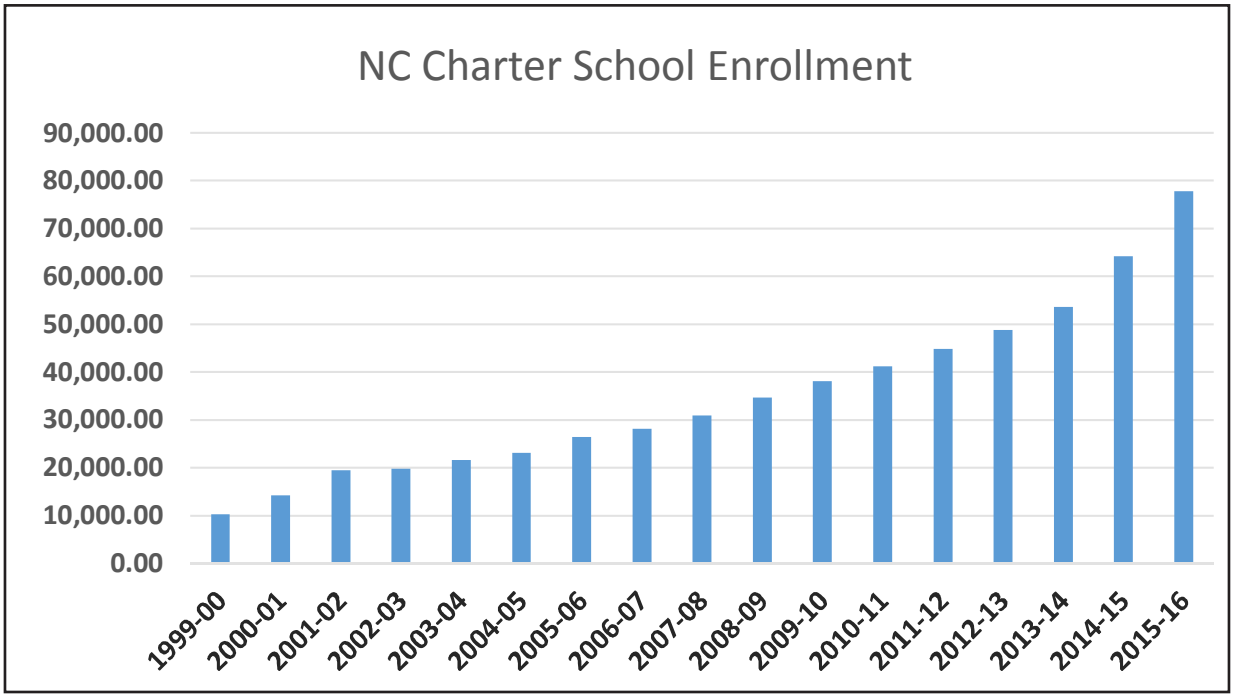
Beyond just the raw results of student performance, charters are favored by parents. A September 2012 poll by the Civitas Institute and Freidman Foundation for Educational Choice found 65 percent of voters favored charter schools in North Carolina, with only 15 percent opposing.

ENDNOTES

1 The Impact of Charter Schools on Student Achievement: Evidence from North Carolina, Robert Bifulco and Helen F. Ladd, June 20006, American Education Finance Association

2 Terry Stoops, "Ten Years of Excellence: Why Charter Schools Are Good for North Carolina," published by the John Locke Foundation, May 2007)

3 DPI Calculations reveal NC public charter schools better serve 12 of 13 student groups, News release, May 2, 2016. Available online at: http://www.nccharters.org/news/81-dpi-calculations-reveal-nc-public-charters-better-serve-12-of-13-student-groups)



Created by Civitas Institute. Data Source: ADM Allotments, Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/resources/data/

12

How is it Calculated in North Carolina?

The Graduation Rate

In addition to the dropout rate, North Carolina also calculates a graduation rate. The two calculations, although somewhat similar, have been a source of confusion.

The dropout rate calculates the rate at which individuals are leaving school. Because this impacts the pool of potential graduates, it also influences the graduation rate. The graduation rate reflects the percentage of students that graduate relative to a specific time interval. Each is important and reflects a measure of different problems. However, they are not opposite sides of the same coin. If someone fails to graduate, it doesn't mean they have dropped out. In other words, a 90 percent graduation rate does not equate to a 10 percent dropout rate.

No Child Left Behind legislation required states to report graduation rates to the Federal government. How states calculate these rates has created some controversy. Daria Hall, a researcher with the Education Trust noted, "Of states that did not provide graduation information, most reported rates that look dubiously high when compared with the results of multiple independent analyses of state graduation rates".[1]

In 2003, North Carolina reported an on-time graduation rate of 97 percent. The surprisingly high rate generated considerable interest from the press and educators. Later it was found the state Department of Public Instruction was basing the rate not upon those who entered school and received a diploma four years later, but on the percentage of actual graduates who took four years or less to graduate. Surprisingly, those who exit or enter high school multiple times or those who drop out of high school altogether are excluded from the "on-time' graduation rate calculation.

As frustration over the validity of state graduation rates grew, a variety of independent groups including the Urban Institute, Manhattan Institute and Education Testing Service expanded their efforts in the area. The Urban Institute developed the Cumulative Promotion Index (CPI) to estimate "the probability that a student entering the 9th grade will complete high school on time with a regular diploma." When CPI graduation rates were compared to state reported graduation rates, the discrepancy was striking. According to the Urban Institute, the state with the greatest discrepancy (33%) between state-reported graduation rates (97%) and CPI rates was North Carolina.[2]

Under growing pressure to improve the accuracy of the state's reported graduation rate, North Carolina's Department of Public Instruction released new graduation figures in February 2007 using the four year cohort graduation rate. The cohort graduation rate tracks each person in a class through graduation four years later. The new figures showed that barely more than two-thirds (69 percent) of high school students graduate in four years. The four-year graduation rate identifies the number of graduates and divides them by the number of students who started in that class, four years earlier. Five-year cohort graduation rates are used by some districts as well. The rate divides the number of graduates over the number of students in a class five years earlier. The graduation rate accounts for transfers by including those that transfer in and eliminating those that transfer out.

North Carolina categorizes graduation data by ethnicity (American Indian, Asian, Black, Hispanic Multi-Racial and White) and exceptionality (Economically Disadvantaged, Not Economically Disadvantaged, Limited English Proficient, Not Limited English Proficient, Student with Disabilities, Students without Disabilities). For academic year 2014-15, North Carolina's four year graduation rate was calculated as 85.6 percent. Graduation rates for specific groups include Whites (88.3 percent); Hispanic (80.0 percent); Black (82.2 percent) and Asian (92.1 percent). North Carolina's graduation rate represents a significant improvement from 2007 (68.3 percent).

Chart I reflects four-year high school graduation rates in North Carolina since 2010-11. As you can see, there have been annual improvements in both the overall figures and group numbers since 2011.While the relative position of each group remained the same, the performance differences between the groups narrowed.

While these trends are encouraging, a high school diploma must also be recognized as valuable. Unfortunately that's not always the case. Last year Terry Stoops of the John Locke Foundation

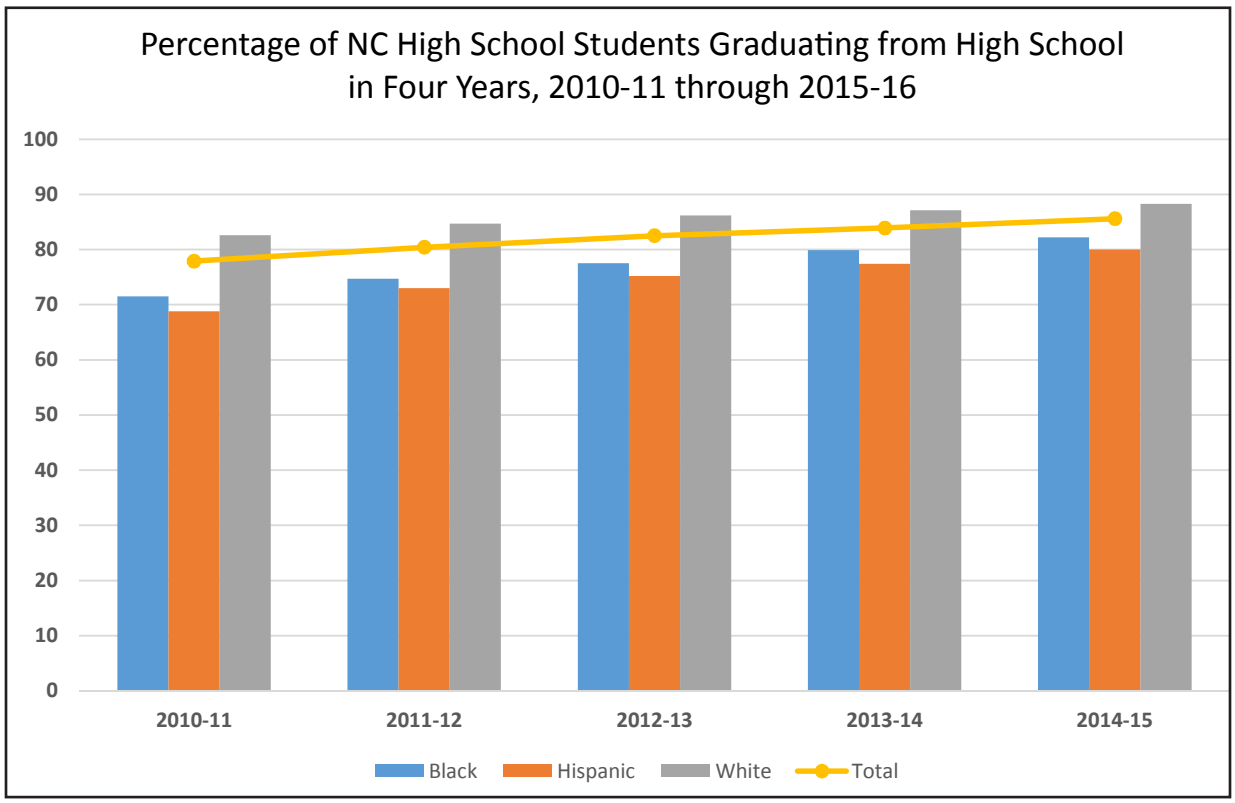
reported 42 percent of recent high school graduates enrolled in one or more remedial or developmental courses at a North Carolina Community College.[3] These numbers show more work is needed to ensure quality behind the increase in graduation rates.

ENDNOTES

1 Daria Hall, "Getting Honest about Grad Rates: How States Play the Numbers and Students Lose," The Education Trust, June 2005, p. 1

2 North Carolina Four Year Graduation Report, Public Schools of North Carolina, Available at: http://www.ncpublicschools.org/docs/graduate/statistics/2015cohort-report.pdf

3 NC Community College remediation rate is 42 percent, Terry Stoops, John Locke Research Newsletter, October 2015. Available at: https://www.johnlocke.org/update/nc-community-college-remediation-rate-is-42/



Created by Civitas Institute. Data Source: NC Department of Public Instruction, Cohort Graduation Reporting Service. Available at: http://www.dpi.state.nc.us/accountability/reporting/cohortgradrate

13 HOW ARE NORTH CAROLINA PUBLIC SCHOOLS PERFORMING?
School Performance

In February 2015, the North Carolina Department of Public Instruction released grades for most all public traditional and charter schools in the state.[1] (Grades for all public schools can be accessed at www.nchttp://www.dpi.state.nc.us/src/)

Final grades are derived by analyzing the results of end-of-grade (EOG) tests and end-of-course (EOC) tests that are aligned to North Carolina Standard Course of Study and the English Language Arts and Math Common Core State Standards.

Results released by NC Department of Public Instruction are grouped along several criteria: growth (did school meet expected growth expectations?); performance (how did schools perform on assessments, high school indicators and school performance grades?) and progress (did schools meet performance or participation targets of Annual Measurable Objectives?)

Selected results include:

Growth Results for Schools

- 27.6 percent of schools (689 schools) exceeded expected growth results
- 44.7 percent of schools (1,116 schools) met expected growth
- 27.7 percent of schools (691 schools) did not meet expected growth

Selected Performance Results

- 33.8 percent of students demonstrated college and career readiness on both mathematics and reading tests
- 44.1 percent of students demonstrated college and career readiness on mathematics only
- 45.1 percent of students demonstrated college and career readiness on Reading only
- 41.6 percent of 8th Grade students met College and Career Readiness Standard for Reading
- 53.4 percent of 8th Grade Students met grade level proficient standard
- 35.8 percent of 8th grade students met College and Career Readiness Standard for Mathematics
- 43.2 percent of 8th Grade Students met End of Grade Mathematics proficiency Standards

Progress Results

- 59.7 percent of students met UNC minimum admission requirement of 17 on ACT
- With regard to Annual Measurable Objective Targets (AMO), 15.6 percent of schools meet all targets

Performance Grade by Public and Charter School
North Carolina Public and Charter School Grades 2014 - 15

OVERALL GRADE	NUMBER OF SCHOOLS 2014 - 15	PERCENT OF SCHOOLS 2014 - 15
A+	69	2.8
A	89	3.6
B	584	23.9
C	1,022	41.8
D	536	21.9
F	146	6.0
Total	2,446	100.0

Source: NC Department of Public Instruction

What Do Results Mean?

As you can see, results weren't what most had hoped. Officials at the North Carolina Department of Public Instruction had expected low scores because of what they called "higher standards." Their expectations were not far off.

Most of the criticism about school report cards centers on the methodology. We can argue ad nauseam about the methodology used to develop grade scores. Most critics believe achievement scores are weighted too heavily (80 percent) and growth scores not enough (20 percent). There is some sentiment among education leaders in the legislature to make adjustments in the current system. That's debatable. I don't think such changes would have significantly changed relative scores.

No methodology will be perfect. Every design has limitations. That said, having school grades is better than not having grades. If schools feel otherwise, they can do as Wake County and Forsyth County Schools have done and provide parents with additional information or report cards. The goal is transparency and if the process encourages the disclosure of pertinent information, it's all the better.

The education establishment and much of the left criticizes school grades as unfair. An article by Lindsey Wagner on the NC Policy Watch web site criticized the grades as another way to punish poor schools.[2] Critics assert A-F grades track with income level. High-income areas get better scores, while poorer areas get the lower scores. So what if anything do we learn? How does this help the schools improve?

Critics of the new A-F grades also say the scores only punish poor schools and don't help them improve. Such thinking is misguided. The purpose of school grades is to improve transparency. They give parents more information about school performance and the quality of their schools. A-F grades are merely a tool – albeit an imperfect tool -- to encourage transparency.

However, there are other problems with methodology. Receiving little discussion was the 2014 decision by the State Board of Education that determined students who scored at Level 3 proficiency were determined to meet grade level proficiency. This moved the goal posts closer for many students who otherwise wouldn't have been deemed proficient. It was a massive dumbing down of the curriculum at a time when we're constantly told test scores are lower because of the new, higher, Common Core Standards. Regrettably, the decision to adopt the new 10- point grading scale facilitates the entire process.

The left thinks school quality and student achievement tracks with income. To them, the only way to remedy the issue is additional spending. Such thinking says nothing about the additional spending already incurred to address the educational needs of special populations and its limited effectiveness.

Now is not the time to cite the abundant research which refutes such thinking. While money is not unimportant, our emphasis should be on spending money effectively. Niche.com, a web site dedicated to evaluating every school district in the country, found plenty of evidence in North Carolina as well as nationally that said the best schools do not always spend the most. In a July 2014 paper, Ulrich Boesa of the Center for American Progress shows that return on educational investment is not merely related to dollars spent but other factors.

Of course we're not saying money is unimportant in the school achievement equation. But educational success is dependent on other variables as well, such as school culture, quality teachers, effective administration and involved parents. If these other factors are not properly aligned, money will have a limited impact.

It should be noted that the legislation requiring grades be assigned to each public school does not identify any sanctions or consequences for schools with D or F grades. Historically, what happens with low-performing schools is they receive additional support and intervention. In the case of a charter school, if it's failing academically, it will be closed. Why that option is not applied to failing public schools is a question that lacks a thoughtful response.

Barring the ability to enroll in a charter school, or having the resources to access a private school, students in failing public schools are trapped. They lack options. We can only hope these realities spur the development of other educational options such as charter schools, online education, vouchers, education savings accounts and the like.

North Carolina is required to provide all children a "sound, basic education." Many of our public schools provide that and more. However, we must be honest and address the schools that fail to do so. Other options must be provided be they public or private.

Any government that traps students in underperforming schools fails its citizens. We already know many ways to improve student achievement and the quality of our schools. Placing quality teachers in every classroom will help, as will expanding school choice options.

If we fail to take serious action to address these concerns, the release of school report cards will continue to be a painful day for parents, students and educators.

ENDNOTES

1 2014-15 Performance and Growth of North Carolina Public Schools, Published by the North Carolina Department of Public Instruction, February 2015, Available online at: http://www.ncpublicschools.org/docs/accountability/reporting/exsumm15.pdf. (Grades for all public schools can be accessed at www.nchttp://www.dpi.state.nc.us/src/)

2 *Do A-F school grades measure progress or punish the poor?* Lindsey Wagner, NC Policy Watch web site, February 4, 2015, Available at: http://www.ncpolicywatch.com/2015/02/04/do-a-f-school-grades-measure-progress-or-punish-the-poor/

14 WHAT'S BEING LEFT OUT OF THE DISCUSSION?
Teacher Pay

Teacher pay in North Carolina continues to be one of the most discussed issues in the realm of education. Much of the discussion is propelled by the most recent National Education Association survey, Rankings and Estimates 2015. The survey determined national average teacher pay in 2013-14 was $56,065. The average salary for North Carolina teachers in the same survey was $45,737 which ranked North Carolina 43rd in teacher pay.[1]

While the teacher pay discussion is needed, it's a discussion that is lacking some important considerations.

Average National Teacher Salary: The Problems

Press reports have claimed that in the late 1990s North Carolina was as high as 20th in average teacher pay, but over the past dozen years the state ranking has dropped into the mid-forties. North Carolina's low ranking is the problem that needs to be addressed, they say. But are using the national average and teacher salary rankings really a good way to frame a policy question?

No, there are too many problems with using national rankings. Let's discuss a few of them.

The national average is one figure that we're told should apply to the entire country. In reality, it doesn't. The national average figure doesn't include variation in the cost of living. For example, it will naturally cost more to live in Boston or New York than Winston-Salem and Wilmington. The national average figure does not reflect those very real differences.

Nor does the national average figure consider local demographics. Because high growth states like North Carolina, Georgia or Texas are gaining population, they are hiring many new teachers. Those changes will certainly impact the average teacher salary, because new teachers are usually younger and lower down on the pay scale. Conversely, states that have more stable populations or even declining populations – like those in the Midwest or Northeast – will likely have more veteran teachers and thus higher average salaries.

Let's talk about terminology. The very term "national average" implies a middle-range figure, not too high, not too low, somewhere in between. But is it? Are we really looking at a middle-range figure? We all know high numbers can skew averages.

That looks like exactly what has happened with the states with the highest average teacher salaries. New York, Massachusetts and the District of Columbia all have average teacher salaries above $70,000. These figures have skewed the average salary upward.

A true "average" would rank the national average somewhere in the middle of the states. However, it's not. The 2014 NEA Salary Rankings & Estimates says the national average teacher salary is $56,065. Sixteen states plus the District of Columbia have higher average salaries than the U.S. average. That means 34 of the 50 states have averages that are below the national average teacher salary. So it's fair to ask: Is the national "average" really a mid-range figure?

In this case, the impact of the average national teacher salary figure produces a reverse "Lake Wobegone" effect where nearly three in four states are below average. So it's a misleading statistic — but certainly a useful statistical gimmick for raising teacher salaries.

A national median salary figure is a better figure to use and of would of course represent a true middle in the ranking. The national median of teacher salaries in 2014 was $50,946. That's about $5,100 less than the "average" salary ($56,065). Thus it would be less useful to groups churning for teacher pay raises, but it may be a more accurate barometer for everyone else to consider.

But there are other non-statistical problems with the use of average national teacher salaries. Such figures represent figures without a real labor market. In reality the "average salary" exists nowhere. People live and work in specific individual labor markets. Average figures fail to recognize those realities. They also fail to recognize that North Carolina teachers are more likely impacted by teacher pay in Virginia, Tennessee, South Carolina and Georgia and less so by some national average. Individual labor markets matter.

Also relevant to this discussion are other shortcomings. There are the many caveats mentioned throughout the Rankings & Estimates report about the problems of creating comparable data when states have different compensation systems, have different definitions for key terms and are on different budget cycles. Caveats that the local media have promptly ignored.

And lastly, a key point. Since states are on different budget timelines, rankings are made sometimes before states have even considered their annual budgets. With such realities it is near impossible to create valid comparisons and rankings. To their credit, the authors of the rankings warn about the difficulties. Unfortunately, such caveats have been ignored by the media. The NEA survey is a snapshot in time. In my view however the shortcomings "blur" the picture and cast a dark shadow over the validity of the rankings.

How we pay teachers

For much of recent history, teacher pay in North Carolina has been largely determined by two factors. First, experience. That is, how many years has a teacher taught? Generally the more years of service; the higher the pay. And, secondly, pay is also tied to academic credentials. Teachers can receive additional pay for master's degree (on average 10 percent increase over base pay) or a doctorate degree (average 17 percent increase over base pay). Teachers can also receive additional pay if they have been awarded certification by the National Board for Professional Teaching Standards (NBPTS). Teachers awarded NPBTS certification typically receive an immediate 12 percent pay increase.

Teacher pay and pay for other educational or administrative staff is outlined in a table called the North Carolina Public School Salary Schedule, 2015-16. In 2014 a number of significant changes were made to the Salary schedule. First, the schedule was conflated to 6 5-year tiers. In addition, longevity pay was also removed. Additional pay for master's degrees was removed for some but then restored for certain hard-to-staff fields like math. New teachers were also given salary increases to help boost starting pay to $35,000. More experienced teachers (6 – 25 years) received a small increase but lost longevity pay. Some more experienced teacher (20+years) actually saw a reduction in salary with the loss of longevity pay.[2]

While it is important to note these changes, it is also important to note that pay remains largely tied to years of service and credentials. No link has ever been identified in the research between years of experience and student achievement or academic credentials and student achievement. Most people like to think that older teachers are the better teachers. In many cases it may be true. But others are quick to identify instances where younger teachers outshine their older colleagues. There is simply no conclusive research that establishes a link between teacher experience and student

Teacher With a "Bachelors" Degree
Teacher Salary Schedule

TIER	YEARS EXPERIENCE	MONTHLY SALARY
1	0-4	$3,500
2	5-9	$3,650
3	10-14	4,000
4	15-19	$4,350
5	20-24	$4,650
6	25+	$5,000

achievement or academic credentials and student achievement. Hence, an assertion built into a pay scale that lacks conclusive evidence.

Teachers and administrators say one of the selling points of the current system is that it treats teachers equitably. But does that mean all teachers are equal? Under the current system excellent teachers are often paid the same salary as average teachers. The current salary schedule turns its back on excellence in favor of time served. Shouldn't great teachers be rewarded? Shouldn't teachers be rewarded for doing more than merely showing up?

Low pay may be a problem. But that's only one of the shortcomings. Teachers have complained long and hard about low starting salaries. Governor McCrory's effort to boost starting teacher salaries to $35,000 was a start. Even with a boost in starting salaries a teacher with a bachelor's degree with no additional academic degrees or credentials will have to work 25 years to make $50,000. Unlike other professionals who can make lucrative wages after about ten years, North Carolina teachers have to wait 20 or more years to be at their peak earning years.

Another problem is that the current teacher salary schedule ignores the realities of individual labor markets and differences in the cost of living. That nearly all LEAs have teacher salary supplements bolsters this claim. Wake County adds over $6,000 to the average teacher salary. School systems wouldn't pay the supplements if they feel they didn't need to.

All these problems are a result of a highly centralized system that fails to incentivize excellence or link teacher pay and academic performance. It's a system that also gives little or no decision-making authority to individuals who are best able to assess teacher performance: principals. Principals are often charged with turning around schools and improving districts. Yet too often they have little or no control over how teachers are paid. That's not right.

Our educators frequently tell us that every child is gifted, different and worthy of respect. We don't treat teachers the same way. We pay teachers largely the same way. We march them along the same career path and put them into a system that doesn't reward excellence or pay teachers what they are worth. Who wants to work in such a system?

Yes, teachers need higher pay. But merely raising teacher pay across-the-board only perpetuates the shortcomings. Real solutions will not only improve salary levels but also tie teacher pay to performance and provide local officials like principals more authority in setting teacher pay.

Retirement Benefits

The rising cost of health care and retirement benefits – and their implications for funding – are a third and final topic that's frequently missing from current discussions on teacher pay.

Table I illustrates how those costs have risen over time. Note the significant increases in the percentage cost of salaries allocated for retirement benefits and the increase in the cost of health insurance per employee. The percentage cost of retirement benefits as a percent of total salary has increased 347 percent since 2004, or an increase of 27 percent annually. Likewise the cost of health insurance per employee has increased 65 percent, or about 5 percent annually. In 2015-16, the average teacher salary in North Carolina was $47,931. The cost of additional benefits adds $16,481; $3,667 for social security, $5,471 for health insurance and $7,343 for retirement. The benefit package is 34 percent of salary, bringing the total average salary and compensation for teachers to $64,412.

Table I

Change in Benefit Percentages and Cost by Type of Benefit 2003-04 – 2015-16

YEAR	RETIREMENT BENEFITS % OF TOTAL SALARY	HEALTH INSURANCE COST PER EMPLOYEE	SOCIAL SECURITY % OF TOTAL SALARY
2003-04	3.42	$3,307	7.65
2004-05	5.815	$3,432	7.65
2005-06	6.82	$3,748	7.65
2006-07	7.14	$3,854	7.65
2007-08	7.83	$4,097	7.65
2008-09	8.14	$4,157	7.65
2009-10	8.75	$4,527	7.65
2010-11	10.51	$4,929	7.65
2011-12	13.12	$4,931	7.65
2012-13	14.23	$5,192	7.65
2013-14	14.69	$5,285	7.65
2014-15	15.21	$5,378	7.65
2015-16	15.32	$5,471	7.65

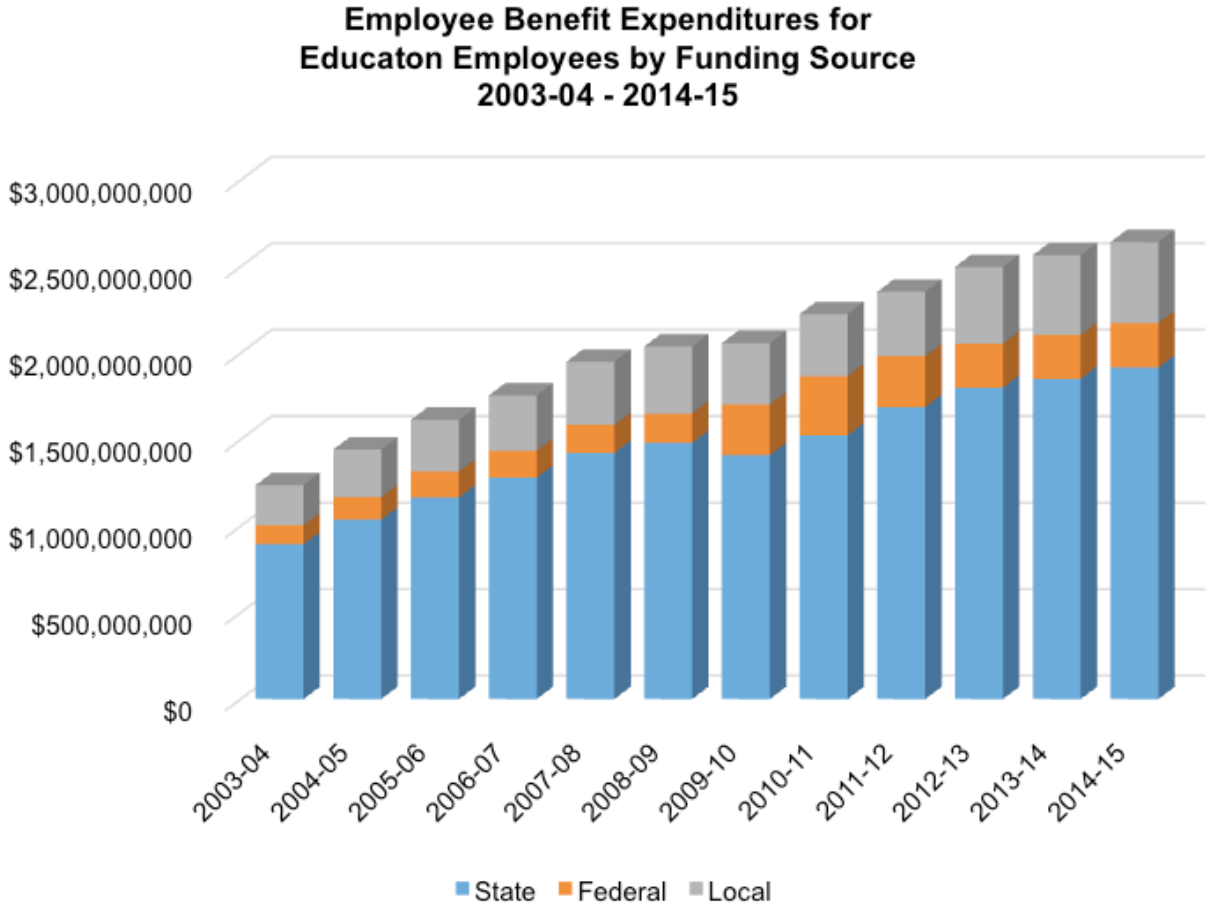
Source: Highlights of North Carolina Public School Budget for various years

Just how much are we spending on employee benefits? In 2015-16 North Carolina budgeted $1.28 billion for employee benefits for teachers and other instructional staff. That's up from $558 million for the same category in 2003-04. Of course critics say the growth is somewhat a result of growth in the student population and educational staffing.

Table I charts the growth in benefits. Of course the state is not the only entity that pays for benefits. Federal and local governments also pay retirement, health insurance and social security. Chart I

provides the cost of all benefits by source for employees. This data is available from Table 22 of the Statistical Profile.[3]

Chart I



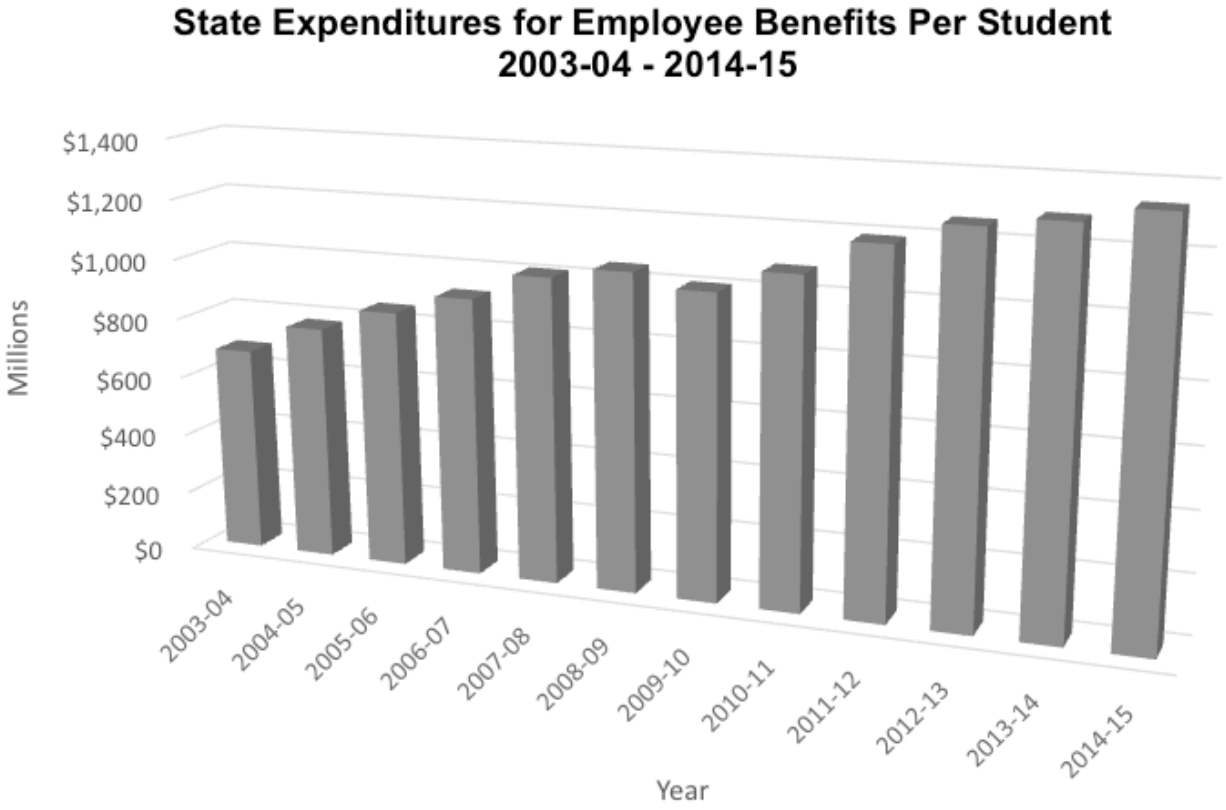
Source: Table 22 NC Current Expense Expenditures by Source of Funds, NC Statistical Profile, Public Schools of North Carolina

We use this table because a listing for teachers only was not available and because it chronicles the growth in employment benefits by the source of funds. While this table reflects costs for all employee benefits, a review of school personnel by category can help us estimate the portion roughly attributable to teachers. In 2015-16, teachers made up 54 percent of all full-time personnel in the schools, up from 52 percent in 2003-04. If we broaden the category to teachers and all instructional staff, percentages go up even higher. Teachers and Instructional staff comprised about 63 percent of all staff in 2015-16, up from 59 percent in 2003-04.

It might be helpful to look at the rise in the cost of benefits another way; that is terms of per pupil expenditures. In other words, what do benefits cost per student. Table 22 of the Statistical Profile also provides per pupil expenditures by source (state, federal or local government) in 2003-04, $1.2 billion was spent by state ($894 million), federal ($110.2 federal) and local ($232.2 million) entities on all employee benefits. On a per student basis that means the state was paying approximately $682 per ADM student, the federal government $84 per ADM student and local government $177 per ADM student. All told, in 2003-04, approximately $943 was spent per student on employee benefits, about 13.5 percent of total current expenditures.

How does that compare to today? Again it should be noted the data incudes benefits for all personnel -- not just teachers. However, whereas in 2003-04 North Carolina spent about $682 per student, in 2014-15 that number increased to $1,338, a 96 percent increase. Chart II chronicles the rise in state employee benefit expenditures per student from 2003-04 to 2014-15.

Chart II



Source: Table 22, Per Pupil Expenditures for Employee Benefits by Source of Funding, North Carolina Department of Public Instruction. Available online at: http://apps.schools.nc.gov/pls/apex/f?p=1:32:2981820004588701::NO:

Using Table 22 in the Statistical Profile, we see the same figures for the Federal government increased from $84 per student in 2003-14 to $179 per student in 2014-15. Likewise, employee benefit costs on a per student basis increased from $177 in 2003-04 to $326 per student in 2014-15. Employee benefit totals increased from $943 to $1,843 per student. Employee benefits rose 13.5 percent of per student expenditures in 2003-04 to 21 percent of per student expenditures, an increase of 55 percent.

So what to make of all these numbers? In 2014-15, state, federal and local spending on employee benefits in North Carolina for all staff totaled $2.6 billion. How much is $2.6 billion? With $2.6 billion you could buy all purchased services, supplies and materials and instructional equipment for North Carolina public schools for an entire year --- and still have $533 million left over. Aside from the amount spent on salaries ($7.8 billion) no other budget category is even close in size to employee benefits. When the cost of employee benefits increase those changes have enormous consequences on the system on what can be spent and how much.

Hardly a word has been said about the increasing cost of employee benefits in the ongoing discussion about teacher pay. Of course teachers aren't the only group to experience increasing health care and retirement benefits. Still, the $1.9 billion North Carolina spent on employee benefits for all personnel last year is a lot of money, money that could have been available to be used for other things. Those trade-offs and a discussion of alternative options are what's sadly lacking from the current discussion.

Most of the discussion on teacher pay has been focused on how to increase teacher salaries. While teachers deserve to be paid a fair wage, ignoring the shortcomings of using national statistics and rankings, how we pay teachers and the high costs of benefits is a choice fraught with consequences. It's a path we ought not to take.

ENDNOTES

1 https://www.nea.org/assets/docs/NEA_Rankings_And_Estimates-2015-03-11a.pdf

2 See NC Salary Guides available at: http://www.dpi.state.nc.us/fbs/finance/salary/

3 Table 22 of the NC Public Schoolls Statistical Profile. Avaiilab;e at" http://apps.schools.nc.gov/pls/apex/f?p=1:1:0

15

ARE WE GETTING OUR MONEY'S WORTH?

NC Spends $150K per High School Diploma

How much of your money is spent to educate one high school graduate in North Carolina? $50,000? $75,000?

Our new analysis shows that North Carolina taxpayers spend about $150,000 for each student who receives a high school diploma.

That amount doesn't even include capital costs and other major expenses. Of course, the high price tag might be worth it, but research also shows there's very little connection between how much money is spent and how well our children do in the classroom.

In 2013-14 North Carolina spent over $8 billion on our K-12 public schools. Since one of the major goals of K-12 education is receipt of a high school diploma, this study asked two questions: 1) How much do taxpayers spend to educate each high school graduate and 2) what is the quality of the education students are receiving?

According to the General Assembly's Fiscal Research Division, in 2012-13 North Carolina spent $8,514 per student.[1] This figure includes actual local, state and federal expenditures and reflects current normal operating expenses only. The figure does not include capital expenses, federal school lunch programs, and debt service or transportation costs. Adding these costs can typically increase per pupil spending by up to 25 percent.[2]

So if someone tells you North Carolina spent approximately $8,500 per student last year, you should know that number is already considerably understated and it's really not the right statistic. Moreover, it says little about how much value the school adds to the community. More importantly, that figure says nothing about the effectiveness or efficiency of the learning process.

Clearly we need a better way to assess the cost and quality of education. Factoring in how many students actually graduate is one way to do it. A high school diploma serves as the natural capstone of K-12 education and as the gateway to higher education, while dropping out is an educational failure. North Carolinians have a right to know how much communities spend to educate each person who actually gets that high school diploma. Citizens also have a right to know the quality of the education students are receiving.

Methodology

To calculate the cost of a high school diploma in North Carolina, Civitas gathered average state, federal and local per student expenditure data for students in kindergarten through twelfth grade for the years 2000-01 to 2012-13.

To provide an estimate of the costs of a high school diploma, expenditures were collected, summed and adjusted for inflation. Expenditures fail to reveal the real costs – to the individual or society – of dropping out. Labor and instructional costs have to be paid whether the student graduates or not[3]. Hence it is important to include these costs into an equation assessing the total costs of attaining the basic goal of the school system: graduating students from high school.

To create a more revealing picture of the true costs, the final adjusted per student expenditures number was divided by the 2012-13 graduation rate, expressed as a percentage. As this number is a fraction of 100 percent, the calculation will increase the per student dollars spent. The lower the graduation rate, the more will be added to the cost-to-graduation and vice versa.

Are our schools preparing our students properly for higher education or the world of work? It's a valid question. In 2012-13, the number of students who took one or more developmental (remediation) classes while attending North Carolina Community Colleges was 63 percent4. To assess education quality we gathered proficiency scores for End-of-Grade and End-of-Course tests. SAT and ACT scores were also included because they are national exams and provide a means of comparison across districts and states. In addition, the analysis also includes the percentage of students who met all four test (math, reading, English and science) ACT benchmarks[5].

Analysis

Table I (See Table I at end of this section) lists per student expenditure data adjusted for inflation along with a variety of academic performance data.

After adjusting for inflation, we found the average cost of educating a high school graduate in North Carolina was $124,316 in inflation-adjusted dollars. However, when we factor in North Carolina's graduation rate of 82.5 percent, the actual per student costs increase to $149,923.

Divided over 13 years of education (K through 12), that's an average annual per student cost of $11,532. That's about $3,000 more than the usual figure that is bandied about – and it's more than tuition at many private schools.

In addition to the higher per student costs, it's hard to ignore the great disparity among Local Education Agencies (LEAs) in the total per pupil expenditure costs to graduate.

Table II (see Table II at end of this section) lists the 20 highest- and lowest-spending LEAs. Hyde County leads in per student total expenditures to graduate with $266,831, and yearly costs of $20,525. Randolph County has the lowest per pupil costs to graduate at $114,129 – an annual per student cost of $8,779.

So what accounts for the difference? That may be traceable to a variety of things. The formula we use penalizes LEAs for students that don't graduate. However, the difference in graduation rates among many schools at the top and bottom of the list was less than you might expect. Differences may also be traceable to community priorities, how the public schools are financed, composition of the teaching staff, and level of state aid. Still, we need to ask: Should it cost Hyde County residents nearly two-and-a-half times more to educate a high school graduate than it does Randolph County?

Spending and Achievement

Another factor worth noting is the absence of clear linkage between money and academic performance. Some interesting observations from a cursory review of the data include:

- Of the 31 LEAs that scored at or above the state average (18.7) for graduating seniors on the ACT test, 23 LEAs actually spent below the average per student expenditure ($149,923).

Of the top 20 highest-spending LEAs: only two, Asheville City Schools and Polk County Schools

- Performed better than the state average (43.9) percentage of Grade 3 through 8 students who score at or above grade level in reading.
- Exceeded the state average (43.9) percentage of scores of Grade 3 through 8 students who scored at or above grade level in math.
- Exceeded the state average of percentage of passing scores (44.1) on End-of-Course (EOC) exams.
- Had SAT scores higher than the state average of 1001.
- Had ACT scores higher than the state average (18.7) for graduating seniors.
- Exceeded the state average percentage of students (17) meeting all four subject ACT benchmarks (English, math, reading and science).

Of the 20 lowest-spending LEAs:

- Nine exceeded the state average percentage (43.9) of grade 3 through 8 student scores at or above grade level in reading.
- Eleven exceeded the state average percentage (42.3) of grades 3 through 8 students who score at or above grade level in math.
- Thirteen exceeded state average of the percentage of passing scores (44.1) on End-of-Course tests.
- Seven had SAT averages that exceed the state average (1001).
- Seven had ACT scores that exceed the state average (18.7).
- Five had ACT scores that were higher than the state average percentage (17) of students that met all four ACT benchmark scores in reading, math, English and science.

Conclusion

Our analysis reveals North Carolina spends about $11,500 annually to educate a high school graduate. Over 13 years of education that's nearly $150,000.What's behind the numbers is disturbing. The range of average spending and academic outcomes should give parents, policymakers and educators concern. Results suggest that the financial assistance and additional resources the state provides to help underfunded, underperforming or disadvantaged LEAs have little impact in many schools.

Results also reveal no linkage between money and academic performance. Of course resources are important, but they can only do so much. A vast literature points to the importance of parental involvement, teacher quality and school leadership as critical factors in improving student achievement. As with every expenditure, there exists a point of diminishing returns. That said, spending additional money should not always be the first policy option.

Our findings raise a significant question: Are North Carolinians satisfied with the cost and the academic performance of the public schools? The results should cause us to seriously re-examine our spending and instructional practices as well as those of our best public and private schools. Without this effort we may find ourselves consigned to a path of spending more taxpayer money for schools, yet discovering that many deliver less in the way of education.

Table 1

School System	Total PPE (2012 $)	4 year Grad. Rate	$ Per HSG	$/Year	% of Grades 3-8 Student Scores At/Above Grade Level in Reading (2012)	% of Grades 3-8 Student Scores At/Above Grade Level in Math (2012)	% of Passing Scores on End-of-Course Tests (2012)
Alamance-Burlington	$105,972.11	0.781	$135,687.73	10437.52	47	39.2	54.5
Alexander County	$104,181.05	0.852	$122,278.23	9406.018	43.7	42.9	42
Alleghany County	$147,988.09	0.898	$164,797.43	12676.73	47	39.2	54.5
Anson County	$130,325.11	0.774	$168,379.00	12952.23	27	22.8	18.3
Ashe County	$129,661.34	0.848	$152,902.52	11761.73	47.4	47.7	43.9
Avery County	$142,999.09	0.871	$164,178.06	12629.08	46	38.4	40.3
Beaufort County Schools	$122,163.02	0.788	$155,029.21	11925.32	39.6	38.8	39.3
Bertie County	$140,848.64	0.782	$180,113.35	13854.87	23.3	20.1	25.2
Bladen County	$126,801.67	0.789	$160,711.87	12362.45	30.9	23.4	25.6
Brunswick County	$123,017.18	0.857	$143,543.96	11041.84	43.8	38	44.2
Buncombe County	$113,911.28	0.803	$141,857.13	10912.09	51.6	49.4	46.4
Asheville City Schools	$166,701.06	0.816	$204,290.51	15714.65	56.3	56	58
Burke County	$108,281.87	0.88	$123,047.58	9465.198	45.7	46.6	44.1
Cabarrus County	$103,050.31	0.865	$119,133.30	9164.1	48.8	47.4	52.5
Kannapolis City Schools	$116,181.39	0.849	$136,844.99	10526.54	34.2	35.6	34.9
Caldwell County	$107,978.81	0.894	$120,781.66	9290.897	43.3	36.8	45
Camden County	$119,244.99	0.847	$140,785.11	10829.62	56.8	43.8	50.5
Carteret County	$126,351.44	0.847	$149,175.25	11475.02	54.8	47.4	63.3
Caswell County	$125,232.64	0.788	$158,924.67	12224.97	35.8	30.5	27.9
Catawba County	$105,964.35	0.913	$116,061.72	8927.824	42.7	41.5	48.8
Hickory City Schools	$114,280.34	0.828	$138,019.73	10616.9	43.7	42.1	36
Newton-Conover City Schools	$121,695.51	0.874	$139,239.71	10710.75	39.5	40.9	43.8
Chatham County	$127,405.54	0.853	$149,361.71	11489.36	43.3	41.6	49.7
Cherokee County	$130,144.99	0.917	$141,924.74	10917.29	44.7	36.4	48.8
Edenton-Chowan County	$135,440.38	0.815	$166,184.51	12783.42	37	36	30.7
Clay County	$137,451.23	0.888	$154,787.42	11906.72	45.3	42.6	49.2
Cleveland County	$115,776.44	0.833	$138,987.32	10691.33	45.2	43.4	43.7
Columbus County	$118,549.49	0.848	$139,798.93	10753.76	32.4	28	30.1
Whiteville City Schools	$120,127.51	0.801	$149,971.93	11536.3	41.2	43.6	31.9
Craven County	$110,273.23	0.86	$128,224.69	9863.438	43.6	41.2	42
Cumberland County	$110,913.26	0.817	$135,756.75	10442.83	41.2	34.5	39.4
Currituck County	$124,355.80	0.877	$141,796.80	10907.45	49.5	41.6	42.9
Dare County	$142,715.83	0.914	$156,144.24	12011.1	56	49.7	53.9
Davidson County	$97,259.26	0.852	$114,154.06	8781.082	45.6	45.6	44.8
Lexington City Schools	$133,994.68	0.847	$158,199.15	12169.17	29.6	25.5	29.7
Thomasville City Schools	$133,526.49	0.714	$187,011.90	14385.53	26.9	28.5	33.9
Davie County	$107,513.76	0.832	$129,223.27	9940.251	53.2	51.3	53.8
Duplin County	$113,715.20	0.799	$142,321.91	10947.84	31.3	29.4	32
Durham County	$133,291.41	0.796	$167,451.51	12880.89	33.4	30.5	36.4
Edgecombe County	$117,972.64	0.774	$152,419.43	11724.57	19.8	20.3	26.7
Forsyth County	$120,942.53	0.821	$147,311.24	11331.63	42.4	40.4	41.1

School System	Total PPE (2012 $)	4 year Grad. Rate	$ Per HSG	$/Year	% of Grades 3-8 Student Scores At/Above Grade Level in Reading (2012)	% of Grades 3-8 Student Scores At/Above Grade Level in Math (2012)	% of Passing Scores on End-of-Course Tests (2012)
Franklin County	$110,920.16	0.808	$137,277.43	10559.8	38.3	31.9	39.4
Gaston County	$104,396.30	0.812	$128,566.88	9889.76	38.8	36.5	41.1
Gates County	$139,251.90	0.914	$152,354.38	11719.57	42.2	37.6	38.7
Graham County	$147,577.51	0.865	$170,609.84	13123.83	42.9	36.1	34.9
Granville County	$109,214.09	0.771	$141,652.52	10896.35	35.7	29.6	34.9
Greene County	$131,707.12	0.873	$150,867.26	11605.17	27	18.7	28.2
Guilford County	$121,650.46	0.862	$141,125.82	10855.83	41.1	41.6	46.3
Halifax County	$138,817.19	0.748	$185,584.48	14275.73	16.2	16.2	18.9
Roanoke Rapids City Schools	$119,569.41	0.844	$141,669.91	10897.69	33.7	36.7	37.1
Weldon City Schools	$167,482.15	0.724	$231,328.94	17794.53	15.5	11.7	23.9
Harnett County	$104,461.36	0.771	$135,488.15	10422.17	36.9	33.1	37
Haywood County	$120,647.00	0.83	$145,357.83	11181.37	50.1	50.3	44.5
Henderson County	$111,699.88	0.88	$126,931.69	9763.976	51.9	51	50.9
Hertford County	$136,633.52	0.826	$165,415.89	12724.3	23.2	21.9	21.4
Hoke County	$114,357.54	0.705	$162,209.28	12477.64	30.8	30	28.5
Hyde County	$231,609.53	0.868	$266,831.25	20525.48	38.6	33.7	35.6
Iredell-Statesville Schools	$104,077.97	0.881	$118,136.17	9087.398	47.9	46.7	49.1
Mooresville City Schools	$107,000.28	0.934	$114,561.33	8812.41	54	59	57.6
Jackson County	$126,176.72	0.837	$150,748.77	11596.06	43.4	36.5	43.9
Johnston County	$109,602.41	0.825	$132,851.40	10219.34	45.3	40	40
Jones County	$161,986.11	0.81	$199,982.85	15383.3	35.6	27.7	37.7
Lee County	$112,229.74	0.862	$130,196.91	10015.15	40.1	41.7	35.5
Lenoir County	$114,591.97	0.779	$147,101.37	11315.49	35.8	30.7	28.9
Lincoln County	$104,473.90	0.864	$120,918.86	9301.451	49.6	52.2	49.3
Macon County	$122,573.83	0.861	$142,362.17	10950.94	45.6	37.8	43.3
Madison County	$127,801.69	0.859	$148,779.62	11444.59	41.5	32.5	35.2
Martin County	$133,338.05	0.763	$174,754.98	13442.69	38.2	27.4	35.3
McDowell County	$114,180.57	0.782	$146,010.96	11231.61	44	39.8	42.1
Charlotte-Mecklenburg County Schools	$117,731.65	0.81	$145,347.71	11180.59	45.5	46.4	46.2
Mitchell County	$130,807.50	0.88	$148,644.89	11434.22	48.4	42.5	40.5
Montgomery County	$126,609.04	0.853	$148,427.95	11417.53	32.2	33.4	30.7
Moore County	$113,740.75	0.817	$139,217.57	10709.04	49.8	45.6	48.6
Nash-Rocky Mount Schools	$115,176.27	0.793	$145,241.20	11172.4	34.3	27.7	29.7
New Hanover County	$123,132.28	0.824	$149,432.38	11494.8	50.9	51.5	50.7
Northampton County	$145,157.90	0.808	$179,650.87	13819.3	23.1	20.9	26
Onslow County	$106,058.07	0.872	$121,626.22	9355.863	42.6	37.4	41.1
Orange County	$133,097.57	0.825	$161,330.39	12410.03	51	48.1	47.6
Chapel Hill/Carrboro City Schools	$146,507.62	0.926	$158,215.57	12170.43	68.2	66.2	71.7
Pamlico County	$150,090.27	0.929	$161,561.11	12427.78	40.5	38.6	42.1

School System	Total PPE (2012 $)	4 year Grad. Rate	$ Per HSG	$/Year	% of Grades 3-8 Student Scores At/Above Grade Level in Reading (2012)	% of Grades 3-8 Student Scores At/Above Grade Level in Math (2012)	% of Passing Scores on End-of-Course Tests (2012)
Pasquotank - Elizabeth City	$122,883.83	0.83	$148,052.81	11388.68	34.3	32.4	35.2
Pender County	$110,405.02	0.872	$126,611.27	9739.328	43.8	38.1	49.3
Perquimans County	$144,635.21	0.89	$162,511.47	12500.88	37.9	31.4	36.6
Person County	$114,134.91	0.775	$147,270.85	11328.53	39.6	38.2	33.7
Pitt County	$113,569.74	0.776	$146,352.76	11257.9	37.1	37.5	40.4
Polk County	$137,433.25	0.826	$166,384.08	12798.78	58.2	55.9	53.9
Randolph County	$101,460.65	0.889	$114,128.96	8779.151	38.8	41.5	40.7
Asheboro City Schools	$119,299.93	0.863	$138,238.62	10633.74	30.8	30.9	35.8
Richmond County	$115,149.15	0.741	$155,396.96	11953.61	30.4	32.8	25.6
Robeson County	$116,043.88	0.851	$136,361.78	10489.37	24.9	23.7	23.6
Rockingham County	$115,217.64	0.763	$151,006.09	11615.85	35.9	34.9	38.4
Rowan-Salisbury County Schools	$111,932.45	0.829	$135,021.05	10386.23	34.3	31.8	35.1
Rutherford County	$116,410.32	0.777	$149,820.23	11524.63	39.8	36.1	35.1
Sampson County	$112,283.24	0.75	$149,710.99	11516.23	37.5	39.7	34.3
Clinton City Schools	$121,376.65	0.841	$144,324.19	11101.86	36.6	39.7	34.2
Scotland County	$137,154.97	0.728	$188,399.68	14492.28	35.3	37.2	33.5
Stanly County	$111,002.75	0.823	$134,875.76	10375.06	40.9	39.8	40
Stokes County	$116,916.27	0.868	$134,696.17	10361.24	43.8	42	44
Surry County	$112,829.36	0.858	$131,502.75	10115.6	46.6	48.4	54.1
Elkin City Schools	$127,864.45	0.941	$135,881.45	10452.42	56.2	47.2	59
Mount Airy City Schools	$131,428.87	0.917	$143,324.84	11024.99	43.9	48.4	53.2
Swain County	$139,290.56	0.808	$172,389.31	13260.72	40.9	38	28.6
Transylvania County	$123,995.69	0.86	$144,181.03	11090.85	49	41.8	48.3
Tyrrell County	$203,195.52	0.873	$232,755.46	17904.27	38.6	24.6	39
Union County	$104,855.70	0.908	$115,479.85	8883.065	57.2	60.2	56.5
Vance County	$122,113.25	0.649	$188,156.01	14473.54	54.6	27.7	24.1
Wake County	$112,190.41	0.81	$138,506.68	10654.36	54.1	54.3	56.6
Warren County	$138,214.99	0.753	$183,552.44	14119.42	27.5	21	28.7
Washington County	$155,088.86	0.848	$182,887.81	14068.29	23.7	23.8	25.1
Watauga County	$125,549.22	0.876	$143,321.02	11024.69	55.9	52.9	52.3
Wayne County	$109,519.26	0.776	$141,133.07	10856.39	34.5	31.2	35.1
Wilkes County	$112,167.96	0.901	$124,492.74	9576.365	40.8	39.1	42.4
Wilson County	$110,723.11	0.797	$138,924.86	10686.53	37.6	31.7	34.9
Yadkin County	$111,022.01	0.829	$133,922.81	10301.75	45.8	45.5	45.2
Yancey County	$128,676.48	0.823	$156,350.52	12026.96	49.6	49.1	57.2

Table 2

School System	Total PPE (2012 $)	4 year Grad. Rate	$ Per HSG	$/Year	% of Grades 3-8 Student Scores At/Above Grade Level in Reading (2012)	% of Grades 3-8 Student Scores At/Above Grade Level in Math (2012)	% of Passing Scores on End-of-Course Tests (2012)
Twenty Highest-Spending LEAs							
Hyde County	$231,609.53	0.868	$266,831.25	20525.48	38.6	33.7	35.6
Tyrrell County	$203,195.52	0.873	$232,755.46	17904.27	38.6	24.6	39
Weldon City Schools	$167,482.15	0.724	$231,328.94	17794.53	15.5	11.7	23.9
Asheville City Schools	$166,701.06	0.816	$204,290.51	15714.65	56.3	56	58
Jones County	$161,986.11	0.81	$199,982.85	15383.3	35.6	27.7	37.7
Scotland County	$137,154.97	0.728	$188,399.68	14492.28	35.3	37.2	33.5
Vance County	$122,113.25	0.649	$188,156.01	14473.54	54.6	27.7	24.1
Thomasville City Schools	$133,526.49	0.714	$187,011.90	14385.53	26.9	28.5	33.9
Halifax County	$138,817.19	0.748	$185,584.48	14275.73	16.2	16.2	18.9
Warren County	$138,214.99	0.753	$183,552.44	14119.42	27.5	21	28.7
Washington County	$155,088.86	0.848	$182,887.81	14068.29	23.7	23.8	25.1
Bertie County	$140,848.64	0.782	$180,113.35	13854.87	23.3	20.1	25.2
Northampton County	$145,157.90	0.808	$179,650.87	13819.3	23.1	20.9	26
Martin County	$133,338.05	0.763	$174,754.98	13442.69	38.2	27.4	35.3
Swain County	$139,290.56	0.808	$172,389.31	13260.72	40.9	38	28.6
Graham County	$147,577.51	0.865	$170,609.84	13123.83	42.9	36.1	34.9
Anson County	$130,325.11	0.774	$168,379.00	12952.23	27	22.8	18.3
Durham County	$133,291.41	0.796	$167,451.51	12880.89	33.4	30.5	36.4
Polk County	$137,433.25	0.826	$166,384.08	12798.78	58.2	55.9	53.9
Edenton-Chowan County	$135,440.38	0.815	$166,184.51	12783.42	37	36	30.7

School System	Total PPE (2012 $)	4 year Grad. Rate	$ Per HSG	$/Year	% of Grades 3-8 Student Scores At/Above Grade Level in Reading (2012)	% of Grades 3-8 Student Scores At/Above Grade Level in Math (2012)	% of Passing Scores on End-of-Course Tests (2012)
Twenty Lowest-Spending LEAs							
Surry County	$112,829.36	0.858	$131,502.75	10115.6	46.6	48.4	54.1
Lee County	$112,229.74	0.862	$130,196.91	10015.15	40.1	41.7	35.5
Davie County	$107,513.76	0.832	$129,223.27	9940.251	53.2	51.3	53.8
Gaston County	$104,396.30	0.812	$128,566.88	9889.76	38.8	36.5	41.1
Craven County	$110,273.23	0.86	$128,224.69	9863.438	43.6	41.2	42
Henderson County	$111,699.88	0.88	$126,931.69	9763.976	51.9	51	50.9
Pender County	$110,405.02	0.872	$126,611.27	9739.328	43.8	38.1	49.3
Wilkes County	$112,167.96	0.901	$124,492.74	9576.365	40.8	39.1	42.4
Burke County	$108,281.87	0.88	$123,047.58	9465.198	45.7	46.6	44.1
Alexander County	$104,181.05	0.852	$122,278.23	9406.018	43.7	42.9	42
Onslow County	$106,058.07	0.872	$121,626.22	9355.863	42.6	37.4	41.1
Lincoln County	$104,473.90	0.864	$120,918.86	9301.451	49.6	52.2	49.3
Caldwell County	$107,978.81	0.894	$120,781.66	9290.897	43.3	36.8	45
Cabarrus County	$103,050.31	0.865	$119,133.30	9164.1	48.8	47.4	52.5
Iredell-Statesville Schools	$104,077.97	0.881	$118,136.17	9087.398	47.9	46.7	49.1
Catawba County	$105,964.35	0.913	$116,061.72	8927.824	42.7	41.5	48.8
Union County	$104,855.70	0.908	$115,479.85	8883.065	57.2	60.2	56.5
Mooresville City Schools	$107,000.28	0.934	$114,561.33	8812.41	54	59	57.6
Davidson County	$97,259.26	0.852	$114,154.06	8781.082	45.6	45.6	44.8
Randolph County	$101,460.65	0.889	$114,128.96	8779.151	38.8	41.5	40.7

1 Fiscal Research Division, North Carolina Public School Expenditures, FY 2003-04 to FY 2012-13, Prepared by FRD staff, January 15, 2014.

2 See: They Spend What? The Real Cost of the Public Schools, by Adam Schaeffer, Cato Institute, Policy Analysis Series, No. 662, March 10, 2010.

3 Regarding transfer students, students who transfer out are taken out of the cohort; students who transfer in are placed in the appropriate age cohort. For additional information see: http://www.ncpublicschools.org/docs/accountability/reporting/cohortgradratecalc13.pdf

4 Community College remediation rate drops; still stands at 63 percent, Terry Stoops, Carolina Journal Online, October 31st, 2013

5 This study uses 2012-13 financial and academic data. 2012-2013 data is used because it is the most recent complete data available. Financial data for 2013-14 has not been audited so it is not yet available. We are aware of recent changes to a number of academic tests used for 2013-14. For consistency we felt it best to match up, financial and academic data. As such, 2012-13 is the most recent year when we could use both sets of data. 2013-14 academic results can be accessed via NC DPI, College Board or ACT web sites.

Education Timeline

1985

The 1983 release of The National Commission on Excellence in Education report, "A Nation at Risk," began a decades-long national discussion on educational inadequacies and what the federal government and the states must do to reverse these trends. Governor Jim Hunt (D) responded to the challenge by establishing The North Carolina Commission on Education for Economic Growth in 1983. The commission proposed a plan for "ensuring the future prosperity and well-being of our children and the continuing soundness of our state's economy." It also placed major responsibility on the State Board of Education for ensuring that any new initiatives be implemented in a comprehensive and cost-effective manner. These actions set the stage for the 1985 legislative session.

Teacher pay

- In late 1985, newly-elected Governor James Martin (R) suggests teachers be held accountable for student progress. Martin believes teacher pay must reflect this accountability and be tied to incentives. Critics balk at his proposal and are quick to remind the governor that poor-performing students are often assigned to the best teachers, making it more difficult even for the "best" teachers to receive incentive pay. Even though conservatives side with the governor, the 1985 Legislature fails to agree on incentive pay. Eventually however, Martin succeeds in implementing his Career Development Pilot Program ("Career Ladder") in 16 public school systems.
- The General Assembly compensation package for teachers includes salary increases of 4.8 percent to 9.6 percent for teachers. The General Fund public school budget is $2.19 billion, an increase of 15.8 percent over the previous year.[1]

Career training

- General Assembly begins a comprehensive study of vocational education in North Carolina and the relationship between vocational education and skills training.

Basic Education Program (BEP) signed into law

- In accord with a previous legislative mandate that the state implement a "rigorous academic course of study for the purpose of ensuring a quality education," the 1985 General Assembly launches the eight-year, $799 million Basic Education Program (S.L. 1985-479). The stated purpose of the plan is to improve North Carolina's flagging school system by increasing state education funding by 34 percent and establishing statewide standards for school

1985 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 3,411 (0.3%) decrease

TUITION & FEE INCREASES

- Average increase of 4% for in-state and 11% for out-of-state UNC students
- No change for community college students

OTHER EDUCATION CHANGES

- New funding for Basic Education Program ($74 million for class-size reduction, dropout prevention, summer school, and science, math, and computer equipment)
- $34 million to reduce class size in grades 7 through 9
- $5 million for remedial summer programs in 1985-86; $10 million in 1986-87
- $14 million for dropout prevention
- $11 million for a pilot Career Development Program
- $14 million for microcomputer labs
- Basic Education Program enacted
- End-of-course testing program begins

Note: Data on UNC enrollment increases begins with 1989; data on community college enrollment increases begins with 1995.

construction, class sizes, curriculum and instruction. With respect to the latter, the program places equal emphasis on the arts, communication skills, foreign languages, vocational education, science, mathematics, and reading.

➤ Over an eight-year phase-in period, BEP will provide funds for lower student-teacher ratios, up-to-date textbooks and computers for classrooms, and more staff training. When the program is fully implemented in 1993, BEP will bring in $799 million in new funding and create 3,131 new positions. Although BEP was ultimately superseded by other initiatives, it sets the stage for massive and ongoing funding for the state public school system.

➤ The Budget Act of 1985 funds BEP at $223 million and authorizes 454 new positions.

➤ BEP evokes a variety of reactions from around the state. In an Associated Press article, Topsail High School Principal Tom Benton states: "We're going to see a tremendous expansion of electives. … I think the state has made it clear that Basic Education means education for becoming a full human being – not just reading, writing and arithmetic." Yet, as one Asheville teacher cautions in a December *Charlotte Observer* article, "The curriculum in the early grades seemed very ambitious and might prevent children from learning the basics of reading, writing and arithmetic."

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Overview: 2005 Fiscal and Budgetary Actions (Raleigh: Fiscal Research Division) P-9, P-19.

1986

In February 1986, U.S. Secretary of Education William Bennett gave North Carolina what many children feared most: a report card. The results were alarming. Among states in which the SAT was the predominant college entry exam, North Carolina ranked near the bottom. Also, Secretary Bennett ranked the Tar Heel state near the top of the list of states for percentage of students who never complete high school. These developments, along with a sluggish economy, helped to frame legislative debate for the year.

Another education governor

➤ A slowing economy limits the majority of legislative spending to adding resources to existing programs. Still, Governor James Martin (R) is committed to making his mark on education policy. In a February 1986 article in the *Charlotte Observer*, the governor states: "My two predecessors were education

1986 EDUCATION FUNDING

ENROLLMENT CHANGES

° Public Schools: 1,765 (0.1%) decrease

TUITION & FEE INCREASES

° Average increase of 4% for in-state and 12% for out-of-state UNC students

° Increase of 26% for in-state and 95% for out-of-state community college students

OTHER EDUCATION CHANGES

° $6 million to reduce the allotment ratio in grade 9, to 1 teacher for every 26 pupils

° $4 million increase for Teacher Effectiveness Program

° $14 million for improvements in UNC accounting systems

° Statewide promotion program implemented

governors, and I am, too. … Education is not, and has never been a partisan issue."

Education budget

➤ Steady growth in the education budget reflects the rising importance of education as a policy issue. The operating budget for public schools increases 7.3 percent ($160 million) over the previous year.[1]

Basic Education Program

➤ Sluggish economic projections cause some policymakers to question whether the state can afford to meet its third year of the BEP phase-in ($153 million) – without raising taxes.

➤ Governor Martin, who ran on a pledge not to raise taxes, proposes cutting spending in order to avoid a tax increase. Martin recommends smaller pay raises for teachers and delaying a planned $32 million expansion of summer school programs. Later in the year, the governor reiterates his support for full funding – $800 million over eight years – of the state's BEP program, but requests that local school boards be given greater autonomy on how to spend funds.

The 1985 budget bill (S.L. 1985-479) increases BEP funding by $6 million for 1986-87 (over and above the new funding authorized for FY 1985-86). In the final 1986 budget (S.L. 1985-1014), the General Assembly increases BEP funding another $12 million, for a total of $18 million in additional funds.

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Overview: 2005 Fiscal and Budgetary Actions (Raleigh: Fiscal Research Division) P-9.

1987

The campaign for the 1988 gubernatorial and legislative elections began in earnest in 1987. As a result, the governor and the Democrat-controlled Legislature were both eager to place their stamp on education policy for the year.

The governor and the education budget

➤ Governor Martin recommends full funding – minus summer school expansion – for the next two years of BEP ($357 million), expansion of the Career Ladder program and a 4.5 percent salary increase for teachers and state workers. Martin also proposes hiring hundreds more teachers and support staff and increasing funding for school construction.

➤ Martin's budget proposal balances the budget without a tax increase. He proposes a public education budget of $2.64 billion for FY1987-88 and $2.93 billion for FY1988-89 – these expenditures comprise just under half of the state's General Fund. The FY1987-88 proposal is a 12 percent increase over the previous year.

The legislature and the education budget

➤ Democrats offer various proposals for raising taxes to fund education. Lieutenant Governor Gardner also takes issue with

1987 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 590 (0.1%) decrease

TUITION & FEE INCREASES

- Average increase of 5% for in-state and 8% for out-of-state UNC students
- Increase of 12% for in-state and 39% for out-of-state community college students

OTHER EDUCATION CHANGES

- Increase funding for Basic Education Program ($125 million in 1987-88 and $260 million in 1988-89)
- Enhance BEP with additional teachers ($39 million in 1987-88 and $88 million in 1988-89)
- Increase funding for vocational education teachers ($21 million in 1987-88 and $41 million in 1988-89)
- $17 million for remedial summer programs in 1988-89
- Additional non-faculty positions ($15 million in 1987-88 for clerical positions and $42 million in 1988-89 for clerical and instructional support positions)
- $12 million in 1987-88 and $26 million in 1988-89 to continue a 16-pilot Career Development Program
- $12 million for medical education expansion at UNC
- $7.5 million for optical disk manufacturing training equipment at Central Piedmont Community College; $3 million for new and expanding industry support

the governor's Career Ladder program. Likewise, Democrats oppose Martin's plan to fund new school construction with a $1.5 billion local-option bond program. While Democrats in the General Assembly charge that Martin's plan burdens local districts with interest payments, the only alternative they propose is to raise the corporate income tax from 6 percent to 7 percent.

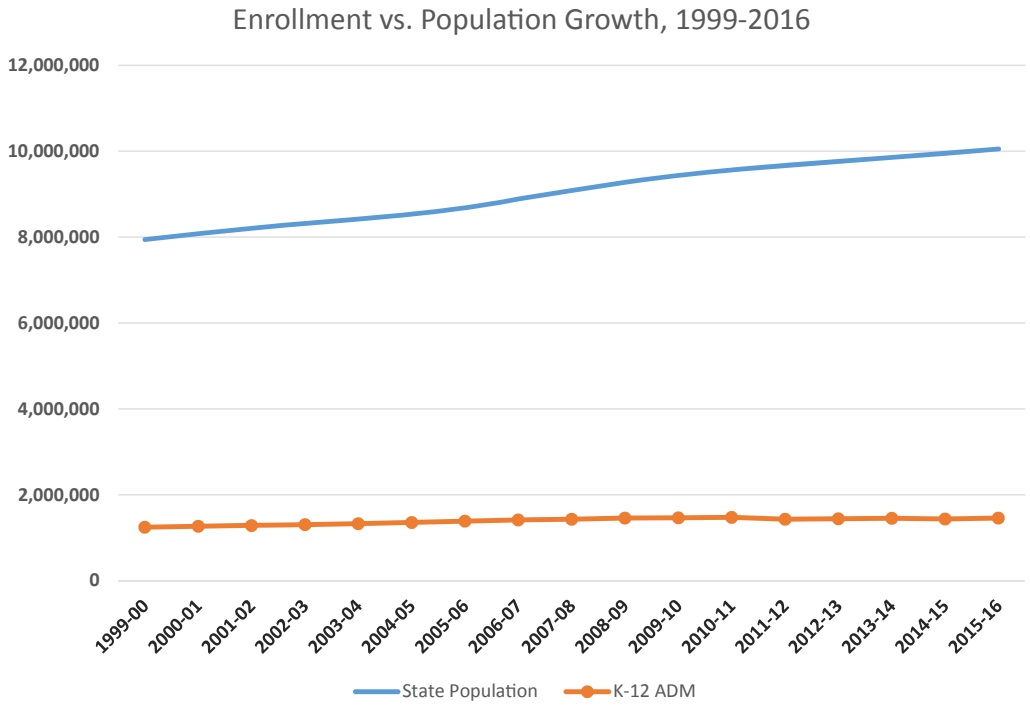
- Despite differences on financing, the governor finds considerable legislative support among Democrats. So much so, that Senator Ken Royall (D-Durham) accuses Martin of hijacking the Democrat education agenda. Says Royall, "That's our education plan. … I'm glad he's finally following it."

The budget: the final version

- The $5.98 billion budget, passed in August of 1987, represents a significant increase in education spending over the previous year. Public school spending increases from $2.19 billion in FY1986-87 to $2.6 billion in FY1987-88.[1] Major budget provisions include: $357 million in new spending (over two years) for the Basic Education Program (BEP); $39 million in additional BEP spending for new teachers in FY1987-88 and $88 million in FY1988-89. Remedial summer programs receive $17 million. Also, state teachers receive a 5 percent salary increase.
- Spending for the Basic Education Program (BEP) increases faster than the governor's original recommendation. For FY1987-88, BEP spending totals $125 million; for 1988-89, it is $260 million: a 108 percent increase.[2]

School construction

- Escalating BEP costs and rising student enrollment lead Governor Martin to propose a $1.5 billion dollar bond project to finance new schools. The Democrat majority in the Legislature is successful in defeating the plan.
- In July the governor ratifies "The School Facilities Finance Act of 1987" (S.L. 987-622) to assist in the financing of new schools. Corporate income tax rates are increased from 6 percent to 7 percent to raise funds for the new initiative. In addition, the Public School Building Capital Fund and the Critical School Facility Needs Fund are created to assist schools in raising funds for specific construction needs.



Created by Civitas Institute. Data Source: NC Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/accounting/data/

National certification for teachers

➤ Former Governor James Hunt is appointed to chair a national planning group that later evolves into the National Board of Professional Teaching Standards. This group later devises a program of national certification for highly qualified teachers.

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Overview:2006 Legislative Session Fiscal and Budgetary Actions 2006 (Revised) (Raleigh: Fiscal Research Division) Q-9.

2 Fiscal Research Division, North Carolina General Assembly, Overview: 1986 Legislative Session Fiscal and Budgetary Actions (Raleigh: Fiscal Research Division) P-41.

1988

As 1988 began, North Carolina and the nation enjoyed a stronger than expected economy. By the middle of the year, however, projected revenue growth slowed to less than half the expected 6.3 percent. The changing economic news worried many. Senator Ken Royall (D-Durham) commented on the downturn, when he cautioned: "If revenues don't improve, we are going to have to cut the budget. … This is the slowest rate of growth in collections for any comparable 12 months since 1973-74."

The spending continues

➤ Conservatives remain apprehensive over the state's ability to meet the Basic Education Program's (BEP) next scheduled expansion ($150 million). Still, the uncertainty does little to stem the tide of education spending.

➤ Public education expenditures increase from $2.64 billion in FY1987-88 to $2.93 billion in FY1988-89, an 11 percent increase. Fiscal Research Division figures reveal a cumulative increase of almost 55 percent in education expenditures since FY1984-85, with spending rising from $1.85 billion to $2.86 billion in FY1988-89.[1]

➤ Major provisions of the FY1988-89 budget include: $19 million to increase wages for adult school bus drivers; $7 million for the Uniform Education Reporting System; and $4 million to local school systems for latchkey care.

A shift in focus

➤ As the economy slows, the focus of education policy shifts as well. Efforts to

1988 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 4,134 (0.4%) decrease

TUITION & FEE INCREASES

- Average increase of 4% for in-state and 8% for out-of-state UNC students
- No change for community college students

OTHER EDUCATION CHANGES

- $19 million to increase wages for adult bus drivers from $4.91 per hour to $6.10 per hour, plus additional benefits
- $7 million for the Uniform Education Reporting System
- $4 million in incentives to local school systems for after-school care (Latchkey)
- $12 million for a supercomputer for UNC research and training and science-based economic development
- General Assembly transfers fiscal functions to Superintendent of Public Instruction

improve assessment gain consideration. Representative Anne C. Barnes (D-Orange) encourages the passing of a new annual testing program to assess the effectiveness of the state's public education system. The proposed legislation would give the state board of education responsibility for implementing a statewide testing program in basic subjects for the third, sixth and eighth grades.

➤ Although Barnes' bill fails to pass, the discussion signals a shift in the education debate from acquiring resources to assessing how well these resources are being used.

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Overview: 2006 Legislative Session Fiscal and Budgetary Actions (Revised), (Raleigh: Fiscal Research Division, 2007) Q-9.

1989

A sluggish economy continued to cast a shadow of uncertainty over the state. The slowdown impacted budgets and expectations, including education. Instead of an expected $3.4 billion in new education spending, lawmakers learned that only $232 million was available for recurring additions to next year's budget. The session ended with the largest single tax increase in state history.

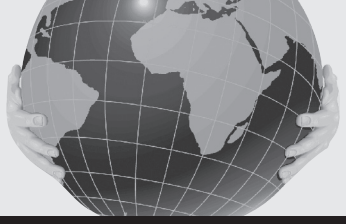
A slowing economy

➤ As the economy slows, state leaders reiterate that everyone is expected to share in the sacrifice. In a January 1989 *Charlotte Observer* article, State Auditor Ed Renfrow says, "Education is no more sacrosanct, as far as I am concerned, than any other department." Martin's budget chief, C.C. Cameron, holds the same sentiment, commenting, "Many worthwhile government programs were being shortchanged because the education budget was considered hands-off while others faced cutbacks."

➤ In light of changing economic conditions, Governor Martin revises his original education budget and proposes funding only half of the fifth year of the Basic Education Program (BEP). Martin delays merit raises for state workers until April of 1990. He continues to voice his full support for BEP.

➤ Even with the economic slowdown, spending on education continues to rise. Compared to the previous year, total operating expenditures on public education (K-12) increase from $2.93 billion to $3.13 billion.[1] Final budget figures include an increase of $69 million dollars in funding for BEP in FY1987-88 and $181 million in FY1988-89 for teachers, support personnel, and clerical positions.

➤ Teachers receive a 6 percent pay increase, paid for in part by reducing BEP funding, increasing various sales taxes (S.L. 1989-692)



1989 EDUCATION FUNDING

ENROLLMENT CHANGES

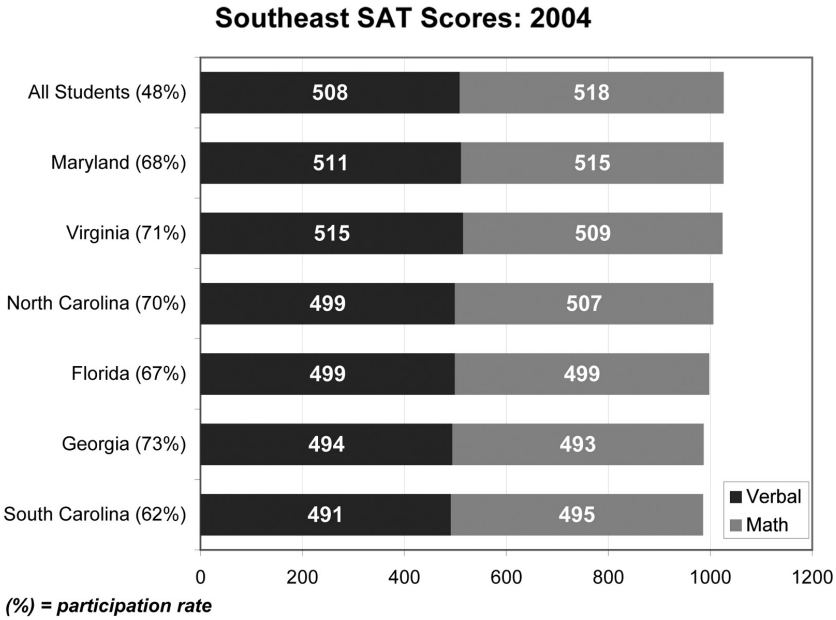
- Public Schools: 3,401 (0.3%) decrease
- UNC: 4,802 (3.5%) decrease

TUITION & FEE INCREASES

- Average increase of 12% for in-state and 14% for out-of-state UNC students
- Increase of 18% for in-state and 19% for out-of-state community college students

OTHER EDUCATION CHANGES

- Increase funding for Basic Education Program ($69 million in 1987-88 and $181 million in 1988-89 for 6,343 teachers, support, and clerical positions by 1988-89)
- Through UNC, fund a portion of the recommendations of the Study Commission on Nursing
- $5 million in 1989-90 and $10 million in 1990-91 for a "Restoration Fund" to help fund program needs at a more sufficient level
- School Improvement and Accountability Act approved by General Assembly



Created by Civitas Institute. Data Source: The College Board, "Table 3: Mean SAT Verbal and Math Scores by State, With Changes for Selected Years," (New York: The College Board, 2007). Available at: www.collegeboard.com.

and transferring revenue to the General Fund from a new tax dedicated to the newly created Highway Trust Fund (S.L. 1989-69). (See Budget and Transportation guides for more detail.)

Cracks in the foundation: DPI and BEP

- ➤ Because education expenditures account for about half of the state's General Fund, State Auditor Ed Renfrow, along with State Superintendent Bob Etheridge, calls for a full-scale audit of the Department of Public Instruction to determine whether the state is getting its money's worth.
- ➤ Based on the FY1989-90 budget (S.L. 1989-752), by the end of BEP's eight-year expansion, more than 14,000 non-teacher positions will have been added to the school system a 27 percent increase over previous levels.
- ➤ DPI reports a slight (0.1 percent) decrease in student enrollment from 1986-87. The lower numbers concern legislators, who, amid a flurry of responses, have invested millions in taxpayer funds to reduce student-teacher ratios, based on rising enrollment projections.
- ➤ In the spring, test results place North Carolina dead last in national average SAT scores.

A new direction: School Improvement and Accountability Act (SIAA)

- ➤ In a June *Charlotte Observer* article, House Speaker Joe Mavretic (D-Edgecombe) claims, "We simply are not teaching our K through 12 students the subject matter they need to learn." Likewise, Governor Jim Martin declares, "The system isn't producing the results we want."
- ➤ Under the leadership of Senators James Conder (D-Richmond) and Marvin Ward (D-Forsyth), the School Improvement and Accountability Act (SIAA) (S.L.1989-778) is passed by the General Assembly and signed by the governor. The act is designed to make the system more accountable and provide teachers with the flexibility, freedom and resources they need to help students achieve. Progress tests will be given to all students, and the State Board of Education must release "report cards" on local districts and the entire state. The report cards are

1990 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 4,898 (0.5%) increase
- UNC: 3,775 (2.6%) increase

TUITION & FEE INCREASES

- Average increase of 9% for in-state and 5% for out-of-state UNC students
- Increase of 16% for in-state and 17% for out-of-state community college students

OTHER EDUCATION CHANGES

- Defer some portions of the Basic Education Program ($72 million reduction)
- Defer school bus replacement ($20 million reduction)
- $45 million management flexibility reduction
- $39 million to fully fund the School Improvement and Accountability Act
- Eliminate 207 teaching faculty, 52 non-teaching faculty, and 241 other positions in the UNC system
- $17 million management flexibility reduction in UNC
- $12 million management flexibility reduction in community colleges
- $6 million to community colleges to partially restore $7.5 million reserve for equipment and books reverted during 1989-90 to help balance the budget

intended to assess the schools' progress in improving student outcomes.

- SIAA represents a major victory for those wanting to shift the education policy discussion toward accountability. The legislation underscores the gradual, but very real, transfer of resources and decision-making authority away from centralized administrative structures, like the Department of Public Instruction, toward LEAs, schools, and school personnel.

1990

The impact of Hurricane Hugo and the national economic slowdown resulted in a decline in revenue collections and a subsequent budget shortfall in FY1990-91. In response to the growing crisis, Governor James Martin asked for across-the-board cuts in every department. Democrats resisted, but failed to offer a workable counterproposal. By the end of the year, the state's revenue shortfall was reported in excess of $700 million and could reach $1 billion. House Speaker Joe Mavretic warned his fellow legislators to "get ready for what appears to be the most difficult session of the General Assembly since 1933."

Budget pain

- The final budget agreement offers a package of deferrals and reductions that impact all departments, including education.
- The Public School Fund (state funds for schools) is cut by $115 million.[1]
- Reductions and deferrals include: BEP deferrals ($72 million); school bus replacement deferral ($20 million); and $45 million in management flexibility reductions.
- The UNC system absorbs the majority of education cuts. More than 200 UNC teaching faculty positions are eliminated.

Education funding

- Actual public education expenditures total $3.18 billion, 2 percent above the previous year.
- Despite the economic downturn, the previous budget's raises of 6.15 percent for teachers and 4 percent, plus 2 percent merit, for state workers remain intact.
- The School Improvement and Accountability Act of 1989 is fully funded at $39 million. The initiative gives local schools and school systems responsibility for creating their own school improvement plan and developing benchmarks for measuring progress. It also includes differentiated pay plans for staff, as performance warrants.

ENDNOTE:

[1] Fiscal Research Division, North Carolina General Assembly, *Overview: Fiscal and Budgetary Actions: North Carolina General Assembly 1989 Session and 1990 Session* (Raleigh: Fiscal Research Division) p. 109.

1991

The 1991 General Assembly returned to Raleigh facing the largest General Fund deficit in 60 years: a projected $850 million to $1 billion revenue shortfall. The 1990-91 national recession and Persian Gulf War helped to slow economic activity. On the state level, rising Medicaid costs, Aid to Families with Dependent Children (AFDC) mandates, prison system demands, and rising health insurance costs contributed to the state's budgetary woes. The revenue gap brought Governor James Martin's education proposals under greater scrutiny by Democrats in the General Assembly.

Dealing with the deficit

- ➤ The difficult economic conditions focus debate between the governor and the General Assembly on budget cuts and education spending. In the end, education spending increases and taxes are raised. The state sales tax increases from 3 percent to 4 percent. The corporate income tax rate also rises from 7.0 percent to 7.75 percent. Also, the personal tax rate for those with incomes above $100,000 increases to 7.75 percent.
- ➤ In May of 1991, House leaders unveil a $120 million education package. The plan raises teacher salaries, extends the school day, and provides additional funding for poor school districts and handicapped children. Democrats offer no way to pay for the proposal, and it dies in committee.
- ➤ Governor tries to cut non-education spending. He calls for $276 million in reductions to Medicaid and AFDC and the elimination of 1,827 vacant state jobs. He also encourages early retirement for state employees.
- ➤ General Assembly directs the Legislative Services Commission to contract with an outside consultant for a performance audit of state government. The contract is awarded to KPMG Peat Marwick and overseen by the legislative Government Performance Audit Committee (GPAC). The audit shall include "an examination of the efficiency and effectiveness of major management policies, practices, and functions across all executive branch agencies" (S.L. 1991-689, sec. 347).

1991 EDUCATION FUNDING

ENROLLMENT CHANGES

- ° Public Schools: 9,926 (0.9%) increase
- ° UNC: 3,628 (2.4%) increase

TUITION & FEE INCREASES

- ° Average increase of 10% for in-state and 14% for out-of-state UNC students
- ° Increase of 50% for in-state and 53% for out-of-state community college students

OTHER EDUCATION CHANGES

- ° Basic Education Program ($29 million in 1992-93 for more teachers)
- ° $15 million to serve 3- and 4-year-old handicapped children
- ° $10 million increase for low-wealth and small school systems
- ° Restore 250 local teaching positions
- ° Eliminate funds for School Improvement and Accountability Act in 1992 ($39 million)
- ° Defer school bus replacement ($15 million reduction)
- ° Phase out funds for energy costs to local schools (reduction of $18 million in 1991-92 and $36 million in 1992-93)
- ° Reduce driver's education funds and transfer remaining support to Highway Fund ($29 million reduction)
- ° Shorten summer school from 6 to 4 weeks ($13 million reduction)
- ° Eliminate 336 vacant UNC positions, reduce non-teaching exempt positions by 5%, and increase student/faculty ratio
- ° Increase student/faculty and student/administrator ratios in the community colleges

Budget winners and losers

- ➤ Public education expenditures increase approximately 2 percent, to $3.24 billion.
- ➤ Some programs survive and even grow: new

BEP spending allocates $29 million for new teachers; low wealth and small school systems obtain $10 million for supplemental assistance. Programs for three and four-year-old handicapped children expand by $15 million.

➤ Other programs are cut or deferred. School bus replacement is deferred ($15 million in savings), and summer school is shortened from six to four weeks ($13 million). Funding ($39 million) for the School Improvement and Accountability Act is also eliminated.

Basic Education Program: losing support

➤ Critics begin to question BEP's impact on curriculum. According to a December 1991 Raleigh *News & Observer* article, "Only eight percent [of public schools] had implemented the arts program, 35 percent the foreign language program and 46 percent the curriculum on media and technology."

➤ Despite these results, by the end of 1991, North Carolina increased annual funding for BEP to $480 million, 60 percent of the eight-year target.

1992

A poor economy and the upcoming elections proved to be major influences during the 1992 legislative session. The contentiousness that defined earlier sessions is moderated as both Governor James Martin and members of the General Assembly tried to appear less partisan. With a recession underway, there was little room for new initiatives, and members seemed more willing to compromise. Still, opposition to Governor Martin's education reform proposals continued to shape the scope and direction of the policy debate.

1992 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 13,460 (1.2%) increase
- UNC: 4,249 (2.8%) increase

TUITION & FEE INCREASES

- Average increase of 3% for in-state and 10% for out-of-state UNC students
- Increase of 14% for in-state and 0% for out-of-state community college students

OTHER EDUCATION CHANGES

- $19 million increase for Basic Education Program
- $30 million increase for differentiated pay under the School Improvement and Accountability Act; the Act is also revised
- $6 million for low-wealth and small schools
- Complete implementation of end-of-course/end-of-grade tests; 9th graders entering high school face tougher graduation requirements

Governor's budget proposal:

➤ $19 million reduction in Basic Education Program (BEP) funds.

➤ Full funding for the School Improvement and Accountability Act (SIAA).

➤ 2 percent salary increase for teachers.

Final budget

➤ $3.4 billion public education budget marks a 5.1 percent increase over previous year expenditures.

➤ Legislature rejects the governor's proposal to cut BEP $19 million.

➤ $30 million in differentiated pay for teachers under the School Improvement and Accountability Act.

➤ $6 million in supplemental funds for low wealth and small school systems.

➤ On a separate vote on compensation for state employees, the General Assembly restores a 2 percent salary increase for teachers, based on experience.

Testing and SIAA revisions

- As part of the new accountability measures, the Department of Public Instruction begins end-of-course/end-of-grade testing. In the fall of 1993, eighth graders will face tougher graduation requirements.
- Revisions to SIAA require greater participation by parents and teachers in the development of school improvement plans. Local three-year improvement plans now require the approval of the State Board of Education.

GPAC recommendations

KPMG Peat Marwick issues a series of reports to the Government Performance Audit Committee (GPAC) regarding the mandated executive branch performance audit. Issued in December, the education review component makes recommendations concerning the following:

- Public education governance structure
- Organization and staffing
- Staff development for teachers
- Assistance and support to local school districts
- Funding initiatives
- Reform initiatives
- Tenure for public administrators
- Academic program planning
- Program and system structure for the N.C. community college system
- Tuition and fees
- Public support for private higher education
- Continuum of education

1993 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 14,942 (1.4%) increase
- UNC: 920 (0.6%) increase

TUITION & FEE INCREASES

- Average increase of 11% for in-state and 8% for out-of-state UNC students
- Decrease of 0.2% for in-state and 0.0% for out-of-state community college students

OTHER EDUCATION CHANGES

- $13 million increase for low-wealth and small school systems
- Basic Education Program funding ($10 million for instructional support positions)
- $39 million increase for differentiated pay
- $24 million one-time increase for school bus purchases to make up for previous cuts
- $8 million reduction to the Career Development Program in 1994-95
- New end-of-grade testing program begins in grades 3 through 8
- $8 million for community college books and equipment
- Reorganize Department of Public Instruction and cut 86 positions

1993

At the beginning of 1993, Governor Jim Hunt (D) returned to office after an eight-year hiatus to find himself a bystander in an ongoing controversy over who controls public education. In February, the state board of education agreed to drop its lawsuit against the state school superintendent; who dropped his own lawsuit against the board only a week before. With the lawsuits off the table, the General Assembly stepped in to clarify who was responsible for managing North Carolina's public education system. In the end, it appeared the only real losers were the taxpayers, who picked up the tab for all the haggling: $200,000 (See Q&A #2).

The governor faced other challenges as well, with the Legislature taking a more active role in the budget process. Meanwhile, because Hunt was legally obligated to follow the general outlines of his predecessor's budget, his initial influence on the FY1993-94 budget was limited.

The 1993 budget

- In February, Governor Hunt proposes an education budget that calls for $570 million in new spending over the next two years. He also proposes $40 million for an early childhood development program, "Smart Start," designed to increase daycare availability and enhance child protective services.
- House leaders balk at the costs of the governor's daycare initiative. Many legislators seem more interested in healthcare reform.
- Final FY1993-94 budget (S.L.1993-321) increases education spending from $3.39 billion in FY1992-93 to $3.59 billion in FY1993-94, an increase of $200 million.[1]
- The $8.9 billion general fund budget provides a 2 percent pay raise for teachers. It also includes: $10 million in BEP funding, $39 million for differentiated pay, and $13 million for low-wealth and small schools.

Education budget: other considerations

- In response to recommendations from the Government Performance Audit Committee (GPAC) to improve the governance structure of public education, appropriations for the Department of Public Instruction are reduced by approximately 3 percent ($1.2 million) in FY1993-94. In FY1994-95, appropriations are to be cut another $2.2 million. Despite these reductions, total appropriations for education still increase 5.7 percent over the previous year.[2]
- Statistics from the Department of Public Instruction reveal that average daily membership (ADM) rose only 0.9 percent from 1992-93 to 1993-94 and 1.2 percent from 1993-94 to 1994-95. Budget planners had estimated that ADM would rise by 1.8 percent from 1992-93 to 1993-94; and by 2.0 percent between 1993-94 and 1994-95. As a result of these incorrect estimates, the public school system received $137 million ($41 million in FY1993-94 and $96 million in FY1994-95) and 539 new positions.

Testing

End-of-grade testing for grades three to eight begins replacing the California Achievement Test. The General Assembly provides close to $2 million for these tests in FY1993-94 and FY1994-95. The tests set grade-level benchmarks in reading, math, social studies and science, and are part of the state's initiative to hold schools accountable for student performance. By May of 1993, more than 500,000 students are taking end-of-grade tests.

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Overview: 2006 Legislative Session Fiscal and Budgetary Actions (Revised), (Raleigh: Fiscal Research Division, 2007) Q-9.

2 Fiscal Research Division, North Carolina General Assembly; Overview: Fiscal and Budgetary Actions North Carolina General Assembly, 1993 Session and 1994 Session (Raleigh: Fiscal Research Division, 1995) p. 28

1994

As a result of the tax increases pushed through in previous years, as well as a recovering economy, budget writers enjoy a $1.2 billion surplus for the year. Instead of returning the money to taxpayers, lawmakers developed a variety of new spending initiatives, mostly focused in the areas of crime prevention, prison construction and education. Governor Hunt also convened a special session on crime in late February.

Budget spending

- Schools benefit from additional funding passed during the special session on crime: $10 million for low-wealth school systems; $18.2 million for students at risk of failure;

1994 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 22,465 (2.0%) increase
- UNC: 796 (0.5%) decrease

TUITION & FEE INCREASES

- Average increase of 5% for in-state and 7% for out-of-state UNC students
- Increase of 0.2% for in-state and 0.0% for out-of-state community college students

OTHER EDUCATION CHANGES

- $40 million increase during Special Crime Session for low-wealth school systems, local programs for at-risk children, and intervention/prevention grants
- Additional $10 million for low-wealth and small school systems
- Basic Education Program funding ($26 million to reduce class size in kindergarten, $10 million for instructional support, and $10 million for textbooks)
- $42 million School Technology Reserve to be expended in accordance with legislation enacted by the 1995 General Assembly
- $120 million to restore teachers' 12th pay period from July 1 to June 30
- $13 million for community college books and equipment; $8 million for instructional support and literacy education
- $17 million for UNC priority items, such as library network and acquisitions, computing, and new degree programs
- Elimination of 185 vacant positions

DID YOU KNOW?

From FY1993 to FY2007, state funding for public education in North Carolina went from $3.44 billion to $7.37 billion: an increase of 114 percent.

SOURCE: North Carolina Public Schools Statistical Profile 2006

and $12 million for delinquency intervention/prevention grants.

➤ Education budget also expands by a significant margin during the regular 1994 session. Another $7 million is added for low wealth school systems, bringing the total supplement to $35 million, nearly double the original appropriation in 1993. The Basic Education Program receives its next scheduled expansion: $46 million to reduce class size (493 teachers and 493 teacher assistants) and provide instructional support (268 positions) and textbooks.

➤ As part of a separate compensation package, $120 million is added to teacher pay to restore the 12th teachers' pay period from July 1 to June 30th. (Earlier, the pay date had been shifted to July 1 to move it into the next fiscal year and to help balance the budget.) Teachers also receive salary increases of between 5 and 7 percent, while state employees receive increases of 4 percent, plus a one-time 1 percent bonus.

➤ Funding for the differentiated pay program for noncertified personnel in the schools is increased but changed from recurring to nonrecurring. This means if differentiated pay is to continue, it will have to be debated and added to each subsequent budget.

➤ Additional spending boosts total current expenditures on K-12 education for FY 1994-95 to $4.05 billion, 13 percent over the previous year. Public education spending continues to account for about 42 percent of all General Fund expenditures.[1]

BEP: more problems

➤ State reports show that only 40 percent of North Carolina high school students are proficient in basic courses, such as English, history and biology, leads to renewed debate over the Basic Education Program and statewide curriculum standards.

➤ Some educators wonder if the disappointing results only confirm that the state has set standards too high. Others see the results as more evidence that BEP is not working and needs to be changed.

NORTH CAROLINA CHARTER SCHOOLS

What is a Charter School?

- A tuition-free public school created on the basis of a license or "charter" made with the State Board of Education or an institute of higher learning.
- Has more freedom than a traditional public school in return for a commitment to meet standards of accountability.
- Charters have open enrollment with no discrimination, no religious associations, and no tuition.
- National charter school definition: "Charter schools are nonsectarian public schools of choice that operate with freedom from many of the regulations that apply to traditional public schools. The 'charter' establishing each such school is a performance contract [or license] detailing the school's mission, program, goals, students served, methods of assessment, and ways to measure success."[1]

How is a Charter School Funded?

- Public tax dollars are the primary funding source for charter schools. Local, state, and federal dollars fund charter schools in the same way traditional public schools are funded.
- Charter schools do not charge tuition.
- Schools must have obtained nonprofit status from the state of North Carolina prior to their opening.

Benefits of Charter Schools:

- Increases opportunity for learning and access to quality education for all students.
- Choice for parents and students within the public school system.
- Provides a system of accountability for results in public education.
- Encourages innovative teaching practices.
- Creates new professional opportunities for teachers.
- Encourages community and parental involvement in public education.
- Contributes innovative teaching methods and other improvements to the public education system.[2]

N.C. Charter School Law:

The "Charter Schools Act of 1996" was ratified by the General Assembly on June 21, 1996. Current law (§ 115C-238.29A) delineates the mission of the charter schools as follows:

> "The purpose of this Part is to authorize a system of charter schools to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently of existing schools, as a method to accomplish all of the following:
>
> 1. Improve student learning;
> 2. Increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are identified as at-risk of academic failure or academically gifted;
> 3. Encourage the use of different and innovative teaching methods;
> 4. Create new professional opportunities for teachers, including the opportunities to be responsible for the learning program at the school site;
> 5. Provide parents and students with expanded choices in the types of educational opportunities that are available within the public schools system;
> 6. Hold the schools established under the Part accountable for meeting measurable student achievement results, and provide the schools with a method to change from rule-based to performance-based accountability systems."

How Long Can Each Charter School Operate?

- The initial charter is granted for up to 10 years with a 5-year review.
- At the end of each 10-year period, including a 5-year review, charter schools must go through a renewal process, which may grant yet another 10-year term.

How Are Charter Schools Operated?

- Each school is operated by a board of directors, which sets the policies and procedures for the school.

Who Sets the Curriculum and Tests?

- The board of directors chooses the school curriculum.
- Charter schools are not required to follow the North Carolina Standard Courses of Study (NCSCOS). However, students are assessed using the same tests as other schools and these tests are based on the NCSCOS.
- All charter schools are required to take the state-mandated ABCs test.

Charter Schools by County
2015-2016 School Year

COUNTY	NUMBER of SCHOOLS	COUNTY	NUMBER of SCHOOLS	COUNTY	NUMBER of SCHOOLS
Alamance	3	Franklin	2	Pamlico	1
Alexander	0	Gaston	2	Pasquotank	1
Alleghany	0	Gates	0	Pender	0
Anson	0	Graham	0	Perquimans	0
Ashe	0	Granville	2	Person	2
Avery	2	Greene	0	Pitt	1
Beaufort	1	Guilford	8	Polk	0
Bertie	1	Halifax	1	Randolph	0
Bladen	1	Harnett	1	Richmond	0
Brunswick	2	Haywood	1	Robeson	2
Buncombe	5	Henderson	1	Rockingham	1
Burke	1	Hertford	0	Rowan	0
Cabarrus	3	Hoke	0	Rutherford	2
Caldwell	0	Hyde	0	Sampson	0
Camden	0	Iredell	4	Scotland	0
Carteret	1	Jackson	1	Stanly	1
Caswell	0	Johnston	1	Stokes	0
Catawba	0	Jones	0	Surry	1
Chatham	3	Lee	0	Swain	1
Cherokee	1	Lenoir	1	Transylvania	1
Chowan	0	Lincoln	1	Tyrrell	0
Clay	0	Mcdowell	0	Union	1
Cleveland	1	Macon	0	Vance	2
Columbus	2	Madison	0	Wake	19
Craven	0	Martin	1	Warren	1
Cumberland	2	Mecklenburg	25	Washington	0
Currituck	1	Mitchell	0	Watauga	1
Dare	0	Montgomery	0	Wayne	2
Davidson	0	Moore	2	Wilkes	1
Davie	0	Nash	1	Wilson	2
Duplin	0	New Hanover	4	Yadkin	0
Durham	15	Northampton	1	Yancey	0
Edgecombe	1	Onslow	1	**Total:**	**157**
Forsyth	5	Orange	2		

Created by Civitas Institute. Data Source: NC Public Schools. Available at: http://www.ncpublicschools.org/charterschools/schools/by-county/

What are the Qualifications for Charter School Teachers?

- All charter school core subject teachers must be highly qualified as outlined by federal No Child Left Behind requirements.
- North Carolina state statute requires 75 percent of charter school teachers in elementary school to be licensed while 50 percent of teachers in middle and high school must be licensed.

How Do I Enroll My Child in a Charter School?

- Charter schools have open enrollment but may have a cap on the number of students served. If the school has more applicants than available slots, a lottery is used to fill the remaining slots.
- There is no districting for charter schools, providing space is available, students from any North Carolina county may attend any charter school.

How Many Charter Schools Does North Carolina Have?

- As of 2015-16 school year, North Carolina has 157 charter schools, serving nearly 82,000 students.

ENDNOTES:

1 "Overview," U.S. Charter Schools; available from http://www.uscharterschools.org/pub/uscs_docs/o/index.htm.

2 As quoted, with minor changes, from "Overview," U.S. Charter Schools.

***Leandro v. State* lawsuit**

Five low wealth counties file suit against North Carolina, claiming that the state does not provide adequate funding for them to educate their students. They are joined by six urban counties, who claim that the state does not provide enough funds for them to educate their at-risk students and those with limited English proficiency. At the end of the year, the case has yet to be decided.

ENDNOTE:

1 Fiscal Research Division, North Carolina General Assembly, *Overview: 2006 Legislative Session Fiscal and Budgetary Actions (Revised)*, (Raleigh: Fiscal Research Division, 2007) Q-10.

1995

Riding on the coat-tails of the national Republican Revolution, the 1994 elections brought North Carolina Republicans a majority in the House (67-53) for the first time. They also came within two seats of taking the Senate (24-26). The new Republican majority in the General Assembly reflected strong voter sentiment for a change in direction and less government spending. Republican leaders proved themselves eager to respond to the voters and were quick to deliver on promised tax cuts, spending cuts and efforts to improve the management of state finances. The Republican's "New Contract with the People of North Carolina" also promised to reduce the size and scope of the Department of Public Instruction and to transfer effective control of public schools to local boards of education.

A change in direction

- ➤ As promised, Republicans are successful in limiting the size of the education budget and reshaping the direction of policy. The 1995 session witnesses one of the first decreases in authorizations for education spending in many years. From 1994-95 to 1995-96, spending declines by 2.4 percent.
- ➤ Conservatives in the Legislature aim to limit teacher salary increases to 2 percent, pass charter school legislation, and repeal public school outcome-based education.

Shift in values: accountability

- ➤ The new conservative movement toward streamlining government is reflected in Session Law 1995-6. The legislation, ratified in March of 1995, orders the State Board of Education to examine the arrangement and function of the public school system. The bill is designed to distribute DPIs responsibility, combine organizational units and eliminate unnecessary positions.
- ➤ The 1995-96 public schools budget is reduced by $97 million for FY1996-97. The legislation includes a reduction of 164 positions in 1995-96 and 166 positions in 1996-97. Cuts include: finance officers, health education, child nutrition administrators, central office administrators and school maintenance supervisors.[1] Funding for DPI is cut by $2.5 million for both the 1995-96 and

1995 EDUCATION FUNDING

ENROLLMENT CHANGES

- ° Public Schools: 25,795 (2.3%) increase
- ° Community Colleges: 21,244 (2.8%) increase
- ° UNC: 969 (0.6%) increase

TUITION & FEE INCREASES

- ° Increase UNC tuition 9% for in-state students and 7% for out-of-state students; additional increases in the following year
- ° No change for community college students

OTHER EDUCATION CHANGES

- ° Revise powers and duties of state superintendent; State Board of Education to develop plan to reorganize public education
- ° Approve charter school legislation
- ° Grade 1 class size reduction ($19 million); grade 2 class size reduction in 1996-97
- ° Increase school technology funds
- ° Repeal public school outcome-based education program to implement budget reduction

1996 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 26,450 (2.3%) increase
- Community Colleges: 15,469 (1.9%) increase
- UNC: 874 (0.6%) decrease

TUITION & FEE INCREASES

- Increase UNC tuition 8% for in-state students and 6% for out-of-state students (increases in the 1995 Budget Bill)
- No change for community college students

OTHER EDUCATION CHANGES

- Approve ABCs of Public Education
- Grade 2 class size reduction ($19 million)
- One-time increase of school technology funds
- School safety and violence prevention
- Appropriate $18 million to enhance the competitiveness of "Research University I" UNC campuses (1995 budget also increased tuition at these same campuses)

1996-97 fiscal years.

➤ S.L 1995-6 helps pave the way for future shifts of control to local school districts. Jay Robinson, chairman of the State Board of Education, comments on the board's new philosophy: "I want us to get as close as we can to telling local schools that if they can meet high standards, we aren't about to tell them how they should go about it."

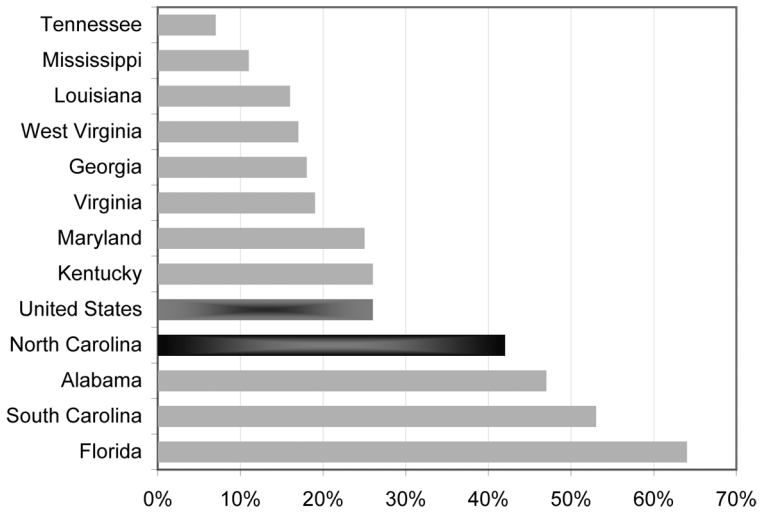
ENDNOTE:

1 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary – 1995 Session* (Raleigh: Fiscal Research Division), p. 27-28

Education is not the filling of a pail, but the lighting of a fire.

William Butler Yeats

Percent of Schools Not Meeting Adequate Yearly Progress: 2005-06



1996

The 1996 short session began with improved economic conditions and a $700 million budget surplus. With elections on the horizon, and the governor and the General Assembly in a generous mood, a series of tax cuts was passed. The bulk of the session was spent haggling over how to spend the surplus. With Republicans still in control in the House, the General Assembly passed The Charter Schools Act of 1996.

Education legislation highlights

➤ In response to the violent tragedy at Columbine High School in Colorado, the General Assembly passes a School Safety and Violence Prevention program.

➤ With expansion funding, total public education spending increases by only 2.4 percent compared to the original appropriations passed in 1995. Net changes enacted in the 1996 regular session amount to $98 million, bringing total public education expenditures for FY1996-97 to $2.67 billion.

➤ Major drivers for the funding expansions include: compensation for increases in average daily membership, supplements to low wealth counties and an expansion in the Alternative Schools/At Risk Program.

➤ Additional funds ($19 million) are allocated for Grade 2 class size reduction. The General Assembly also approves a one-time increase for school technology funds ($42 million).

Teacher salaries

Governor Hunt proposes a 7 percent increase to bring teacher pay further in line with other states. The General Assembly, however, holds the line at 5.5 percent.

Charter schools

➤ Charter schools emerge as a major issue. In June, the North Carolina General Assembly passes the "Charter Schools Act of 1996" (S.L. 1995-731) which authorizes public alternatives to traditional public schools. Charter schools receive the same county, state and federal funding per student as do traditional public schools, but no capital funds. Charter schools are also exempt from some of the regulations, such as teacher certification, governing traditional public schools.

➤ With the support of the North Carolina Association of Educators, some legislators oppose the legislation, arguing that it reallocates education dollars to nontraditional schools. Most conservatives favor the legislation and believe it provides competition for public education and gives parents greater educational opportunities. Due to concerns about the potential for rapid growth, the Legislature caps the number of charter schools at 100.

ABCs legislation

➤ According to Principal Dan Wait of Wallace Elementary School in Duplin County, education reform itself needs to be reformed. "This is how North Carolina goes about school reform," explains Wait. "The pendulum swings left and we all jerk left. Then it swings over here and we all jerk over here. You can't really afford to follow because I'm not sure the state as a whole knows where it's going."

➤ Citing the failure of past education reform efforts, conservative lawmakers put their support behind the ABCs of Public Education bill (S.L. 1995-716).

➤ ABCs legislation places a premium on redistributing the authority of the Department of Public Instruction in Raleigh and giving more accountability to individual school districts. The goal of the legislation is to provide incentives for good performance and accountability provisions to bring to light poor performance.

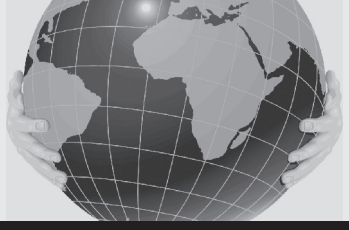
➤ The Legislature also approves $25 million for ABC bonuses. The bonuses will be awarded to teachers and others at schools whose students meet or exceed expectations. These expectations are based on student improvement, rather than a single benchmark for all schools.

1997

Despite holding a slim majority in the House, Republicans were unable to cap spending. The 1997-98 General Assembly increases spending by almost 8 percent from the previous year, with education spending accounting for a large part of the increase. Public education expenditures total $4.69 billion and were up 10 percent over the previous year. Major education initiatives include:

ABCs of Education

Money to implement the ABCs Act is appropriated in two forms: (1) $72 million in nonrecurring monies for bonuses for schools that meet standards set by the State Board of Education; (2) $6.8 million in recurring funds to the State Board of Education for staff development in reading and mathematics, as mandated by the ABCs of Education; and funds for assistance teams assigned to low performing schools.[1]



1997 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 20,577 (1.7%) increase
- Community Colleges: 84,744 (10.6%) decrease
- UNC: 2,500 (1.6%) increase

TUITION & FEE INCREASES

- Average increase of 4% for in-state and 1% for out-of-state UNC students
- Increase of 0.7% for in-state and 1.1% for out-of-state community college students

OTHER EDUCATION CHANGES

- $72 million for projected ABC bonuses
- $10 million increase for occupational education in the community colleges
- Allow UNC same budget flexibility with overhead receipts as with General Fund budget codes
- Establish Civil Penalty & Forfeiture Fund to transfer civil fines and forfeitures that were going to the County School Fund to the School Technology Fund instead
- Excellent Schools Act approved
- State Supreme Court decides *Leandro*

Excellent Schools Act

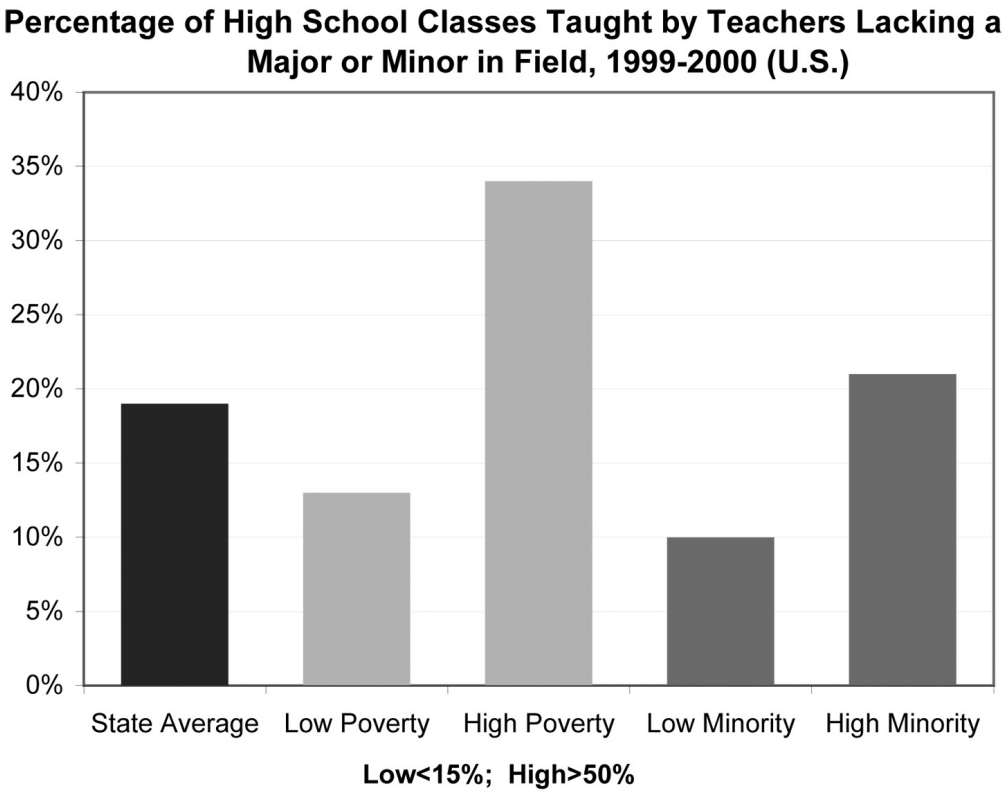
- In June, the Legislature passes the Excellent Schools Act (ESA) (S.L. 1997-221). Championed by Governor Hunt, ESA is designed to attract and retain nationally competitive teachers. Legislation focuses on raising teachers' pay to the national average while holding teachers accountable by raising performance standards. The inclusion of accountability measures makes it more challenging for teachers to obtain licenses and earn tenure, and streamlines the process for terminating bad teachers. ESA also provides incentives to teachers who become nationally certified through the National Board of Professional Teaching Standards – a certification process developed by a group headed by Governor Hunt between gubernatorial terms.
- According to ESA, by the year 2000 North Carolina teachers will meet the national salary average for teachers. To reach that goal, spending must increase by 8 percent each year. It is estimated that ESA will add $1 billion to the state budget by the year 2000.
- Conservatives remain skeptical of the legislation. Rather than rewarding improvement in the classroom, many argue it only rewards experience and credentials. In a June 1997 *News & Observer* article, John Hood of the John Locke Foundation comments: "Lawmakers are deluding themselves if they think this package alone is going to significantly improve education. All this may wind up doing is paying your existing, somewhat inadequate teachers far more money."

Charter schools

- North Carolina officially authorizes 37 charter schools that will be free to function outside of some of the regulations set by the Department of Public Instruction.
- Opponents of the schools continue to voice concern. Several local officials argue that having a charter school within their district creates an unfair disadvantage in competition over students and public money. Charter school advocates respond by saying 37 charter schools are not likely to make much of an impact in a state with more than one million students.

Leandro v. State

- In July the North Carolina Supreme Court rules in Leandro v. State (346 NC, 336, 488 S.E. 2nd , 249) that every child under the public



school system has the right to a "sound basic education." The ruling also defines the term "sound basic education." See Q&A #4.

- ➤ Chief Justice Burley Mitchell writes in his response to the verdict, "The right to education in the state constitution is a right to a sound basic education. An education that does not serve the purpose of preparing students to participate and compete in the society in which they live and work is devoid of substance and is constitutionally inadequate."
- ➤ The Supreme Court directs the original Superior Court Judge, Howard Manning, to flesh out its ruling. As a result, Judge Manning begins 10 years of involvement in education policy.

ENDNOTE:

1 *Fiscal Research Division, North Carolina General Assembly, Post Legislative Budget Summary– 1997 Session* (Raleigh: Fiscal Research Division), F-6.

1998

With tax cuts helping to fuel an economic boom, Republican legislators proposed returning the $1.2 billion surplus to taxpayers. Democrats resisted and so much of the session was spent haggling over tax cuts wanted by the Republicans and healthcare expansion pushed by the Democrats. After the usual brinksmanship, the House and Senate compromise on a $12.6 billion budget that produced tax cuts and welfare reform and continued to support education.

Education budget highlights

- ➤ Overall, education spending increases from FY1997-98 to FY1998-99 by 7.5 percent, compared to the previous year's increase of 10 percent.[1]
- ➤ The 1998 session adds 3 percent, or $139 million, to the education budget.[2] Spending on ABC bonus awards ($98 million) and funding increases for average daily

1998 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 17,834 (1.5%) increase
- Community Colleges: 49,257(6.9%) increase
- UNC: 82 (0.1%) decrease

TUITION & FEE INCREASES

- Average increase of 3% for in-state and 2% for out-of-state UNC students
- Increase of 0.2% for in-state and no increase for out-of-state community college students

OTHER EDUCATION CHANGES

- Increase supplemental funding for small county and low-wealth districts ($13 million)
- $22 million for mentor teachers and additional pay for extra duties in low performing and at-risk schools
- $98 million for projected ABC bonuses
- High schools complete 1st year, K-8 schools complete 2nd year under ABCs

membership ($26 million)[3], account for a majority of the increases.

- ➤ Also included in the budget are increases in supplemental funding for low wealth districts ($13 million) and additional funds for mentor teachers at low performing and at-risk schools ($22 million).
- ➤ Teachers receive salary increases of 4 percent to 9 percent.

ABCs

- ➤ Three years after the passage of ABCs legislation, high schools complete their first year under the plan.
- ➤ Lawmakers pass legislation (S.L. 1998-5) limiting the number of teachers tested at low performing schools. The legislation requires only teachers that teach within a school designated with an assistance team to be tested. According to the law: "The State Board shall require that the certified staff members identified by the assistance teams demonstrate their general knowledge by acquiring a passing score on a test designated by the State Board." The law represents a significant defeat for conservatives, whose goal was to hold all teachers accountable for student achievement.

Change in leadership

- ➤ In November, Democrats retake control of the General Assembly by picking up seven seats in the House (for a total of 66). They also gain five seats in the Senate for a solid majority of 35.
- ➤ In December, when asked about the possibility of a lottery bill vote in the House, Representative Jim Black, candidate for House Speaker, says that despite his opposition to the lottery, he would allow a vote because "I have this philosophy about allowing things to be voted on – up or down."

ENDNOTES:

1 Fiscal Research Division, *North Carolina General Assembly, Post Legislative Budget Summary– 2004 Session* (Raleigh: Fiscal Research Division, 2005), P-10.

2 Fiscal Research Division, *North Carolina General Assembly, Post Legislative Budget Summary– 1998 Session* (Raleigh: Fiscal Research Division, 1999), F-7 and F-10.

3 Fiscal Research Division, *North Carolina General Assembly, Post Legislative Budget Summary– 1998 Session* (Raleigh: Fiscal Research Division, 1999), F-9.

1999

With Democrats in control of the House, Governor Hunt asked for more education spending. The final budget increased overall public education expenditures for FY1998-99 to FY1999-00 from $5.04 billion to $5.45 billion, an increase of 8 percent.[1]

- ➤ Major education spending includes: $140 million for projected ABC bonuses; $14 million for mentor teachers; and $21 million to improve student accountability.
- ➤ The final package also includes an average 7.5 percent raise for teachers.
- ➤ Legislators focus mostly on refining and evaluating existing programs, and includes no major education reform issues.

ENDNOTE:

1 Fiscal Research Division, *North Carolina General Assembly, Overview: 2006 Legislative Session Fiscal and Budgetary Actions (Revised), (Raleigh*: Fiscal Research Division, 2007) Q-10.

1999 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 16,048 (1.3%) increase
- Community Colleges: 2,191 (0.2%) decrease
- UNC: 2,029 (1.3%) increase

TUITION & FEE INCREASES

- Average increase of 5% for in-state and 1% for out-of-state UNC students
- Increase of 33% for in-state and 4.9% for out-of-state community college students

OTHER EDUCATION CHANGES

- Increase supplemental funding for small county and low-wealth districts ($13 million)
- $21 million to improve student accountability
- $14 million for mentor teachers
- $140 million for projected ABC bonuses
- UNC across-the-board reduction of 0.5%
- Student accountability standards approved by State Board of Education
- Free breakfast for kindergartners
- Judge Manning rules in Leandro that all North Carolina children have a constitutional right to a sound basic education which may include the right to early childhood education before age 5

2000 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 15,713 (1.3%) increase
- Community Colleges: 14,533 (1.9%) increase
- UNC: 1,774 (1.1%) increase

TUITION & FEE INCREASES

- Average increase of 9% for in-state and 2% for out-of-state UNC students
- Increase of 17% for in-state and 14.2% for out-of-state community college students

OTHER EDUCATION CHANGES

- Increase supplemental funding for small county and low-wealth districts, as well as exceptional children ($15 million: $5 million each)
- $13 million to improve student accountability
- $13 million to increase rate of longevity pay for teachers to equal that of other state employees
- No appropriation for projected ABC bonuses; funding for 2000-01 bonuses instead funded in 2001 budget at actual amount
- Judge Manning rules in *Leandro* that the state's system for administering and funding public education is constitutionally sound but reserves judgement as to whether it is adequately serving every student; Manning also rules that the state must provide pre-kindergarten for 4 year olds who are at risk of failing academically

2000

The 2000 General Assembly session was uncharacteristically calm owing in part to the expense of hurricane recovery efforts ($830 million) and apprehension over the outcome of several large lawsuits and how they will impact the state and the tobacco industry.

Still, at the beginning of 2000, legislators faced the question of how to close a $450 million gap in funding, while attempting to pass a $14 billion budget. To help close the revenue gap, Governor Jim Hunt proposed minor tax cuts and the issuing of $240 million in special financing without voter approval.

As this was the last year of the Hunt administration, education priorities were once again the governor's main concern. After reviewing Hunt's budget, the majority of Democrat legislators support of raising teacher pay and increasing funding for Hunt's childcare program, Smart Start. Conservative lawmakers were less enthusiastic about the governor's recommended budget. Citing the recent repeal of the intangibles tax along with a sluggish economy, many Republicans favored reducing education spending.

Republican sentiments notwithstanding, lawmakers passed the budget on time in June and Governor Hunt signed it on July 6, 2000.

Education budget

➤ The 2000 budget slows the growth of

education funding. Overall, the Legislature reduces the public schools' 1999 session budget by $6.5 million. This is accomplished by reducing recurring appropriations by $22 million and adding $15 million in nonrecurring appropriations.[1]

- Overall, public education spending increases by 4 percent to $5.67 billion.
- Budget provisions include: increases to supplemental funding for small county and low wealth districts ($15 million and $5 million); improvements in student accountability ($13 million); and increases in the rate of longevity pay for teachers to make it equal to other state employees ($13 million).
- The Legislature makes no appropriation for projected ABC bonuses. Instead, bonuses earned in 2000-01 based on ABC results will be funded in the 2001 budget as nonrecurring money.

Leandro v. State

- In the fall, North Carolina Superior Court Judge Manning continues to clarify questions associated with the Leandro v. State (1997) Supreme Court decision. Judge Manning rules that the state's system for administering and funding public education is constitutionally sound but reserves judgment on the question of whether it is adequately serving every student.
- Judge Manning orders the Legislature and the governor's office to find a way to offer pre-kindergarten programs to at-risk 4-year-olds. The decision does not mean that North Carolina must offer pre-kindergarten to all 4-year-olds, it applies only to those children who have been deemed at-risk.

Grading the state and the governor

- In the last year of Governor Hunt's administration, he creates a report card system to monitor North Carolina's educational progress on a yearly basis.
- When the first report card comes back in late 2000, North Carolina receives a C+. Hunt's response to the average score is that future administrations should devote more resources to education.[2]

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary– 2001 Session* (Raleigh: Fiscal Research Division, 2002), F-8

2 North Carolina Department of Public Instruction, http://erc.northcarolina.edu/docs/fia/00repcard.pdf

2001

When legislators convened on January 24, 2001, the state was facing a projected budget shortfall of almost $791 million – one of the largest in the country – that worsened to $820 million as the year progressed. The difficulty resulted in intense budget negotiations and caused the 2001 legislative session to last until December 6 – the longest in state history.

At least until the passage of the budget bill in September, much of the debate in the General Assembly centered on whether to cut spending or raise taxes.[1] Meanwhile, Governor Mike Easley (D) pushed for tax increases of various kinds while calling for a state lottery as the solution to the state's budget woes. As in recent years, healthcare and education drove the tax increases, with roughly 80 percent of spending allocated to these two areas.

The education budget

- Several lawmakers argue that funding for education should be examined to ensure the state is getting value for what it invests. Senator Walter Dalton (D-Cleveland), senior chairman of the Senate Appropriations Subcommittee on Education, states in an April *News & Observer* article: "I do not think there's any question that [budget cuts] will have a significant impact. … Given the size

2001 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 18,488 (1.5%) increase
- Community Colleges: 2,488 (0.3%) increase
- UNC: 7,031 (4.3%) increase

TUITION & FEE INCREASES

- Average increase of 14% for in-state and 10% for out-of-state UNC students
- Increase of 12% for in-state and 2% for out-of-state community college students

OTHER EDUCATION CHANGES

- Net reduction of $190 million for public schools, $4 million for community colleges, and $15 million for UNC
- One-time reduction of $24 million in school bus funds based on revised schedule
- ABC bonuses earned in 2000-01 ($93 million)
- Reduce class size in kindergarten to 19 in 2001 ($12 million) and 18 in 2002 ($26 million)
- Reduce class size to 1:15 for grades K-3 in schools with 80% low-income students and 45% of students performing below grade level
- Establish More at Four Program and related grants in Development of Health & Human Services
- Judge Manning orders state and local leaders to develop "coordinated, effective educational strategy" to ensure all at-risk children have the opportunity for a sound basic education

of the education budget, this is something we have to do."

- ➤ Despite a proposal for $125 million in budget cuts that could potentially eliminate 2,500 jobs from North Carolina schools, lawmakers spare public education the severe cuts most other agencies receive.
- ➤ Most of Governor Easley's education budget is funded, including a new pilot program for at-risk 4-year-olds, More at Four. The program will be housed in the Department of Health and Human Services along with Smart Start, Governor Hunt's early childhood education initiative.
- ➤ The most significant budget cuts include a net $190 million reduction for public schools and a one-time reduction of $24 million in school bus funds based on a revised schedule.
- ➤ Major additions include $93 million for ABC bonuses and $38 million to reduce class size for students enrolled in schools with 80 percent or more students eligible for free or reduced lunches and with 45 percent or more of students performing below grade level.
- ➤ The Legislature also allocates an additional $8 million for both years of the biennium for class size reduction, adding 179 new positions each year. The budget includes an average teacher salary raise of 2.86 percent.
- ➤ Overall, public education's base budget is cut by 0.7 percent during the 2001 session, with $117 million of recurring funds eliminated from the FY2001-02 budget and $98 million from FY2002-03.[2] Total expenditures for public education still increase by 2.5 percent to a total of $5.81 billion.
- ➤ Education is not hit as hard as other budget areas. In fact, the education budget actually increases as a portion of the General Fund by 2.2 percent.[3]

ENDNOTES:

1 Redistricting proposals also contributed to the length of the 2001 long session.

2 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary– 2001 Session* (Raleigh: Fiscal Research Division, 2002), F-13.

3 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary– 2005 Session* (Raleigh: Fiscal Research Division, 2006), P-10-11.

2002

2002 was a tumultuous year for the General Assembly. A sluggish economy expanded a projected $900 million shortfall to $1.6 billion. In August, Moody's Investor Services downgraded the state's credit rating to Aa1. Having already passed significant tax increases the previous year, Governor Easley

2002 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 21,117 (1.4%) increase
- Community Colleges: 10,427 (1.3%) decrease
- UNC: 7,175 (4.2%) increase

TUITION & FEE INCREASES

- Average increase of 17% for in-state and 14% for out-of-state UNC students
- Increase community college tuition by 10%

OTHER EDUCATION CHANGES

- Transfer of $45 million in capital funds to support school operations
- One-time reduction of $43 million in funds to local education agencies (LEAs); cuts to be taken at the discretion of LEAs
- Reduction of $20 million by switching to a lease-purchase plan for school buses
- Eliminate 412 non-instructional positions
- $101 million for ABC bonuses earned in 2001-02
- $27 million to reduce class size in grade 1
- Recurring reduction of $50 million to UNC (cuts to be taken at campuses' discretion)
- Judge Manning rules that the state is solely responsible for meeting the needs of all children and directs the state to provide written reports every 90 days on the steps taken to comply with his order
- State attorney general appeals Manning's ruling that the state has failed to provide equal educational opportunities to all children

asked for across the board spending cuts for all state agencies. The governor, however, continued to exempt education from the bulk of the cuts. With little money to go around, the budget was not passed until late September.

Education budget

- The final public schools budget includes cuts: $43 million to local education agency (LEA) budgets, to be implemented at their discretion; $20 million is saved by switching to a lease purchase plan for buses; and the elimination of 412 noninstructional positions. The Legislature also transfers $45 million in capital funds to support operations.
- Overall, the net reduction in the 2002 budget, compared to the budget passed in 2001, is about 0.05 percent ($27.6 million). Other areas of government, such as justice and public safety, see reductions of 5 percent, while total General Fund operations are reduced by 3.2 percent.
- Total public education expenditures rise again, by only 1 percent, to a total of $5.87 billion.
- Other than increases in average daily membership (ADM), the main driver increasing education spending is the ABC bonuses. The Legislature allocates $101 million in nonrecurring spending for bonuses to schools that meet or exceed expected growth during the 2001-02 school year.[1]
- In order to reduce the teacher to student ratio in first grade from 1:20 to 1:18, 594 new positions are added. The new positions add $26.8 million to the education budget. [2]
- Teachers receive an average 1.84 percent raise. State employees do not receive legislative pay increases. Instead, they receive 10 bonus vacation days.

No Child Left Behind

- President Bush signs the federal No Child Left Behind Act of 2001 in January. The law aims to increase school accountability and promote school choice. According to the U.S. Department of Education, the Act is based on four principles: "stronger accountability for results, expanded flexibility and local control, expanded options for parents, and an emphasis on teaching methods that have been proven to work."
- NCLB uses state-determined accountability measures to assess whether a school is performing adequately. Poor performance sets off a series of required assistance and sanctions. Sanctions escalate more rapidly for schools receiving federal Title 1 funds.

- Many of NCLB's relevant accountability provisions are dependent on the state demonstrating adequate yearly progress for schools and students. North Carolina education officials struggle with how to define Adequate Yearly Progress (AYP), the built-in signaling mechanism that allows states, school districts, parents and the federal government to know whether individual schools are performing up to standards. According to the federal legislation, each state may choose up to three criteria to determine that state's AYP requirements. Most education officials argue for reading, writing and mathematics. But due to difficulties with North Carolina's writing tests, dropout rates are selected as an alternative.

Leandro v. State

- Implications of *Leandro v. State* (1997) continue to reverberate throughout the education community in 2002. The earlier ruling guaranteed all children in North Carolina a "sound basic education."
- In 2002 the court accuses the state of not doing all it can to secure these benefits. Commenting in a July *Charlotte Observer* article, state officials comment: "The State of North Carolina is doing everything it can under the current budget crisis to improve public schools and offer more hope and help for at-risk students." Education leaders cite several education initiatives they have put forth to ensure a sound education is being offered to students in low-wealth counties including: tying teacher and school bonuses to at-risk student performance, taking control of failing schools, and making it easier for people from non-traditional educational backgrounds to train as teachers.
- To the dismay of many observers, the court responds to the State's appeal of the Leandro ruling by simply stating that what the state has done is not enough. Judge Manning rules that the state is solely responsible for meeting all the needs of children and directs it to provide written reports every 90 days to comply with his order.

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, Post Legislative Budget Summary– 2002 Session (Raleigh: Fiscal Research Division, 2003), F-10

2 Ibid.

2003

The economic slowdown continued to dominate policy debate. Facing a budget shortfall of nearly $2 billion dollars, the General Assembly and Governor Easley sought to balance the budget through budget cuts, delaying the implementation of tax cuts, and retaining temporary tax increases that are due to expire in 2003. Even though public school expenditures rose by 5 percent, from $5.87 billion to $6.17 billion, the education budget remained at 42 percent of total General Fund expenditures.

Education budget highlights

- Public school budget revisions include reductions of $52 million in 2003-04 and $176 million in 2004-05.[1] Cuts include a rare reduction in the administration's projections for average daily membership (ADM). Revisions result in $12 million less for FY2003-04 and $30 million less in FY 2004-05.[2]
- Legislature places a recurring reduction of $44 million in the public schools budget. Local education agencies (LEAs) will have the discretion to determine what budget items are cut.[3] In addition, $8 million for 173 positions is cut from vocational education; another $8 million is cut from appropriations for teacher assistants.
- Reductions are countered by nonrecurring funding for ABC bonuses

2003 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 21,569 (1.7%) increase
- Community Colleges: 14,878 (1.9%) increase
- UNC: 6,380 (3.6%) increase

TUITION & FEE INCREASES

- Average increase of 6% for in-state and 5% for out-of-state UNC students
- Increase of 5% for in-state and 3.5% for out-of-state community college students

OTHER EDUCATION CHANGES

- Net reduction to public schools of $52 million in 2003 and $176 million in 2004
- Net reduction to UNC of $44 million in 2003 and $35 million in 2004
- Recurring reduction of $44 million in funds to local education agencies (LEAs); cuts to be taken at the discretion of LEAs
- Eliminate 533 non-instructional positions and 173 vocational education positions
- $96 million for ABC bonuses earned in 2002-03
- $25 million to reduce class size in grade 2
- $48 million recurring reduction and $14 million nonrecurring reduction to UNC (cuts to be taken at campuses' discretion)
- $11 million recurring reduction to community colleges (to be taken at campuses' discretion)
- N.C. Supreme Court hears the state's arguments for throwing out Judge Manning's rulings and remedies related to the *Leandro* case

allocated to schools that met or exceeded growth expectations the previous year.

- The General Assembly also reduces second grade class size to reflect a teacher/student ratio of 1:18, rather than 1:20. The cost: $25 million and 571 new positions.
- Teachers receive salary increases averaging 1.81 percent. State employees do not receive any increase. Instead they receive ten bonus vacation days and a one-time $550 bonus.

No Child Left Behind

- May marks the beginning of the state's accountability plan implementation for No Child Left Behind (NCLB).
- As part of the progress monitoring process, North Carolina students take annual tests in reading, writing and mathematics. State report cards will be issued by the State Board of Education to report on the progress of schools and local districts. Schools that do not meet accountability plan targets will receive extra help through assistance teams. NCLB's goal is to have all students meet state proficiency standards in math and reading by the start of the 2013-14 school year.
- In May 2003, Dr. Gene Hickock, U.S. Under Secretary of Education, awards North Carolina $1.1 billion to reach NCLB goals and $423 million for implementation costs.

ABCs: results and bonuses

- The number of schools meeting or exceeding ABC goals skyrockets. Overall, 73 percent of the state's 2,221 schools exceed goals for expected progress. Among elementary schools, 95 percent achieve goals, compared to only 44 percent the prior year.
- Education leaders begin to reevaluate the standards used to measure ABC test results. With the advent of No Child Left Behind, Superintendent Mike Ward announces in late 2003 that the state will wait for next year's test results before making any changes to the testing structure or changes to the curriculum.[4]

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary– 2003 Session* (Raleigh: Fiscal Research Division, 2004), F-5.

2 Fiscal Research Division, North Carolina General Assembly, *Post Legislative Budget Summary– 2003 Session* (Raleigh: Fiscal Research Division, 2004), F-1.

3 Fiscal Research Division, *North Carolina General Assembly, Post Legislative Budget Summary– 2003 Session* (Raleigh: Fiscal Research Division, 2004), F-3.

4 Public Schools of North Carolina, "ABCs Results: Ten Year Summary Chart"; available from http://www.ncpublic-schools.org/docs/accountability/reporting/abc/2005-06/abctrends.pdf.

2004 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 20,846 (1.6%) increase
- Community Colleges: 18,122 (2.3%) increase
- UNC: 6,268 (3.3%) increase

TUITION & FEE INCREASES

- Average increase of 11% for in-state and 4% for out-of-state UNC students
- Increase of 7% for in-state and 7% for out-of-state community college students

OTHER EDUCATION CHANGES

- One-time reduction of $28 million in funds to local education agencies (LEAs); cuts to be taken at the discretion of LEAs
- $108 million for ABC bonuses earned in the 2003-04 school year
- $50 million to reduce class size in grade 3
- $23 million recurring reduction to UNC (cuts to be taken at discretion of campus)
- Appropriate $11 million from Escheat Fund for UNC financial aid (reduce General Fund appropriation for one year)
- N.C. Supreme Court upholds Judge Manning's rulings in the *Leandro* case

2004

A slowly improving economy and additional revenue from non-expired temporary sales and income taxes placed state revenue collections slightly ahead of estimates. Encouraged by the news, Governor Mike Easley (D) submitted an adjusted state budget with $1.1 billion more in additional state spending. Some of the new spending was for the governor's education initiatives, specifically class reduction and More at Four. After passage by the Republican-divided House and the Democrat-controlled Senate, the budget bill was signed in late July.

Education budget highlights

- Total authorizations for public education spending increase from $6.18 billion in FY2003-04 to $6.52 billion in FY2004-05.[1]
- LEAs absorb a one-time reduction of $28 million. They again have discretion in implementing the cut. This reduction comes on top of the recurring $44 million discretionary reduction included in the continuation budget from past actions.
- $50 million is allocated for grade three class size reduction.
- Vocational education is expanded by $4 million and 83 positions.
- More at Four (as part of the Department of Health & Human Services) receives $9 million to add 2,000 slots for at risk 4-year-olds.
- Nonrecurring money ($108 million) is appropriated for ABC bonuses earned in the 2003-04 school year.
- Teachers receive an average salary increase of 2.5 percent. State employees receive raises of 2.5 percent or $1,000, whichever is greater.

Major education issues

- LEARN & EARN: Budget includes funds for a new pilot "High School Workforce Development Project" – the precursor to a program that will be called "Learn & Earn" in 2005. The program places high schools on university and community college campuses and allows students to earn a high school diploma and an associate degree, or two years of college credit, in five years instead of six. Funds are provided for five pilot projects and planning grants for 10 additional projects. The money, less than $2 million, is the first installment towards a $10 million state match required to activate a $10 million commitment from the Gates Foundation. Learn & Earn will expand in every subsequent budget.
- SCHOOL CALENDAR: In response to a school start date that has drifted into early August and scheduling concerns from the tourism industry and families, the General Assembly passes a law (S.L. 2004-180) that – with some exceptions – prohibits traditional calendar

2005 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 31,686 (2.4%) increase
- Community Colleges: 4,335 (0.5%) increase
- UNC: 6,635 (3.4%) increase

TUITION & FEE INCREASES

- Average increase of 3% for in-state and 2% for out-of-state UNC students
- Increase of 4.7% for in-state and 4% for out-of-state community college students

OTHER EDUCATION CHANGES

- Establish state education lottery
- Numerous small increases for various public school and UNC programs; $26 million for capital improvements at individual community colleges
- Additional $42.5 million for disadvantaged student and low-wealth supplemental funding
- Add 3,200 More at Four slots in DHHS for $17 million
- $100 million for ABC bonuses earned in the 2004-05 school year
- Potential teacher salary increase, contingent upon study ($85 million)
- Redirect sales tax refundable to LEAs to the Public School Fund (enables General Fund reduction of $33 million in 2006-07)
- Budget (i.e., appropriate for General Fund line items) increased receipts from Civil Penalties & Forfeitures Fund (enables General Fund reduction of $103 million)
- Continue funding UNC need-based financial aid from the Escheats Fund (enables General Fund reduction of $24 million)
- $31 million recurring reduction to UNC (to be taken at discretion of campus)

schools from opening before August 25 and from closing later than June 10. The law also eliminates five teacher development days (days teachers are at school but students are not) from teacher contracts. The law divides educators and the public, with most opponents believing that the school calendar should be set by local school boards.

Leandro v. State

- ➤ At the end of July, a unanimous North Carolina Supreme Court rules on the state's appeal of *Leandro v. State*. The decision establishes that the state does have a constitutional responsibility to offer every child in North Carolina the opportunity for a sound basic education in public schools. The Court finds: 1) the state failed to meet its obligation with regards to at-risk students in Hoke County and; 2) the state must correct the wrong. The Supreme Court also reverses the trial court's decision requiring the state to provide pre-kindergarten programs for at risk students as a requirement of a sound basic education.
- ➤ In October, the governor makes available $10 million in state monies for school administrative units with high poverty, high teacher turnover, and low student achievement to help correct deficiencies and meet the state's obligation of providing all students with a "sound basic education."

ENDNOTES:

1 Fiscal Research Division, North Carolina General Assembly, *Overview 2006 Legislative Session: Fiscal and Budgetary Actions (Revised)* (Raleigh: Fiscal Research Division, 2007) Q-11.

2005

Governor Mike Easley's (D) political skills were tested during the 2005 legislative session. Gridlock over major spending issues, such as education and Medicaid, delayed passage of the budget bill until September. The Senate favored restructuring Medicaid. Instead of cutting Medicaid, the House budget made cuts in education in return for giving teachers another pay raise.

Education cuts were made easier to swallow by the passage of the North Carolina Education Lottery. While the lottery bill passed the House in April, Senate President Pro Tempore Marc

Basnight (D-Dare) had to resort to questionable procedural tactics in order to secure the bill's passage.

Education budget

- Education spending continues to rise. Authorizations increase from $6.51 billion in FY2004-05 to $6.88 billion in FY2005-06.[1]
- Legislature adds an additional $42.5 million for disadvantaged student (DSSF) and low wealth supplemental funding.
- ABC bonuses earned during the 2004-05 school year reach $100 million.
- Teachers receive a 2.24 percent average salary increase. $85 million is reserved for additional salary increases contingent upon a salary study.
- Legislature expands More at Four by 3,200 slots at a cost of $17 million. The program remains part of the Department of Health and Human Services.

Learn and Earn

- Learn and Earn High Schools are formally created through the 2005 budget bill (S.L. 2005-276). Designed to create academically relevant and challenging high school options, Learn and Earn schools offer students an opportunity to earn an associate degree, or two years of college credit, by the end of the first year following their senior year of high school. Funds are made available to establish new schools in which high schools, two-year and four-year colleges, and local employers work together to meet workforce needs.

2005 HIGH SCHOOL GRADUATE INTENTIONS
(Includes 2004 Summer School)

CAREER OPTION	PERCENT SELECTED
Public Senior Institution	38.5%
Private Senior Institution	9.5%
Community or Tech. College	33.9%
Private Junior College	0.7%
Trade or Business School	2.0%
Military	3.3%
Employment	8.8%
Other	3.2%
TOTAL	**99.9%**

Total does not add to 100 percent due to rounding.
SOURCE: North Carolina Public Schools Statistical Profile for 2006.

North Carolina Education Lottery

- Governor Easley estimates lottery proceeds will bring in $600 million annually. Others estimate actual revenue at $400 million. The new revenue propels budget writers to seek $245 million in education budget cuts.
- In April, House approves the North Carolina State Lottery Act by one vote (61 to 59). Claiming that the lottery will generate

$400 million per year for education, Governor Easley declares, "An education lottery in North Carolina will give us additional resources to continue to improve our schools and increase educational opportunities in pre-K through college." Under the House plan, lottery money would be distributed as follows: 50 percent for prizes, 16 percent for administration/operating costs, and 34 percent for education. Education's 34 percent would be treated as new education funds with 50 percent used for public school construction, 25 percent for need-based scholarships at state universities and colleges, and the remaining 25 percent for a fund devoted to educational purposes.

- North Carolina reports a graduation rate of close to 98 percent. Critics and education advocates were skeptical and said the figure had failed to account for students as they progressed academically.
- On August 13, the lottery bill (S.L. 2005-344) is defeated in the Senate by a vote of 24 to 26. Senator Basnight declares, "It's not over yet."
- After promising that the Senate has concluded its business for the year, Basnight calls the Senate back into session on August 30 to again vote on the lottery. With Senators Harry Brown (R-Onslow) and John Garwood (R-Wilkes) unable to return to Raleigh (Brown was on his honeymoon and Garwood recovering from a leg infection), the lottery bill passes 25-24. Lt. Governor Perdue casts the deciding vote.
- Meanwhile, in May the Senate rolled changes to the lottery bill into its version of the budget, and those changes are included in the final budget. As a result, the final distribution of the lottery money is: 50 percent for prizes, 15 percent for administration/operating costs and retailers, and 35 percent for education. Education's 35 percent is broken down as follows: 50 percent for More at Four and class size reduction, 40 percent for school construction, and 10 percent for higher education scholarships. See Q&A #6.

ENDNOTE:

1 Fiscal Research Division, North Carolina General Assembly, *Overview: 2006 Legislative Session Fiscal and Budgetary Actions (Revised)*, (Raleigh: Fiscal Research Division, 2007) Q-11.

TIMELINE 2006-2008

INTRODUCTION

The recent history of education policy in North Carolina can best be summed up by three phrases: spending increases, disappointing student test scores and inadequate education reform. Highlights of the last three years (2006-2008) include:

Three Year State Spending Trends

State Support. Funding for K-12 public education increased 15 percent over the three year period. Total K-12 spending for education was $7.7 billion in 2008-09. Meanwhile, K-12 public school enrollment increased only 6.6 percent over the same period.

Teacher Salaries. Teachers received salary increases totaling 17.2 percent, while the Consumer Price Index for the same period rose only a combined 9.8 percent. Average teacher salaries increased from $43,343 to $47,633. Starting salaries for new teachers increased from $25,420 to $33,740.

New Programs: Though less than original estimates, the North Carolina Education Lottery provided $725 million for North Carolina public schools. Monies are used for pre-school education, class-size reduction, school construction and college scholarships.

Other New programs include: Earn Scholars Program- $127.6 million in new spending to expand education access to targeted populations. Learn & Earn and Learn & Earn Online – $26 million for new programs to bring college courses to qualified high school students.

Student Performance

ABCs. Over the past three years, the number of schools making expected growth on ABC tests – the tests the state administers to track academic progress -- has declined from 42 to 27 percent (07-08).

AYP. After recording modest improvements in 2006 and 2007, the percentage of targets the state met to establish Adequate Yearly Progress (AYP) under No Child Left Behind (NCLB) has declined from 79 percent (2006) to 69.5 percent (2008).

Dropouts. The dropout rate increased from 4.7 percent in 2005 to 5.24 percent in 2008. In 2007, 23,550 students left school without graduating.

Graduation Rate. After changing how students are counted as graduates, North Carolina's four-year graduation rate is reported at 67 percent. In 2008, the rate climbs to approximately 70 percent.

School Reform

Charter Schools. Despite a recommendation from the Blue Ribbon Charter School Commission, the Legislature fails to consider a measure to lift the cap on charter schools from 100 to 125. During the period, charter school enrollment increased an average of nine percent per year. The number of students on charter school waiting lists in 2007-08 is 5,100.

Tax Credits. Legislation (HB 388) to provide tax credits to parents of special needs children and non-public school students fails to make it out of committee in 2007 and 2008. In a June 2008 poll, nearly 65 percent of North Carolina voters favored providing parents expanded educational opportunities through a system of education tax credits.

2006

After signing an $18.9 billion state budget in early July, Gov. Mike Easley said, "Investments in education continue to be our No. 1 priority in North Carolina." The Democratic-controlled General Assembly, eager to show its commitment to the public schools, approved spending increases totalling about $1.4 billion – the estimated size of the projected state budget surplus. The new budget contained monies for teacher salaries (teachers received average salary increases of eight percent, $323 million), additional resources for low wealth counties and at-risk students ($69 million), 100 new literacy coaches ($5 million) and an expansion of Learn and Earn ($10 million).

Despite record government spending, a flurry of news stories about lagging student test scores, crowded and underperforming schools, and low teacher salaries kept public attention focused on education issues and fueled the need to reform a failing system. Republicans criticized Democrats for spending the entire surplus, avoiding the issue of school construction and for using $400 million in one-time revenue on permanent, ongoing programs. Republicans had hoped public opposition to Democratic spending and failures to address a number of education issues would help them at the ballot box. When the November elections ended however, voters strengthened the majority party's lead. Democrats picked up four seats in the House and two seats in the state Senate. Still, the Democratic celebration was tempered by the ongoing troubles and difficult re-election of House Speaker Jim Black (D-Mecklenburg), who remained the subject of state and federal investigations into illegal legislative and campaign activities, some of which centered on the new Education Lottery.

ABCs AND STUDENT PERFORMANCE

In 2005, about 84 percent of North Carolina eighth graders earned proficient, or better, scores on state math tests. Yet, only 32 percent scored proficient, or advanced, on the national math test, the National Assessment of Educational Progress (NAEP). The discrepancy does not go unnoticed by educators and policymakers. Ross Weiner, policy director for the Washington, D.C.–based advocacy group Education Trust says, "North Carolina has a bigger difference than most other states. That raises questions about expectations and whether North Carolina's standards are high enough to demonstrate that students are learning what they need to know."[7]

The discrepancies in test scores spur several changes. First, the North Carolina Department of Public Instruction raises academic standards in math in 2006. Under the new standards, students in grades three through eight will now have to correctly answer about half the questions in order to pass the test. Under the old exam, students only needed to answer approximately one-third of the questions to pass.

The changes have an immediate impact on test results. In 2005, 92 percent of all fourth graders passed the math exam. In 2006, only 66 percent of students pass. The discrepancies also force changes in how the ABCs assess student progress. Under the new ABCs system, the mathematics end-of-grade assessments will align with the latest curriculum revisions. School districts can also provide teachers with individual student growth information.

New, tougher state academic performance standards contribute to an overall decline in the percentage of students who meet performance requirements in 2005-06. The percentage of passing scores on end-of-course/end-of-grade tests – the measuring stick the state uses to assess student performance – actually declines from 74.8 percent in 2005 to 71.8 percent in 2006. North Carolina also comes under increased scrutiny for the disparity in state versus national test scores.

[7] Todd Silberman, "State may raise bar on math scores, *News & Observer* (September 15, 2006).

PLEDGE OF ALLEGIANCE
With one dissenting vote, the General Assembly approves legislation (S.L. 2006-137) requiring schools to schedule time each day for students to recite the pledge of allegiance. The law also directs schools to display the flags of North Carolina and the United States in all classrooms. According to the National Conference of State Legislatures, North Carolina is now one of 37 states that requires schools to recite the pledge sometime during the day. The law was spurred by an Apex high school student whose efforts led to a bill filed in 2005.

NORTH CAROLINA EDUCATION LOTTERY
The North Carolina Education Lottery gets off to a rocky start. In June, Lottery Director Tom Shaheen predicts the lottery will miss its target of providing $425 million for education programs. Shaheen's revised estimate is six percent less in revenue because of lower-than-expected ticket sales. The decrease means less revenue for More at Four, class-size reduction programs and school construction projects.

In September, state prosecutors present their case in the fraud trial of former North Carolina Lottery Commissioner, Kevin Geddings. Prosecutors say Geddings had performed unlawful lobbying work for lottery vendor Scientific Games and hid his ties to the company before taking his seat on the Lottery Commission. In October, jurors convict Geddings of five counts of mail fraud. Geddings is also later found guilty of federal corruption charges and begins serving a four-year prison sentence in July of 2007.

More at Four
In spring, some legislators fear that $425 million in lottery money will be used to replace money originally targeted for education, as has happened in other states with lotteries. In hopes of placating anxious educators, House Speaker Jim Black (D-Mecklenburg) says, "We're going to make sure that we do not allow the lottery money to supplant current education money." According to law, lottery proceeds must be spent on voluntary preschool, class-size reduction, school construction and college scholarships. (Language designating lottery proceeds as new revenue – not to replace existing revenue – failed to pass in the fiscal year 2008-09 budget bill.)

On Feb. 8, *Independent Weekly* calls the Governor to task for supplanting education funds, reporting:

> Dan Gerlach, the Governor's senior policy advisor for fiscal affairs, says it had been Gov. Easley's intention all along to replace some General Fund money with lottery revenue. "What the governor has said all along is that he never intended that the additional teachers needed to reduce class size and the More at Four program be funded through the general fund," he says. "The general money was fronted, kind of like an upfront loan."

On Feb. 14, after commentary from media and legislators, Easley releases a written statement. "Education lottery money will supplement, not supplant, existing spending for education, and I will not recommend nor sign legislation that reduces the state's spending for education."

In July, Easley proposes shifting nearly $200 million in state funds away from More at Four and class-size reduction programs and replacing it with lottery money. To facilitate the transition, the Office of School Readiness is created in the state Department of Public Instruction to manage the transfer of More at Four programs from the state Department of Health and Human Services.

Rep. Stephen LaRoque (R-Lenoir), the only Republican to co-sponsor the lottery, thinks the Governor is not using the money as he said he would. LaRoque says, "He is going back on his word to me and any legislator in the state of North Carolina." Gov. Easley's office deflects the criticism by saying the money is being "reprogrammed" and the lottery monies will allow for the Governor's recommended eight percent teacher pay raises.

2006 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: + 53,731(4%) increase
- Community Colleges: + 7,415 (.9 %) increase
- UNC: + 6,133 (3%) increase

TUITION & FEE INCREASES

- UNC: 11 percent increase in tuition and fees for in-state students; 3.3% for out-of-state students
- Community Colleges: Average tuition increase 0.3% in-state students, 0.06 % for out-of-state students.

TEACHER SALARIES

With student enrollment in many areas of the state steadily increasing and a growing number of districts facing teacher shortages in specific subject areas, teacher salaries continue to be an important issue. Despite healthy teacher salary increases in recent years, the National Education Association (NEA) ranks North Carolina 26th in the nation, with an average public school teacher salary of $43,348; the average teacher salary nationally is $47,750. Gov. Easley, who has supported generous salary increases for teachers throughout his administration, uses the report to support his goal of raising teacher salaries to the national average. In July, an eight percent salary increase for North Carolina public school teachers is included as part of Gov. Easley's state budget.

While many legislators support significant salary increases for teachers, others take issue with the NEA statistics, pointing to the failure of the NEA to account for regional cost of living differences, teacher experience and other factors. They reference a 2005 study by the John Locke Foundation, which found that the effective average teacher salary in North Carolina was $52,006. When adjusted for cost of living, pension contributions and years of experience, the North Carolina average teacher salary is $1,600 more than the national average. Terry Stoops, the author of the study, notes that the eight percent salary increase would bring the average adjusted teacher salary in North Carolina to $56,960 – more than $5,000 above the national average.[8]

[8] Terry Stoops, "The Teacher Pay Myth and Other Budget Observation," *John Hood's Daily Journal*, John Locke Foundation, May 19, 2006. Available at: www.johnlocke.org/articles/display_story.html?id=3328.

LEANDRO REVISITED

In a 17-page March letter to state Superintendent June Atkinson and state Board of Education Chairman Howard. C Lee, Judge Howard Manning – who oversees all cases related to the *Leandro v. State* decision (See Leandro Q & A) – tells education leaders, "Superintendents and principals have run out of time." Manning warns that unless the state replaces principals and forces sweeping reform in chronically underperforming schools, he will close down the schools. In about 40 schools, where passing rates on state tests have hovered around 55 percent for the past five years, Manning says he wants new principals. He accuses administrators at several low-performing schools in the Charlotte-Mecklenburg school district of committing "academic genocide."

Later in March, the Raleigh *News & Observer* reports that seven months after being promised additional assistance, only 10 high schools – all in the Charlotte-Mecklenburg system – have been visited by the turnaround teams promised by the Governor the previous August.

Just weeks before the school year begins, Manning is briefed on state plans to comprehensively overhaul failing schools and improve instruction. Afterwards the judge lifts the threat of closings but still orders immediate state intervention in Hertford County High School, whose plan for boosting student achievement was termed "inadequate." While

Manning relents on his initial threat, he continues to press schools on providing restructuring plans. "When are we going to know when these other schools have picked a particular restructuring plan," Manning asks. "They can't wait until November, December…. we can't wait another year." [9]

[9] Todd Silberman, "After training, 17 principals face Manning", *Raleigh News & Observer* (August 5, 2006).

2007

Despite the signs of a slowing economy, Democrats who controlled both chambers of the General Assembly and the Governor's office continued to spend on a variety of programs. Much of the additional spending was devoted to education. Total spending on public and higher education rose $1 billion to reach $11.2 billion, a 15 percent increase over the previous year. Additional monies were used for higher education scholarships for poor children ($100 million), expanded preschool programs ($56 million) and to allow more high school kids to take college courses online ($11.5 million). On the last day of July, Gov. Mike Easley signed the $20.7 billion fiscal 2007-08 state budget. "This budget will mark a dramatic opening of educational opportunity for generations of North Carolinians to come," Easley said.[10]

The new EARN Scholars program, Learn and Earn and More at Four were Gov. Easley's signature education programs. While the programs sought to expand education access to underserved or targeted populations, they also extended government subsidies to the lower and middle classes at ever-growing expense to the public treasury.

The Governor's emphasis on expanding educational opportunity only diverted attention from the long list of pressing problems facing North Carolina schools, including the chronically high number of secondary school dropouts, declining or flat scores on state and national exams, a shortage of qualified teachers and an outdated and inequitable system for financing schools.

GRADUATION RATES

The passage of No Child Left behind (NCLB) in 2002 required states to report an official graduation rate to the federal government. In response, North Carolina began collecting data on the entering freshman class of 2002. Five years later, in 2007, North Carolina finally has the data to report a four-year cohort graduation rate, a measure that tracks the number of students who graduate compared to those who entered ninth grade four years earlier. (Prior to 2007, North Carolina had been reporting the percentage of graduates who graduated in four years, a figure that approached 98 percent. See also 2002 and 2005 Timelines.)

In February of 2007, under growing public concern over North Carolina's unsatisfactory graduation rate, the North Carolina Department of Public Instruction releases its first four-year cohort graduation rate. The department reports that 69 percent of freshmen who entered high school in 2002 graduated four years later. "The high school graduation rate has been a long-standing problem in North Carolina and in the United States," explains Howard Lee, chairman of the state board of education. "Our rate is not where we want it to be."[11]

After months of public discussion over the causes of North Carolina's low graduation rates, several bills are introduced in the General Assembly with hopes of raising the percentage of students who graduate high school. Legislation raising the compulsory school age to 18 (HB 1474) passes the House but fails to pass the Senate. Other legislation to study raising the compulsory school age and to establish a graduation rate of 100 percent (HB 1790) wins approval in the House, and may be considered by the Senate in 2008.

[10] "Governor Easley signs the budget that makes North Carolina the clear leader in education innovation," News Release (July 31, 2007), State of North Carolina, Office of the Governor.

[11] T. Keung Hui, "Schools Admit Hard Truth: Only 68% graduate on time," News & Observer (March 1, 2007)

MAJOR EDUCATION BUDGET HIGHLIGHTS
■ K-12 public education budget increases from $6.5 to $6.7 billion.
■ Public school teachers receive average salary increase of eight percent; university faculty receive average salary increase of six percent
■ Budget projections include $425 million in lottery revenue for: class size reduction, More at Four preschool, public school building capital fund, and higher education scholarships.
■ $181.7 million for low- wealth supplemental funding; (an increase of $48 million over the previous year).
■ $50.1 million for Disadvantaged Student Supplemental Funding to help school districts assist at-risk students; an increase of $27.6 million over the previous year.

At the request of House Speaker Joe Hackney (D-Orange), the fiscal 2007-08 state budget includes $7 million in competitive grants ranging from $25,000 to $150,000 to encourage successful dropout prevention strategies. The budget also creates the Joint Legislative Commission on Dropout Prevention and High School Graduation, headed by Rep. Earline Parmon (D-Forsyth) and Sen. Vernon Malone (D-Wake). The commission will focus on assessing and implementing strategies to reduce the dropout rate.

LOTTERY CHANGES

Although not even two years old, revenue from the North Carolina Education Lottery is already nearly 25 percent behind initial revenue projections. The shortfall prompts critics to assert that lottery revenue is an unreliable source of income. In May, lottery officials admit they will fall far short of the originally expected $425 million for education. Lottery officials say the revised estimate is $341 million available for education. The shortfalls force the Legislature to increase budget allotments to the Governor's More at Four program and class-size reduction, which were both to be funded by lottery revenue. More than half of the $56 million allocated to the More at Four expansion is supposed to be used to replace lost lottery revenue.

In hopes of remedying lottery shortfalls, Gov. Easley proposes raising lottery payouts to lure more customers. The Governor's proposal allows for a reduction in the percentage of lottery revenue designated for education, lifts the cap on advertising and lessens public oversight by requiring lottery commissioners to merely adhere to distribution "guidelines" to "the extent practicable."[12] Some of the changes proposed by the Governor prove unpopular. Rep. Bill McGee (R-Forsyth), the minority whip in the House says, "I don't think it will work. I don't think the lottery will ever be the financial bonanza that we were hoping it would be."[13] Later in the session, after the House and Senate have passed their budget proposals, legislative leadership includes the Governor's lottery changes in the final budget. The sentiments expressed by Rep. McGee and others may help explain why the legislative leadership chooses to include the requested lottery changes in the budget rather than as separate legislation. If the proposal had been introduced separately, it would have been subject to the full legislative process of committee hearings and debate in both chambers.

[12] See: G.S. § 18C-162. Allocation of Revenues. 18C-162 §

[13] James Romoser, "Programs, projects and proposals" *Winston Salem Journal*. (February 23, 2007)

An editorial that ran Aug. 16 in the Raleigh News & Observer sums up the sentiments of many North Carolinians when it states, "So what should a poor lottery do? Many Tar Heels, it seems are understandably wary of betting their pin money (or paychecks) on long odds. Should the state try to attract them with bigger payouts and more alluring come-ons? That's playing right along with the gambling mentality. Instead let's adopt modest expectations for the lottery, hold down the hoopla and make better use of the revenue… available for education. It's a better bet." [14]

CHARTER SCHOOLS

In May, hundreds of charter school supporters march to the Legislative Building to urge lawmakers to remove the student cap on charter schools. State Sen. Eddie Goodall (R-Union) says that the size of the gathering should show all lawmakers that parents in North Carolina want other options, "There are 1.3 million children locked out of the charter school doors today. It is going to take parents like those in Raleigh today to make a change and unlock those doors."[15] According to officials with the Office of Charter Schools in the North Carolina Department of Public Instruction, more than 5,200 students are on charter school waiting lists.

In early June, the North Carolina Center for Public Policy Research (NCCPPR) releases a study that recommends keeping in place the charter school cap. The report found that with regard to student test scores and high school graduation rates, charter schools performed about the same or slightly worse than traditional schools. Supporters of charter schools take issue with the report. In an August *Charlotte Observer* editorial, Lyndalyn Kakadelis, a former member of the Charlotte-Mecklenburg school board and former executive director of the North Carolina Education Alliance responds to the NCCPPR study criticisms:

> *Opponents of removing the cap also cite racial imbalance as a rationale for stalling growth. There's no question that minority children are overrepresented in charter schools. But it's not because they are left there by "white flight" into better schools. Rather, traditional public schools have consistently failed to close black/white achievement gaps, leading higher percentages of African American families to choose to opt out of the system.*
>
> *It's also worth noting that much of the achievement data on charter schools has been plagued by methodological concerns, giving charter schools an unfair bad rap. . . Overall, though, charter schools are making strides. In 2004-05, 61.1 percent of charter schools met federal adequate yearly progress [AYP] standards, compared to just 57.3 percent of traditional public schools.*[16] *[Note: AYP are standards developed under NCLB to raise student achievement for middle and high school students by the year 2012]*

Several bills to lift the cap on charter schools are introduced in the General Assembly. None gather sufficient support to pass. The most significant is HB 30. Introduced by Reps. Jim Gulley (R-Mecklenburg) and Ric Killian (R-Mecklenburg), the legislation calls for raising the cap on charter schools from 100 to 125. With a vote along party lines, House Democrats approve a substitute amendment to eliminate provisions to remove the charter school cap and instead create a legislative special committee to study charter schools and issues related to performance.

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[14] Editorial, "Lotto Lingo," *Raleigh News and Observer*, (August 16, 2007)

[15] "Massive Show of Support for Charter Schools at State Capital" Americans for Prosperity Web site. May 4, 2007, available from: http://www.americansforprosperity.org/index.php?id=3035&state=nc

[16] Lyndalyn Kakadelis, "The Waiting List Speaks-Thousands of School Children wait for a spot in charter Schools," opinion-editorial, Charlotte Observer (Aug.3, 2007)

In December, the Blue Ribbon Commission on Charter Schools, created by the state Board of Education to develop ways to improve charter schools, issues its recommendations. In addition to urging the state Board of Education to be more aggressive in closing underperforming schools, the commission recommends that the number of charter schools be increased by up to six annually, with more permitted at those schools as students perform well on standardized tests. As such, the number of charter schools next year could increase up to six the first year, plus the number of charter schools designated as high performing in the previous year. High performing charter schools and charters in counties with no existing charter schools would not be counted against the cap. The Board of Education is reviewing the commission's recommendations. Any changes adopted by the board would have to be approved by lawmakers.

TEACHER SHORTAGE

Despite a variety of financial incentives and changes to make it easier to get qualified teachers in the classroom, North Carolina continues to suffer from a serious teacher shortage. The factors are as diverse as they are complicated. While the state's colleges produce about 3,000 new teachers each year, according to the North Carolina Public School Forum, North Carolina will need about 11,100 teachers per year for the next five years. [17] Even if all new graduates accept teaching positions in the state, North Carolina would still have a projected teaching shortage of approximately 6,800 teachers. In addition, the North Carolina Department of Public Instruction reports that one out of every five teachers statewide does not return each year. By the time teachers reach their fifth year, more than half have already left the profession. Lengthy certification requirements, high teacher turnover, class-size restrictions, rapid growth and a wave of baby-boomer teacher retirements also contribute to the current shortage.

The legislature takes several steps to address the teacher shortage, but with mixed results. Despite pay raises the last two years of eight and five percent respectively, salary increases seem to have little impact on the shortage. In North Carolina, starting pay for new teachers with a bachelor's degree is $29,750.

In early 2007, the General Assembly passes and the Governor signs legislation (S.L. 207-326) to allow teachers to return to the classroom without loss of retirement benefits. In addition, a pilot program for Alternative Teacher Salary Plans (S.L. 2007-453) is approved. The legislation allows five local administrative units to implement alternative pay plans in hopes of recruiting teachers for specific schools and hard-to-place positions.

SCHOOL CONSTRUCTION

In early 2007, the North Carolina Public School Forum, a nonprofit corporation of government, business, and education representatives, recommends a statewide school construction and renovation bond of $2 billion. Subsequently, Senate Bill 852 is introduced to add a $2 billion bond to the ballot. Supporters of the $2 billion bond point to a facility needs survey published by the state Department of Public Instruction in December 2006. The report lists $9.8 billion in self-reported needs for new schools, additions, renovations, furniture and equipment, and land. The bill does not pass, but may come up for a vote when the Legislature reconvenes in 2008. A report by the Public School Forum speculates that competing interests will lead to little progress on school construction in 2008: "One prominent legislator said it best, 'Until this lottery mess (i.e., the school construction formula) is straightened out, we're not going to talk about a school construction bond.'"

[17] Steve Tuttle,"Look Who's Teaching Now, Adult Learners help East Carolina solve the teacher shortage crisis," East magazine, East Carolina University. Fall 2006, p. 2. Also available from: www.ecu.edu/cs-admin/mktg/east/Education-Cover-Story.cfm?RenderForPrint=1.

2007 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 19,136 (1.4%) increase
- Community Colleges: 20,055 (2.5%) increase
- UNC Enrollment: 6,678 (3.3%) increase

TUITION & FEE INCREASES

- Average increase of 6. 3% for in-state students; average increase of 3% for out-of-state students
- Increase of 6.2% for in-state and 6.3% for out-of-state Community College students

Immigration

On Nov.7, Daniel Sullivan, chief counsel of the North Carolina Community Colleges System (NCCCS), directs the state's 58 community colleges to begin admitting illegal immigrants as out-of-state students. The decision – not initially publicized – generates a firestorm of media coverage. The community college system office in Raleigh is flooded with calls from angry citizens. "For two days it was relentless," said Audrey Bailey, community college system spokeswoman. It took six staff members to handle the calls. According to Bailey, most callers say, "I don't want my tax dollars used to educate illegals."[18]

Within one week after news of the announcement, all candidates for governor express their opposition to the policy. The only major office holders in support of the policy are Martin Lancaster, outgoing president of the North Carolina Community College System, and Gov. Michael Easley, whose term will expire in 2008.

EDUCATION AND THE BUDGET

- Education budget increases to $11.2 billion; a 14 percent increase over fiscal 2006-07 when North Carolina spent $9.8 billion on education programs.
- UNC and community colleges receive budget increases of 17 percent and 13 percent, respectively.
- K-12 public education spending also increases 15 percent, to reach a total of $7.7 billion.
- $56 million to expand More at Four program; a little more than half of this money was necessary to cover shortfall in lottery collections.
- ABCs bonuses total $70 million, a decrease from previous years.
- Teachers and UNC faculty receive five percent pay raise.
- $21 million for new Learn and Earn Online.
- $127.6 million for new EARN Scholars program.
- $481 million in COPS funding for UNC building projects.

In early December, UNC President Erskine Bowles announces the University of North Carolina will study the costs and benefits of offering in-state tuition to undocumented residents at its 16 university campuses. Bowles points out the study was the recommendation of the UNC Tomorrow Commission. "We can't stick our heads in the sand," Bowles said, "these people are here and we have to deal with it. The last thing in the world we want to do is to create a permanent underclass." [19]

Responding to public pressure to rule on the legality of admitting illegal immigrants to the state's community colleges, Attorney General Roy Cooper says in a mid-December television interview that the community college system contacted his office regarding the status of the current law. "Our lawyers are researching federal laws, the state laws, all of the statutes. We will be rendering an opinion to them very shortly." [20]

[18] Jane Stancill, "System Chief:Let illegal aliens in" *News & Observer*, (Dec. 6, 2007)

[19] Kristin Collins, "UNC joins fray on immigration tuition" *Raleigh News & Observer* (Dec. 7, 2007)

[20] Julia Lewis, "AG Researching laws on admitting illegal immigrants to colleges" WRAL News, Dec. 14, 2007 available from: http://www.wral.com/news/local/story/2170808/

2008

An outgoing governor, worsening national and state economies, a relatively small budget surplus and looming elections all dampened hopes for significant budget increases or major education policy initiatives for the 2008 Legislative Short Session. Economic and political realities helped to steer much of the education debate toward a greater emphasis on accountability, efficiency and greater visibility to a variety of school reform issues.

SCHOOL PERFORMANCE

Testing. Sam Houston, chairman of the Commission on Testing and Accountability, laments, "We're testing, but we're not seeing the results. We're not seeing graduation rates increasing. We're not seeing remediation rates decreasing. Somewhere along the way, testing isn't aligning with excellence."[21] In its final report released in January to the state Board of Education, the commission recommends eliminating eight tests and making significant changes to several others.

The state Board of Education subsequently recommends reducing the number of state tests that students must take. The board drops three writing tests and exempts middle school students from taking certain exams. However, the board fails to follow the recommendations of the commission to drop an eighth grade computer skills class and eliminate five current high school exams from the testing program.

Adequate Yearly Progress (AYP). In November, the state Department of Public Instruction announces only 748 of the state's 2,412 schools – 31 percent – met Adequate Yearly Progress (AYP) goals for No Child Left Behind federal legislation. In 2006-07, 45 percent of North Carolina public schools met AYP goals. State education officials say results are lower than desired because of a new reading test designed to more accurately reflect student success. Despite concerns raised about the lower scores, state education officials stand by the decision to use the new tests. In a prepared joint statement, UNC President Erskine Bowles and state Community Colleges President Scott Ralls commend the board for raising standards. "North Carolina competes in a knowledge-based global economy, and the expectations set by our state's education systems must reflect the increased knowledge and skills required to be successful in today's workforce."[22]

SCHOOL FINANCE

Public School Funding Formulas. In May, the Joint Legislative Committee on Public School Funding Formulas issues an interim report, which among other things:

- Requests an independent study to evaluate the efficiency, equity and efficacy of state public school funding formulas
- Recommends changing how education lottery funds are distributed; and,
- Recommends changing the current formula for textbooks to better reflect the needs of districts with growing student populations.

Lottery Formula. In June the Senate fails to include a House-backed provision that includes a $21 million one-time payment from the lottery reserve to help correct the current distribution formula, which favors counties with higher than average tax rates. Tony Rand, Senate majority leader and author of the current lottery formula, said it does not make sense to take money from the lottery reserve fund, since according to the statute all the money needs to be put back. He urges both sides to wait until the findings from a study of the public school funding formulas are released.

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21 "Too much school testing, panel says" *News & Observer*, 19 Nov. 2007

22 T. Keung Hui and Lynn Bonner, "State's school test performance falls", News & Observer, November 6, 2008

Civil Penalties. In August, Judge Howard Manning revises his December 2007 ruling that held the state liable for not disbursing to the schools $768 million in civil penalties collected over 10 years, as stipulated by the North Carolina Constitution. Manning's December ruling reduces the final settlement to $747 million to account for the costs of collecting penalties; Manning stops short of ordering the Legislature to place monies in special funds. When asked for his comments on the matter, House Speaker Joe Hackney sums up the sentiments of many lawmakers when he says, "We really don't have $700 million in new money."[23] Judge Manning gives no timetable for meeting the ruling.

SCHOOL REFORMS

Charter Schools. In January, the Blue Ribbon Commission on Charter Schools recommends the number of charter schools be increased by up to six annually, with more permitted as students at existing charter schools score well on standardized tests. Despite growing public support for lifting the cap and expanding enrollment lists for charter schools, the Legislature fails to act on the commission's recommendations.

Tax Credits. During an April press conference at the General Assembly, the North Carolina Education Alliance (NCEA) announces legislation to provide tax credits to parents of special needs children whose children attend private schools and organizations who help those students. According to estimates from the Fiscal Research Division of the General Assembly, a $6,000 education tax credit would cost the state about $3 million while saving counties about $6 million per year, a net gain to the state and local governments of about $3 million annually. According to Lindalyn Kakadelis, executive director of NCEA, "Education tax credits can provide families with expanded educational options. Few North Carolina school systems offer magnet schools or other choices, and less than half of the state's 100 counties have public charter schools. . .Tax credits would help many low - and middle-income families that struggle to pay for a good education at one of these private schools."[24] After the first reading and referral to the House Committee on Education and the House Finance Committee, the legislation is withdrawn by Reps. Rick Glazier (D) and Marvin Lucas (D), the bill sponsors, who fear the legislation lacks sufficient votes to move forward.

TEACHERS

Teacher Salaries. To make good on a campaign promise to bring North Carolina teachers' salaries to the national average, Gov. Easley in May decides to include language in his proposed state budget to raise teacher salaries by an average of 7 percent.

Legislators later rebuff the governor's plan to raise teacher salaries on two separate occasions. First, House leaders fail to include the governor's proposal in their state budget. House Democratic budget writers said that there just isn't enough money to pay for such hefty teacher raises.

"We did the best that we could with what we have," said Rep. Mickey Michaux, a Durham Democrat and senior co-chairman of the House Appropriations Committee. "They have to realize that we don't have an infinite amount of money."[25] In June, budget negotiators decide against including a provision in the budget that would have given the Governor the ability to use surplus revenue to enhance teacher salaries beyond that negotiated between the House and the Senate.

ABC Teacher Bonuses. In April the state Board of Education says it will not include the results of several new, more difficult exams in determining if teachers will qualify for ABCs bonuses. Teachers and other school personnel have been eligible to receive bonuses of between $750 and $1,500 depending on how well students perform on state tests. Teachers have been arguing that it is unfair to include results of the new exams in grading for teacher bonuses, especially when the results are expected to produce a sharp decline in test scores.

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[23] T. Keung Hui, "Schools windfall may be a bust", *News and Observer*, Aug. 13, 2008

[24] "Education Tax Credits Boost Achievement and Save Money" Press Release North Carolina Education Alliance. April 8, 2008

[25] "NC teachers, workers want raises bumped up" Whitney Woodward, *Raleigh News and Observer*, June 3, 2008

Despite schools missing the bonus marks, in August, NCDPI awards $94 million in reduced bonuses to nearly four out of five teachers and staff. In an editorial in the Southern Pines newspaper, The Pilot, veteran capital reporter Scott Mooneyham criticizes the NCDPI policy when he writes:

> "Do four out of five policemen deserve performance-based bonuses? What about four out of five stockbrokers? How about four out of five bus drivers? When legislators approved these bonuses back in the 1990s, they weren't meant as a way to supplement overall teacher salaries. They were meant to reward good teachers. With tougher economic times on the way in 2009, teachers in North Carolina can probably expect yet another year of lower bonuses. In fact, don't be surprised if the totals are even lower."[26]

Dropouts. In January, 60 public schools, universities and non-profit organizations share $7 million in state grants to reduce the dropout rate. Grants range from $25,000 to $150,000. Despite growing efforts to keep individuals in school, North Carolina high school students continue to drop out in record numbers. In February, the state Department of Public Instruction announces that 23,550 high school students – more than five percent of the state's high school population – dropped out of public schools in 2006-07, an increase of four percent over the previous year. It is the highest dropout rate since 2001-02. The growing problem prompts the Legislature to double the dollar amount of Dropout Prevention Grants to $15 million. Some questioned the effectiveness of the grants. Education Analyst Terry Stoops of the John Locke Foundation noted that grants were awarded based on the strength of the grant proposal and the location of the school, rather than need and practicality. As a result, more than half the dropout grants went to school districts or individual schools that had a higher percentage of graduates than the state average, a lower percentage of dropouts than the state average, or both.[27]

State Budget. House budget writers begin talks in May with the announcement that the expected $151 million budget surplus would be cut in half. The Senate passes its budget in June and two weeks of negotiations produce a new $21.4 billion spending plan that raises spending approximately 3.2 percent over last year. The budget includes a one-percent spending increase for K-12 education: $170 million to expand More at Four; $35 million for school districts to respond to the escalation in gas prices and $15 million in dropout prevention grants. Under the new budget, teachers receive an average three percent salary increase, while state employees receive the greater of 2.75 percent or $1,100.

The final budget is approved 97 to 20 in the House and 32 to 14 in the Senate. While 30 of 52 House Republicans voted for the bill, the biggest complaint was that it authorized too much debt: $857 million over the next four years. Reaction to the budget agreement is mixed. "We think this is a very good budget, a budget that in tough times still keeps us moving in North Carolina in a number of ways," says House Speaker Joe Hackney, an Orange County Democrat."[28] Republicans criticize the budget for excessive reliance on borrowing and failing to address many of the state's pressing needs. In a prepared statement, Senate Republican leader Phil Berger says, "At a time when one out of every three children in North Carolina drops out of schools, little was done to change North Carolina's education system. Instead, Democrats gave new and additional money to their one-size-fits all educational approach and contend they can solve the dropout problem by spending millions of dollars on unproven dropout prevention grant programs. "[29]

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[26] "What Kinds of Bonuses Are These?" Editorial by Scott Mooneyham. *The Pilot*, Southern Pines Aug. 19, 2008.

[27] *Dropout Prevention Grants: Good Money for Bad Ideas* Author: Terry Stoops, Author. John Locke Foundation Spotlight, Number 342, Feb. 20, 2008

[28] "Legislators reach budget deal", Dan Kane, *Raleigh News and Observer*, July 3, 2008

[29] "Democrats Leave Costly Legacy" Press Release. July 18, 2008. Office of Sen. Phil Berger. 26th District, N.C. State Senate.

Budget Shortfalls.
Responding to a weakening economy, Gov. Easley asks for state agencies to plan for budget cuts in response to the slowing national and state economies. Budget officials estimate the state's budget deficit could go as high as $1.6 billion. In November, Easley asks state agencies to plan for two percent budget cuts. By November, the situation worsens and state agencies – including the state Board of Education – are asked to cut four percent from their budgets. Budget writers estimate that approximately half of the $117 million can be covered in normal reversions. However the other $58 million will require school districts and charter schools to reduce allotted funds.
In mid-December, Easley asks all state agencies to prepare plans for cutting spending by three, five and seven percent.

2008 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 40,004 (2.8%) increase
- Community Colleges: 10,436 (4 %) increase
- UNC: 6,633 (3.1 %) increase

TUITION & FEE INCREASES

- Ave. increase of 2% for in-state students; ave. increase of 1.9% for out-of-state students
- Ave. increase of 0.3 % for in-state students; ave. increase of 0.1 % for out-of-state students

OTHER EDUCATION BUDGET CHANGES

- Authorize $523 million in Certificates of Participation (COPs) to finance UNC capital projects. None of the new debt will be subject to voter approval
- Provide $90 million for ABC bonuses earned throughout the 2007-08 school year
- Direct $19.75 million from the Education Lottery Reserve Fund to maintain a student/teacher ratio of 18:1 for grades K-3
- Appropriate an additional $35 million to accommodate transportation fuel costs. Original fuel estimates when the biennial budget was crafted in 2007 were roughly half of current gas prices
- Devote $15 million to dropout prevention grants – up from $7 million last year
- Realize an unexpected $36.5 million in extra civil penalty revenues, which will be allocated to local education agencies on a per ADM basis via the State Public School Fund

2009

A worsening economic situation made managing the state's widening budget deficit incoming Gov. Beverly Perdue's number one task. Though overall funding for K-12 education decreased by nearly $400 million over the previous year, Perdue managed to shield K-12 public education from deeper cuts and minimize teacher job losses – a primary constituency group. No doubt over $1 billion in federal stimulus funds helped. However federal monies also delayed hard choices on education budgets at both the state and local levels. Throughout the year the light shone heavily on the need to streamline education bureaucracy at both the K-12 and university level. Lack of significant improvement on student test scores and graduation rates and the presence of persistent achievement gaps continued to fuel calls for reform as well as a strong warning from one judge who underscored the state's need to improve its failing schools. While everyone seemed to agree on the need for reform, there was little agreement about how best to proceed. Despite strong public support, Democrats rebuffed reform measures by Republicans to lift the charter school cap, provide educational tax credits to parents and to bar illegal immigrants from enrolling in public colleges and universities.

Perdue Takes Office. New Democratic Governor Beverly Perdue takes office. In her inaugural address, new Democratic Governor Beverly Perdue says, "The state's business must be conducted in the sunshine, to inspire confidence not cynicism." Her biggest challenge is resolving a $2.2 billion state budget shortfall. Perdue says she hopes to shield the public schools from the brunt of expected 7 percent to 10 percent cuts across state agencies.

Who's in Charge? The Program Evaluation Division of the North Carolina General Assembly releases a report highly critical of the state's governance structure for public education and said the present system fails to meet the state's needs:

DID YOU KNOW?

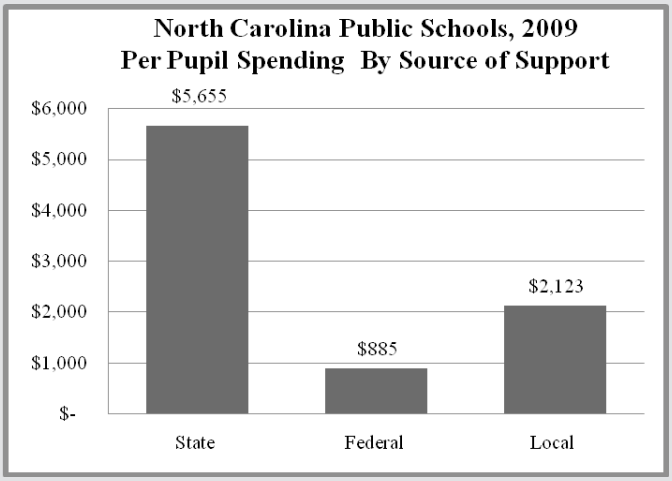
In 2009, North Carolina spent $12,218,961,655 to educate 1,464,914 students in traditional public and charter schools. Funding sources include:

- State $7,975,768,997 – 65.3%
- Federal $1,248,285,574 – 10.2%
- Local $2,994,907,084 – 24.5%

Per Pupil Expenditures:

- State $5,655
- Federal $885
- Local $2,123

Total - $8,663



SOURCE: *Facts & Figures 2009-10*, North Carolina Department of Public Instruction. Figures include all disbursements necessary for daily operation of the public schools. Capital expenditures for new buildings and grounds, building renovations, miscellaneous equipment purchases and community services programs are not included.

The readily apparent, diffused leadership of public education during the past fourteen years has resulted in an education system of governance which stakeholders feel is dysfunctional, confusing and in need of change. This mixed governances arrangement does not provide for focused and sustained leadership to advance pre-K-12 education in North Carolina. In order for Department of Public Instruction to be effective in its role of administering the policies of the State Board, responding to requests and needs of districts, implementing state statutes and federal laws, and administering and monitoring billions of dollars of state and federal funds, there is a need for clear leadership, an identified individual at the helm, and a constancy of expectations, delivery, feedback and quality control.[1]

Schools CEO. Saying "we need to have a clear line of accountability and better structural support to implement new policies", Gov. Beverly Perdue appoints Bill Harrison the new chief executive officer of North Carolina Public Schools and the Chairman of the State Board of Education.[2] The former Superintendent of Cumberland County Schools will be charged with running the day-to-day operations of the Department of Public Instruction. Harrison will be paid $265,000.

Atkinson Challenges Perdue. In a clear response to Gov. Bev Perdue's attempts to consolidate power and decision making authority in the new office of Chief Executive Officer of North Carolina Public Schools, State Superintendent June Atkinson writes a letter to House Speaker Joe Hackney (D-Orange) and Senate Leader Marc Basnight (D-Dare) asking lawmakers to address the confusion in authority and spell out the purpose of the State Superintendent's role. Atkinson writes, "Now is the time to decide to restore the authority of the State Superintendent, issue a constitutional referendum or to give Governor Bev Perdue total authority of education."

2009 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: -11,652 (0.7 percent) decline (change due to new starting age for kindergarten
- UNC: +6,630 (3 percent) increase
- Comm. Colleges: +10,635 (4 percent) increase

TUITION & FEE INCREASES

- Average tuition increase of 4.3 percent and 3.1 percent for full-time in-state and out-of-state UNC students
- Average tuition increase of 17 .5 percent for in-state and 2.6 percent for out-of-state full-time community college students

OTHER EDUCATION CHANGES

- K-12 state appropriations decline from $7.8 billion (2008) to $7.4 billion
- $225 million funding decrease to LEAs
- Provides $139 million to protect K-3 teaching positions
- Reduces funding for 100 programs, eliminates funding for 23 programs
- Budget includes no salary increase for teachers
- $44 million to UNC to meet expanded enrollment
- $23 million more in student financial aid
- Increases UNC tuition by lower of 8 percent or $200.
- Provides $9 million increase to nursing, dental and radiology technology and vocational/ technical programs.
- Eliminates 19 positions.

More Budget Cuts. Governor Perdue orders additional cuts from state agency budgets to help the state address a $2.2 billion state budget deficit. Perdue asks agencies to increase budget reductions from 7 to 9 percent. The reductions are not spread equally among state agencies. Reductions for K-12 education remain at 2 percent or about $160 million.

1 See Final Report: A Study of Structure and Organization of the State Board of Education, State Superintendent of Instruction and Department of Public Instruction. Submitted by Evergreen Solutions LLC to the North Carolina General Assembly, Program Evaluation Division. Available at: http://www.ncga.state.nc.us/PED/Reports/documents/Ed/Ed_Report.pdf

2 "Governor Perdue Makes Significant Education Leadership Changes", Press Release, State of North Carolina Officer of the Governor, Beverly Perdue, January 26, 2009.

To help address the state's growing cash flow problem, Perdue transfers $300 million from special accounts to meet state obligations. The funds include $100 million from the Clean Water Management Trust Fund and the Public School Building Capital Fund and $50 million each from the Education Lottery Reserve Fund and the Public School Textbook Fund.

Graduation Rate. According to a report released by researchers at Johns Hopkins University, the number of high school students graduating from North Carolina high schools four years after enrolling is improving, however the overall rate still lags behind the national average. The state's overall high school graduation rate is 72 percent, up from 68 percent in 2006. The national four-year graduation rate for high school students is 75 percent. North Carolina's jump of four percentage points is eighth best among states that saw gains.

Tax Credits. Wake County Republican Paul "Skip" Stam introduces legislation to give parents of children attending private schools a $2,500 annual tax credit. Stam says many private school parents pay double for education – they pay tuition for their children and also pay taxes to support the public schools. He said the tax credit proposal should be supported because families in private schools save the state money by reducing enrollment in the public schools. According to the nonpartisan Legislative Fiscal Research Division, a $2,500 tax credit for parents could save state taxpayers between $13 million and $35 million annually. Savings to local school districts would range between $9 and $25 million.

Superintendent vs. Governor. June Atkinson says she will take her case to court and ask a court to clarify who has responsibility over North Carolina Public Schools. She will sue the Governor for not having the authority to remove control of public education from a constitutionally created office of the Superintendent of Public Instruction. Atkinson is represented by former State Supreme Court Justice and Executive Director of the North Carolina Center for Constitutional Law, Robert Orr.

> Now is the time to restore the authority of the State Superintendent, issue a constitutional referendum or to give Gov. Bev Perdue total authority of education . . . Twice I have stepped forward and offered my service and leadership, and twice I have been denied this opportunity.
>
> Superintendent June Atkinson in letter to Speaker Joe Hackney and Senate President Marc Basnight calling on changes to spell out the purpose of the State Superintendent

Tancredo Protest. Unruly protestors disrupted a speech by former Colorado Congressman Tom Tancredo at the University of North Carolina-Chapel Hill. Tancredo, who is a vocal opponent of illegal immigration, was invited to speak on the topic by the UNC Chapter of Youth for Western Civilization. Hundreds of protestors filled the classroom where the talk was to take place and shouted profanities and disruptive remarks. Minutes into the speech a protestor broke classroom window causing students to scramble. Campus police who used pepper spray to disperse protestors were forced to shut down the event to ensure safety. Three people were arrested. Chancellor Holden Thorpe apologized to Tancredo for how he was treated on campus and also invited him to return to campus at a future date. [3]

Halifax County Schools. Gov. Perdue announced an unprecedented intervention in Halifax County Schools, one of the lowest performing schools in the state. At an April 29th hearing, Judge Howard Manning approves a three year plan to assist Halifax County Schools and improve student performance. If the plan fails, Manning says the state will take over Halifax County Schools.

Easley Fired. NC State interim Chancellor James Woodward terminates the contract of Mary

[3] *Protest stops Tancredo's UNC speech*, Jesse James DeConto, *Raleigh News & Observer*, April 15, 2009

Easley at N.C. State. In an interview with the *Raleigh News and Observer*, Woodward says, "Programs that Mrs. Easley was hired to administer or participate in are among those that are being eliminated or reduced – specifically the Center for Public Safety Leadership and the Millennium Seminar Series. With this substantial loss of job responsibilities and on the advice of the N.C. State Board of Trustees, I terminated Mrs. Easley's contract. Easley's attorney, Marvin Schiller says she plans to file a formal grievance through NCSU."

Race to the Top and Charter Schools. In June U.S. Secretary Arne Duncan says "states that do not have public charter school laws or put artificial caps on the growth of charter schools will jeopardize their applications under Race to the Top." The statement makes lawmakers wonder if the state's charter school cap will hinder its application. North Carolina is one of 26 states that cap the number of charters. Although Republican legislators on numerous occasions have introduced legislation to lift the cap, none of the bills has passed. One measure to raise the cap to 106 has been approved by the House. Currently about 38,000 students attend charter schools in North Carolina.

UNC Bureaucracy. In what must be certainly be regarded as ill-timed, the University of North Carolina - Chapel Hill releases a report by higher education consultants Bain and Company which finds UNC-Chapel Hill spends more of its budget on administration than teaching. The report said the University is heavy on bureaucracy and that it gets in the way of meeting its basic educational functions. According to the report, supervision is 10 layers deep for some jobs and more than half the supervisors oversee three or fewer workers. Cutting management could save the university about $12 million a year. In addition, another $6 million could be saved if 100 academic centers and institutes were restructured. According to Chancellor Holden Thorpe, administrative functions have increased as the University has attracted private research funding which frequently requires additional staff and oversight functions. Thorpe said a campus task force is working on how to implement recommendations.[4]

Atkinson vs. Perdue. Wake County Superior Court Judge Robert Hobgood rules that the Superintendent of Public Instruction runs the state education bureaucracy. In his ruling, Hobgood said, "The General Assembly and the State Board of Education do not have the power without a constitutional amendment, to deprive the duly elected Superintendent of Public Instruction of her inherent power as chief administrative officer of the State Board of Education." A week later Chief Executive Officer Bill Harrison resigns his position. Harrison stays on as Chairman of the State Board of Education. [5]

Budget. During the first week of August, lawmakers and the governor agree on a $19 billion dollar budget deal. The deal includes $990 million in new revenue from a one cent increase in the state sales tax. Also included are $789 million in budget reductions for public education and over $1 billion in federal stimulus funding to help plug budget holes. Gov. Perdue was successful eliminating a provision to increase class size in grades 4 through 12 which would have cost thousands of teacher jobs. States will be able to take money from textbook funds, stiumulus money or other pots of money to address budget problems. LEAs will also have additional flexibility in deciding how to make $225 million in required state cuts.

Democrats and Republicans offer different views of the final budget. House Speaker Joe Hackney (D-Orange) says, "In the context of a severe recession, I feel like we've saved public education and its core mission in North Carolina from what could have been severe jeopardy." Senate

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4 The University of North Carolina at Chapel Hill: Cost Diagnostic Final Report Summary, Bain and Company, July 2009. Available at: http://universityrelations.unc.edu/budget/documents/2009/Bain%20Report%20Summary%20-%20Notes.pdf

5 *Judge says Perdue move unconstitutional*, North Carolina Institute for Constitutional Law, July 17, 2009

Minority leader Phil Berger (R-Mecklenburg) says after years of bloated budgets and wasteful spending, "Democrats have decided on higher taxes rather than smaller government." [6]

Budget Cuts and UNC. After cutting about 6 percent from the UNC base budget, UNC President Erskine Bowles says "there is plenty of pain in this budget, much of it self-inflicted. Bowles says about 1,800 jobs will be lost, two-thirds of positions are currently vacant. In expectation of additional cuts, Bowles requests campuses cut budgets an additional 10 percent and eliminate 900 positions to help protect academics[7].

Retreat Rights. The *News & Observer* reports that a UNC policy called "retreat rights" which allows administrators to return to faculty positions with additional perks has been abused and cost taxpayers roughly $8 million over five years. Records requests revealed that professors at UNC Chapel Hill left administrative positions for faculty jobs and often received enhanced leave and pay for lesser jobs. The benefits often lasted for years. The investigation was prompted when it was discovered former provost Larry Nielsen who hired Mary Easley could receive up to $310,000 in salary while transitioning to his faculty job. The deal was later rescinded by the NC State Board of Trustees.

Illegal Immigrants and Community Colleges. The State Board of Community Colleges votes to admit illegal immigrants. Since May of 2008 illegal immigrants have not been able to enroll in the state's 58 community colleges. Under a new policy, illegal immigrants are eligible for admission if they graduated from a U.S. high school, pay out-of-state tuition (approximately $7,700 per year) and are not taking the place of US students. According to Stuart Fountain, chairman of the Policy Committee that drafted the document, "these children cannot be held in limbo while the federal government decides what to do about immigration." Lieutenant Governor Walter Dalton, the lone opponent of the measure, said, "Now is not the time to increase the demands on our already overburdened community college system.[8]

Charter Schools Ruling. The state Supreme Court refuses to review a Court of Appeals ruling

2009: Key Legislation Impacting Public Schools, UNC System and Community Colleges

SB -198/S.L. 2009-2. Allows for change in membership of State Board of Education to allow Gov. Perdue to create the position of CEO for public schools.

HB 65/S.L. 2009-46. Allows intellectually gifted students under the age of sixteen to enroll in community colleges.

HB 223/S.L. 2009-60. Removes the High School Graduation Project (HSGP) as a requirement for graduation in North Carolina. Local school districts can still require HSGP as a requirement.

HB 440/S.L. 2009-147. Allows school districts to use cameras and video equipment to detect individuals who pass stopped school buses, makes doing so Class H felony.

Senate Bill 526/S.L. 2009-212. Known as the "bullying bill". Places sexual orientation as a protected class in North Carolina state statutes. A similar but less controversial bill, which did not include sexual orientation protections, garnered sixty two signatures, a majority in the Senate. Legislative leaders however refused to let the bill come to a vote.

HB-88/S.L. 2009-213. Called the"Healthy Youth Act". Supplants North Carolina's policy of teaching abstinence until marriage and creates a comprehensive sex ed curriculum that requires local administrative units to teach seventh graders about reproductive health, sexually transmitted diseases, contraception and other comprehensive sex education topics.

6 See *NC Session Ends*, Emery Dalesio Associated Press for August 11, 2009

7 *UNC budget cuts*, Eric Ferrari, *Raleigh News & Observer*, September 18, 2009

8 *NC System Changes Policy on Immigrants*, Associated Press, September 23, 2009

(Sugar Creek vs. Charlotte Mecklenburg Schools) that said Charlotte Mecklenburg Schools had undercounted how much money it owed charter schools. Public schools are required to pass along a per student share of local money to charter schools. Five charter schools successfully sued CMS. Charlotte Mecklenburg Schools estimate the ruling could cost it $1 million a year. And more if school districts are responsible to provide funding for previous years. Richard Vinroot, former Mayor of Charlotte who represented the charter schools commenting in the *News and Observer* on the potential impact on budgets in the public schools: "The money that is going to be taken from them [public schools] should have gone to the charter schools in the first place."

Nat'l. Board Teacher Certification Problems. The Legislative Fiscal Research Division reports there is a dramatic increase in the number of teachers seeking National Board Certification. Legislators are told the number of teachers seeking certification has more than doubled from 2008, rising to 5,885 teachers. Because taxpayers pick up the $2,500 application fee, costs could reach $14.7 million. The state budget only allotted $3.3 million to pay for the fees. National Board Certification involves a process for meeting standards to improve teacher effectiveness. When certified, North Carolina provides teachers a 12 percent salary increase for the length of certification, usually 10 years.

Cost concerns focus public discussion around the value of national teacher board certification. To date, there has been little reputable research to suggest NBPTS has led to improved student achievement. In 2008 Mathematica interpreted the results of a publicized 2008 National Research Council study touting the benefits of national board certification. It found the difference in student test scores between students with and without national board certified teachers to be only one point on a test with a mean score of 150.[9]

[9] For more information see: *National Board Teachers found to be Effective.* Education Week. June 11, 2008

Thirteen Million in Dropout Grants Awarded. North Carolina awards $13 million in dropout grants to 83 organizations in 16 counties. The grants, which range from $17,000 to $175,000, were developed to help keep students in school. The grants are not without their critics. Terry Stoops of the John Locke Foundation has said North Carolina's dropout prevention grants are poorly targeted and have had little impact on remedying a serious problem.[10]

[10] Grants unlikely to help school dropout rate, Terry Stoops, John Locke Foundation , February 20, 2008

2010

A stalled economy and its impact on state finances continued to overshadow much of the education landscape in 2010. Stimulus money, borrowing from lottery funds and budget cutting helped the state address a $4 billion budget deficit while avoiding massive budget cuts. The end of federal stimulus money brought funding cliffs into view for many programs. However, once again law makers avoided tough decisions in hopes that the economy would improve. Reform continued to dominate discussion both in the courts and the classrooms. Student tests results offered a mixed bag of results, fueling support for more charter schools, tax credits and greater interest in Race to the Top funding. In early November the shape and direction of many education reform efforts changed when Republicans won control of the North Carolina House and Senate for the first time since 1898.

Charter Schools. There is growing concern among state officials that North Carolina's charter school laws may jeopardize the state's Race to the Top application. Secretary of Education Arne Duncan says creating an environment where charter schools can thrive and provide alternative education opportunities is an important element in propelling reform. In a letter to Secretary Duncan expressing growing concern about the importance of charter schools in the competition for Race to the Top funds, Gov. Perdue and education

officials say that the focus on charter schools is a "very narrow way to look at innovative options for successful schools." Perdue argues that North Carolina's application should be based on innovation and improvement programs recently implemented.

History Standards. State education officials are inundated with criticism from around the country for proposed changes to the U.S. History curriculum. The criticism involves a recommendation that would have 11th graders only study U.S. History only from 1877 to the present day.

Officials with the Department of Public Instruction acknowledged the changes would lessen the amount of history studied in the eleventh grade. However they said to compensate for the changes seventh graders would begin taking a survey course covering all of U.S. History.

Responding to the proposed changes, Senate Republican leader Phil Berger calls them "ill advised" and urged political leaders to oppose them. In a statement Berger said, "Eliminating the country's founders from the 11th grade course will remove important context from student's studies.

Halifax County Schools. Ten months after Wake County Superior Court Judge Howard Manning declared Halifax County in need of a major overhaul and in need of state oversight to improve its schools, state officials travel to Halifax county to visit the school district. Elease Frederick, a forty-year employee of the Halifax County School System who most recently served as interim superintendent, has been hired as the new superintendent. Her goal is to improve student performance by focusing on training teachers and administrators. She is hoping to raise the district's performance by 10 points a year for three year, to get 67 percent of students passing state exams and to focus on school improvement. Seven of eleven schools in Halifax County are designated as "low performing". Manning required the state to work in Halifax County for at least three years.

DID YOU KNOW?

In 2010, North Carolina spent $11,851,181,325 to educate 1,475,668 students in traditional public and charter schools. Funding sources include:

- State $7,336,220,568 – 61.9%
- Federal $1,807,709,323 – 15.3%
- Local $2,707,251,434 – 22.8.5%

Per Pupil Expenditures

(ADM Membership):

- State $5,232
- Federal $1,289
- Local $1,931

Total - $8,451

SOURCE: *Source: Facts & Figures 2009-10*, North Carolina Department of Public Instruction. Figures include all disbursements necessary for daily operation of the public schools. Capital expenditures for new buildings and grounds, building renovations, miscellaneous equipment purchases and community services programs are not included.

Race to the Top. North Carolina is eliminated from the first round of competition for $469 million in Race to the Top funds. Delaware and Tennessee are named winners. North Carolina places 12th out of sixteen finalists. Gov. Beverly Perdue says the state will apply again. Charter school advocates point to the state's unfavorable charter school climate. North Carolina receives only 23.4 points out of a possible 40 for "fostering high quality charter and innovative schools".

Tancredo Returns to UNC Chapel Hill. A heavy security presence by law enforcement officers on the UNC Chapel Hill campus couldn't quell disruptions by 100 protestors who walked out of a talk on immigration by former U.S.

Congressman Tom Tancredo. A similar talk by Tancredo last year had to be cancelled when students from the radical left-wing group Students for a Democratic Society (SDS) shouted down the speaker and damaged university property.[1]

"Charter–Lite". In response to fears that North Carolina's unfavorable charter school climate may jeopardize its Race to the Top application, the General Assembly approves legislation (SB 704) to allow local school districts to restart failing schools as charter schools without separating them from the district. "Charter – Lite" is the term given to the schools. Charter advocates call the term a misnomer, because charter schools are by nature governed by independent boards – not a traditional governmental body like a school board.

More School Trouble. Wake County Superior Court Judge Howard Manning tells officials in Guilford, Forsyth and Durham counties to fix underperforming schools or face greater state control. Manning points to failing test scores and how students reach teenage years barely able to read or do math. During the hearing Manning asked officials "What are you going to do about the principals in these schools that are doing so terribly? How long are they going to stay?" Manning did not issue an order after the hearing with school officials, but said he will review plans submitted by the school districts and monitor test scores from the schools to see if further action is needed. Manning has overseen state compliance with the Leandro Court decision which said the state is required to provide every child with a sound and basic education. Last year Manning ordered the state to oversee Halifax County Schools to boost student improvement and test scores. [2]

State Budget. Lawmakers approve, on a largely party-line vote, a $19 billion state budget bill. Democratic leaders say the bill protects essential services, avoids making the deepest cuts under consideration and helps the state manage a $4 billion budget deficit. Republicans say the bill spends too much, doesn't account properly for federal stimulus funds, avoids making tough choices and potentially leaves the state with a $3 billion budget deficit in 2011. The plan includes money from the state lottery to stave off elimination of teaching jobs. The bill also gives local school districts and UNC campuses the ability to force employees to take unpaid time off to save money. The bill does not include salary increases for teachers or mandate furloughs across state government. Despite the budget problems, education leaders were generally relieved things weren't worse. Chairman of the State Board of Education Bill Harrison said the cuts weren't as severe as some ideas legislators were kicking around. UNC

2010 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +10,552, an increase of 0.7 percent
- UNC System: -595, decline of 2 percent
- Comm. Colleges: +2,475, increase of 1 percent

TUITION & FEE INCREASES

- UNC: Average tuition and fees up 15.3 percent for in-state students and 6.8 percent for out-of-state students.
- Comm. Colleges: Average tuition and fees up 10.9 percent for in-state students and 1.8 percent for out-of-state students.

OTHER EDUCATION CHANGES

- State appropriations, $7.08 billion, down from $7.4 billion in 2009
- Transfers $442 million from Education Lottery to support 1,600 teaching positions
- Reduces Department of Public Instruction funds by 15 percent ($2 million).
- Includes no raises for teachers
- Directs UNC to reduce combined spending by $70 million and gives campuses flexibility on where to cut.
- Allows campuses to raise tuition by $750 to help meet budget shortfall.
- Gives UNC additional $5.6 million to address needs of expanded enrollment
- Directs Comm. Colleges to reduce combined spending by $15 million per year.
- Provides an additional $81 million to pay for additional 33,000 students.

1 *Protestors stage walkout during Tancredo's second UNC speech*, Jesse James DeConto, *Raleigh News and Observer,* April 27, 2010

2 Judge warns NC school districts to shape up, ABC Local News, WTVD Raleigh, and May 5, 2010.

2010: Key Legislation Impacting Public Schools, UNC System and Community Colleges

SB 704/S.L.2010-1. Allows LEAs to reform low-performing schools under any one of four models: Transformation, Restart, Turnaround and School Closure. Grants LEAs the authority to turn low performing schools into "charter – lite" schools, administered by local school boards.

HB 213/S.L. 2010-139. Allows employees of a public school to donate sick leave to a nonfamily member employee of a public school.

HB 1757/ S.L. 2010-161. Requires the State Board of Education to adopt guidelines for the development and implementation of evidenced-based fitness testing for students in grades K-8.

HB 551/S.L. 2009-551. Prohibits "cyber bullying" or other actions done with the intent of tormenting a minor, minor's parents or guardians.

HB 1508/S.L. 2009-209. Authorizes "two – thirds" bonds up to $223 million for the Biomedical Research Imaging Center at UNC Chapel Hill and changes the level of special indebtedness bonding on other UNC capital projects. A two-thirds bond refers to the requirement that the total principle of new bonds cannot exceed two-thirds of the amount the state paid down on total outstanding indebtedness during last two years.

President Erskine Bowles was also relieved when he told reporters, "On a relative basis and particularly considering the economic climate, the 2010-11 state budget we received from the General Assembly was nothing short of remarkable."[3] It marks the first time since 2003 that the bill had been approved before the start of the fiscal year.

Stimulus Funds. An article in the *Raleigh News & Observer* reveals that by the end of June 2011,

[3] *NC budget avoids key cuts, deficit may hit $3 billion*, Ben Niolet, Eric Ferrari and Lynn Bonner, *Raleigh News & Observer*, Wednesday June 30,2010

What I'm not happy about is with all the talk, we've got all these little children who can't read…. You've got to clean up the classroom… What are you going to do about the principals in these schools that are doing so terribly…How long are they going to get to stay?

Comments from Judge Howard Manning warning officials from Guilford, Forsyth and Durham Counties that their schools must improve or face greater state intervention.

North Carolina will receive close to $10 billion in federal stimulus funds. Major expenditures include $3.5 billion to help state budgets; $2.5 billion is designated for public works and research and another $2.5 billion is targeted as direct payments from the federal government to individuals for such programs as Pell grants, unemployment and social security. According to the NC Office of Recovery, there were 16,298 school positions funded with stimulus money, including 5,793 teachers.

What impact has the stimulus had? N.C. State economist Mike Walden said, "I think the stimulus plan probably did save and create some jobs." Others disagree. Brian Balfour, Policy Analyst at the Civitas Institute says what is needed is a jumpstart for private sector jobs. The stimulus is not providing that. Balfour calculated that since Congress passed the stimulus bill, public sector jobs in North Carolina have increased by 40,900 while private sector jobs have decreased by 90,600.[4]

ABC Results. State education officials announce a mixed bag of education news. First, in 2010 88 percent of NC public school children met or exceeded expectations on standardized tests compared to the year before. The results are based on student test scores on End-of-Year and End-of-Course exams taken in grades 3 through 12. The results represent a 7 percent increase in students from the year before. The improvement is in part traceable to a new policy which includes the scores of students who retook high school End-of-Course exams

[4] *North Carolina's stimulus projects stir debate; a costly bad joke*, Rob Christensen, *Raleigh News & Observer*, July 25, 2010.

because they failed the first time. Last year the inclusion of retests from lower grades resulted in a similar increase in test scores. ABC results are helpful in determining whether the state meets guidelines under No Child Left Behind. In 2010, only 57 percent of North Carolina schools met federal requirements under No Child Left Behind. That compares with 71 percent of schools from a year ago.

Healthy Youth Act. Provisions of the recently passed Healthy Youth Act (HB 88) take effect. The act will force 104 of the state's 115 school districts to teach a contraceptive-focused Comprehensive Sex Education (CSE) program to students. The program replaces the previous emphasis on abstinence until marriage curriculum with a multi-track program which features the introduction of 18 FDA-approved methods of contraception. Parents of children between seventh and ninth grade may choose to remove their children from CSE.

Race to the Top. North Carolina is awarded $400 million in the second round of Race to the Top state competition. Gov. Perdue said the money will be used to help recruit and retain quality teachers and administrators, implement a turnaround plan for low performing schools and better implement technology for use in assessing student needs. North Carolina was one of nine states receiving money in the second round of competition. The money will be used over 4 years.

New UNC President. In late August the University of North Carolina names Thomas Ross, the current President of Davidson College, to succeed Erskine Bowless as President of the UNC System. State Democrats give the selection glowing remarks. Speaking in the *Raleigh News & Observer*, President Emeritus of the UNC System William Friday said, "He's [Ross] worked in and around all the forces that work for good in North Carolina. . . I think the university system is indeed fortunate. Mr. Ross is a splendid example of a person dedicated to a life of public service."[5]

Few conservatives around North Carolina share such enthusiasm for the appointment. Jay Schalin of the Pope Center for Higher Education Policy points out that Ross' tenure as the top executive at the left-wing Z. Smith Reynolds Foundation gives conservatives reason to be concerned.

> Such fondness for the left-wing Reynolds Foundation would again suggest that Ross will be agreeable to the university system's more radical elements. During his six-year tenure from 2001 to 2007 as Reynolds' executive director, the foundation financially supported such left-wing groups as ACORN, NARAL (a pro-abortion group), the Sierra Club, Planned Parenthood, the Southern Environmental Law Center, and many more hard-left organizations. In this time period, the foundation created "Blueprint NC," which fosters cooperation between more than 50 left-wing organizations in the state. According to the political watchdog group Capital Monitor, while Ross was in charge, the foundation started funding the American Civil Liberties Union "to train attorneys to provide Muslims with legal representation," and "turned much of its focus toward global warming."[6]

Cost of a High School Graduate. A Civitas Institute Study finds the average cost to educate a high school graduate in North Carolina is $142,000. The figures adjusted for inflation include state, local and federal expenditures. They do not include capital costs, debt repayments, transportation costs or food services. It is estimated adding in those costs could add another 15-25 percent to the totals. The figures also include the costs of students who do not graduate into per student costs. The study found that taxpayers spend about $10,900 annually on education costs. According to the nonpartisan Fiscal Research Division of the General Assembly, the average cost to attend a private school in North Carolina is $9,700 annually. The study's author, Civitas Senior

5 *It's Official: Ross is the new UNC president*, Eric Ferrari, *Raleigh News & Observer*, August 26, 2010

6 Erskine Bowles' Replacement as President of the UNC System Share his Status as Establishment Insider, Jay Schalin, August 27, 2010. Pope Center for Higher Education Policy. Available at: http://www.popecenter.org/commentaries/article.html?id=2399

Policy Analyst, Robert Luebke said two questions emerge from the findings: Are taxpayers' getting a fair return on what is spent on public education? And secondly, why can some counties educate students at a much lower cost than others? Spending per student ranged from $100,700 in Randolph County to $265,400 in Tyrrell County.

Rights of Suspended Students. In October the State Supreme Court ruled that while the North Carolina Constitution requires schools to provide students an opportunity for a sound basic education, it does not require schools to extend that right to students who are suspended from school for misbehaving. Judge Mark Martin wrote:

> "Because the safety and educational interests of all students receiving alternative education must be protected, students who exhibit violent behavior threaten staff or other students, substantially disrupt the learning process, or otherwise engage in serious misconduct, may be denied access."[7]

UNC Facilities. The *Raleigh News & Observer* reveals the growing repair and maintenance needs of the UNC System. The downturn in the economy, laxed attention to maintenance and repair issues and overspending combine to create a serious problem. In 2000 North Carolina approved a $3.1 billion bond referendum to repair and renovate UNC and community college buildings. UNC used about $2.5 billion to renovate, repair or build new buildings. Over half of that amount went to new buildings. At the time the $2.5 billion only covered approximately $7 billion in capital needs and that number keeps increasing. Today, UNC Chapel Hill has a maintenance backlog of $645 million.

In the last ten years UNC has invested an additional $1 billion in COPs-financed buildings. Thus, maintenance and repair costs must also be added to the mix. The bottom line: the UNC system built a lot of new buildings in the last ten years but took no measures to provide costs for their upkeep.

Race to the Top. The Department of Public Instruction reveals that over half the state's $400 million in funding under Race to the Top will be used for technology, professional training and for bonuses to lure teachers to struggling schools. North Carolina's Race to the Top Plan also requires districts to set aside $34 million to develop cloud computing or shared services for the state's 100 plus school districts. DPI says Race to the Top will create 70 positions to help low performing schools. Twenty staffers will also be hired to help teachers with professional development. Race to the Top Funding will continue until 2014.

Wake County Schools. In December, school board members and officials from the Wake County Public School System (WCPSS) met for two hours with officials from the US Department of Education and the Office of Civil Rights regarding a complaint filed by the National Association for the Advancement of Colored People (NAACP). The NAACP complaint alleges that new Wake County School Board policy to assign students to schools closest to their homes would create high concentrations of poverty and failure. The complaint also alleges Wake County Public Schools (WCPSS) practice racial discrimination in disciplinary patterns and practices. WCPSS board member Keith Sutton said "Depending on the OCR; s findings, the district could face the loss of money it receives from the federal government." Responding to the NAACP charges, WCPSS board chairman Ron Margiotta said there is no effort to discriminate. Margiotta said recently the chargers were "thrown out there to cause chaos."[8]

[7] *King v. Beaufort County Board of Education*, North Carolina Supreme Court. Opinion available at: http://appellate.nccourts.org/opinions/?c=1&pdf=MjAxMC80ODBBMDktMS5wZGY=

[8] See Wake County Schools Meets with Office of Civil Rights, WRAL News, December 7, 2010

2011

In January Republicans took charge of both houses of the Legislature for the first time in over a century. The new leadership's euphoria was short lived as lawmakers faced a projected $3.7 billion gap in the state budget. The gap was exacerbated by a slow economy and the ending of temporary tax increases and the end of $1.6 billion in stimulus funds, and fueled speculation that health care and public education – which account for a combined 78 percent of the state budget – would likely take the biggest budget cuts.

UNC Tuition Increase. In February UNC Board of Governors approve a tuition and fee increase that will raise average tuition for in-state undergraduate students by an average of $401. The university sought higher than average increases to offset $414 million in system budget cuts. Despite a hefty tuition increase to help offset state budget reductions, Kiplinger's Personal Finance magazine names the University of North Carolina Chapel Hill the best value among public colleges for the 10th straight year. In-state undergraduate tuition and fees at the UNC flagship campus average about $6,665 with total cost of attendance a little less than $20,000.[1]

Dropout Rate. The North Carolina Department of Public Instruction (DPI) announces that the dropout rate among North Carolina public school students declined to a record low 3.27 percent for the 2009-10 school year. In 2008-09, the dropout rate was 4.27 percent. According to the annual state report 16,804 students dropped out in 2009-10. DPI also reported that out-of-school suspensions decreased (5.5 percent) over last year but acts of crime and violence increased by 4.4 percent.[2]

Student Testing. Despite a judge's warnings questioning the bill's constitutionality, Gov. Bev Perdue says she doesn't plan on vetoing legislation approved by the House and Senate which would eliminate four end-of-course tests (U.S. History, Algebra 2, Physical Science and Civics and Economics) for North Carolina High School students next fall. Wake County Superior Court Judge Howard Manning had issued a memo saying the test results are necessary to determine if students are getting a "sound, basic education" under the state's landmark *Leandro* decision which helped to define the state's constitutional obligations for public education.

Budget. In early June legislative leaders in the House and Senate announce a state budget agreement between House and Senate bills that avoids major budget reductions and adds about $250 million to original spending levels. The agreement drops a proposal which would have eliminated teacher assistants in first, second and third grades. It also includes $61.7 million to hire 1,100 teachers to lower class size in grades 1 through 3. The final budget totals $19.7 billion and is about $220 million less than Perdue's education budget.[3]

Commenting on the Republican-penned budget, Gov. Perdue claims the spending plan will inflict "generational damage" and "tear at the very fibers that made our state strong." Perdue becomes the first North Carolina Chief Executive to veto a budget bill. Days later the House, with help from five Democrats, votes 73-46 to override Perdue's veto and approve a $19.7 billion state budget. Hours later the Senate does the same along a 31-19 party line vote. Democrats cite emails and documents from representatives of education that say the Republican budget will result in the loss in 9,300 jobs in the public schools and 2,700 UNC jobs.

Charter Schools. Gov. Perdue signs into law legislation removing the state-imposed cap on the number of charter schools in North Carolina. The law represents a major victory for individuals who had worked hard to expand parental choice and Republicans who had campaigned hard

1 See *Kiplinger's Best Values in Public Colleges, 2011*. Available at: http://www.kiplinger.com/article/college/T014-C000-S002-best-values-in-public-colleges-2011.html

2 Dropout Rate Lowest Ever Recorded; School Crime and Violence Up, News Release March 3, 2011, North Carolina Department of Public Instruction. Available at: http://www.ncpublicschools.org/newsroom/news/2010-11/20110303-02

3 Associated Press, Emery P. Dalesio, *News & Observer*, June 18, 2011.

2011 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +5,323 (0.36% increase)
- Community Colleges (Curr. Programs) -8,716 (2.5% decrease)
- UNC System - 1,422 (0.64% decline)

TUITION & FEE INCREASES

- UNC: Average increase of 8.6% for in-state students and
- 5.2% for out-of-state students
- Comm. Colleges: 17.9 percent increase in tuition for in-state students; 4.6 percent increase for out-of-state students

OTHER EDUCATION CHANGES

- Final budget agreement adds $250 million to original budget legislation
- $61.7 million to add 1,100 teachers to reduce class size
- $124.2 million increase to management flexibility reduction for LEAs
- $414 million reduction for UNC System
- $446.9 million transferred from lottery to state

on lifting the cap. The path to victory was not easy. The final bill is a compromise and does not contain any of the contentious provisions that some feared would lead to a collapse of funding for traditional public schools. The final bill keeps control over the granting of individual charters with the State Board of Education. In addition, the legislation also requires charters to meet performance standards to stay open.

Lottery Tickets. In fiscal 2011, the North Carolina Education Lottery contributes $446.9 million to the state and its educational system. The $1.46 billion in ticket sales marks the fifth year in a row that the lottery has achieved an increase over the previous year. Despite the increases, debate continues over how lottery money is used and distributed. According to legislation establishing the state lottery, monies are designated for teacher salaries, school construction projects, preschool programs and college scholarships. However, Gov. Bev Perdue has used lottery money to help balance the state budget and cover shortfalls.

Dues Check-Off Legislation. Perdue vetoes legislation that strips the North Carolina Association of Educators from having the state administer employee dues deduction through state payroll services. About 80 percent of NCAE's revenues come from dues deductions. In vetoing the bill Perdue says, "this bill is nothing but a petty and vindictive attempt to seek retribution against a group that opposed the Republican budget."

Adequate Yearly Progress (AYP). According to preliminary data released by DPI, few if any of North Carolina's 2,500 public schools meet adequate yearly progress targets set under federal No Child Left Behind Legislation. North Carolina's disappointing scores are a result of federal laws that this year required a major bump for all schools to meet 2013 proficiency targets. Last year proficiency in reading grades 3-8 increased from 43 to 77 percent and for math from 69 to 84 percent. In order to meet targets schools must meet every proficiency target for every population. If the school misses one target the whole school is judged to have failed. The all or nothing metric continues to be a source of contention in the education community. Superintendent June Atkinson has criticized the system because it makes no provision for schools that are improving or performing well in all areas but one.

Home Schools. According to the State Division of Non-Public Education the number of home schools in North Carolina grew to 45,524. There are 83,609 home schooled students in North Carolina, an increase of 2.5 percent from 2009-10. Wake County had the most home schools with 4,269; Tyrell County had the fewest with 23. Home school enrollment now represents 5 percent of North Carolina's student population.

SAT. North Carolina's combined score on the SAT test falls again in 2011. The average score of North Carolina students on the combined writing math and critical reading portions is 1475, a ten point drop from last year, and down 14 points from 2008. The score is 25 points below the national average of 1500, which also declined 6 points from the previous year. Test

experts attribute the decline to an increase of 62,000 test takers most of whom have come from non-academic backgrounds.

NC vs. Other States? How do North Carolina students compare with students in other states? According to results from the National Assessment of Education Progress, North Carolina fourth and eighth grade students are pretty average in reading. North Carolina math scores, however, are better than the national average in both grades. Only about one-third of students taking the test are proficient in reading; 44 percent of fourth graders and 37 percent of eighth graders are proficient in Math. When compared to two years ago, the last time the test was taken; there was little change in test scores.

Longer School Year. Five days are added to the school year by a new law. The law takes away teacher training time and replaces it with more classroom time. It changes the school year from 180 to 185 days. The state board of education is cool to the idea because the added days will increase transportation and instructional costs on budgets that have already been set. In December the State Board of Education delayed action on a plan that grants waivers to school districts wishing to opt out of the extra days.

Pre-K Fight. Judge Howard Manning rules the state cannot implement any barrier or regulation preventing children from enrolling in the state pre-kindergarten program formerly known as More at Four. Manning's ruling is in response to a budget provision that spells out a 20 percent cap in enrollment for at-risk children. The budget also cuts More at Four's funding by 20 percent and requires that families who are not classified as "at risk" pay co-payments. Manning wrote "this case is about the individual right of every child to have the equal opportunity to obtain a sound, basic education. That constitutional right belongs to the child, not to the adults." The ruling sets up a standoff between Gov. Perdue and the state legislature over how to fund the pre-K program. Estimates from the nonpartisan Fiscal Research Division project costs to meet the ad-

2011: Key Legislation Impacting Public Schools, UNC System and Community Colleges

SB 8. Passed by the House and the Senate and signed by Governor Perdue, legislation removes the 15-year old state-imposed cap (100) on charter schools.

HB 344. Allows parents of special needs students, who choose to enroll children in non-public schools, to claim a credit of up to $3,000 per semester and up to $6,000 per year on state income taxes. Passed by House and Senate. Became law after Governor failed to sign bill within prescribed time.

HB 48. Eliminates requirements to provide standardized tests except when required by federal law or a condition of receipt of federal aid. Legislation also eliminates end-of-course tests in U.S. History, Algebra II, Civics and Economics, and Physical Science. Passed by House and Senate. Became law after Governor failed to sign bill within prescribed time.

SB 727. Approved by House and Senate, legislation eliminates dues check off option for members of the North Carolina Association of Educators. Vetoed by Gov. Perdue. House and Senate successfully override the veto in Jan. 2012 making the bill state law.

HB 342. Legislation prohibits any member of the UNC System or North Carolina Community College System from using information about the accreditation status of an applicant's educational institution in making decisions about admissions, scholarships, loans or other educational policies. The legislation also authorizes the Department of Public Instruction to create a process for accrediting North Carolina public schools. Passed by House and the Senate. Became law after Governor failed to sign bill within the prescribed time.

HB 15, HB 541 and HB 58. These local bills allow local community colleges in various counties to opt out of the Ford Federal Direct Student Loan program. Community Colleges have sought to decline entrance into the program because of the high default rates associated with the program and the adverse impact the action would have on student default rates at various institutions. All three bills were passed by the House and Senate. Local bills become law without the governor's signature.

ditional needs range from $145 million to $360 million.[4]

UNC and NCAA Violations. In response to nine major allegations against the University of North Carolina football program under coach Butch Davis, the university announces it will vacate 16 wins from 2008 and 2009 seasons, lose three football scholarships for 2013 through 2015 seasons; place itself on two years of probation and pay a $50,000 fine. Program supporters hope the actions demonstrate the university is serious about policing its football program and that such actions might help to soften any forthcoming NCAA penalties.

NCLB Waiver. In August North Carolina education officials send a letter to U.S. Education Secretary Arne Duncan seeking a waiver from provisions of No Child Left Behind. President Obama said he would be willing to give states waivers from the law if they agreed to present plans to close the achievement gap and to hold schools accountable for graduating students who are prepared for college and careers.

Classroom Layoffs. Republicans point to state figures showing 1,629 state workers applied for severance payouts or health premium payouts as evidence that state layoffs were not as bad as predicted. Earlier in the year Democrats and other public education groups made claims that 20,000 to 30,000 jobs would be lost. According to figures, 516 local school employees were laid off, along with 57 from the Department of Public Instruction and 243 from the University of North Carolina System.[5]

4 *News & Observer*, August 18, 2011

5 *The Insider*, November 17, 2011.

2012

Legislators returned to Raleigh eleven months before a general election anxious to face a second year of economic challenges and haggling over whether to use spending cuts or tax increases to address budget problems. As politicians and parties staked out their positions, Goveror Beverly Perdue announced that she will not seek a second term as Governor. The news set off speculation among Democrats as to her replacement and emboldened Republican lawmakers who saw the move as a boost to their chances to gain control of the Governor's Office for the first time in twenty years.

Dues Check Off Prohibition Blocked – In a late night session in early January the House votes to override Gov. Perdue's veto of legislation prohibiting the North Carolina Association of Educators from having the state collect membership dues via payroll deduction. Days after the vote, Wake County Superior Court Judge Paul Gessner issues a temporary restraining order blocking the new law from taking effect.

Tuition Hikes. Despite the protests of angry students, the University of North Carolina Board of Governors vote to raise tuition across the system's 16 campuses by an average of nearly 9 percent. UNC President Tom Ross reluctantly recommended the increases as a stop gap measure to lessen the impact of $414 million in state budget cuts. The average North Carolina undergraduate student pays $5,294 in tuition and fees.[1]

School Lunch. A four year old pre-kindergarten student in Hoke County is told by a state supervisor to bypass her packed lunch in favor of a cafeteria lunch of chicken nuggets. The supervisor inspected the child's home-prepared sack lunch to ensure it met government-imposed nutritional standards. The incident is picked up by bloggers and news agencies across the country and sets off a firestorm of discussion over government meddling.

Requirement Waived. For the second year in a row, the State Board of Education grants waivers that allow nearly all the state's 115 school districts to ignore a law that requires districts to add an extra five days of classes. Last year waivers were granted because school budgets did not have the additional money or staffing to pay for

1 Associated Press, Emery Dalesio, *News & Observer*, February 10, 2012.

the five extra days. This year lawmakers say the additional days will be used to help train teachers in the new common core curriculum which is being implemented in 2012-13.

NCLB Waivers. In May North Carolina – along with seven other states – is granted a federal waiver from meeting the more rigorous requirements of No Child Left Behind legislation. In exchange for the waiver, the state agrees to develop accountability systems that will help students prepare for college or careers. According to State Superintendent June Atkinson, the change "makes the accountability system more easily understood than the more-complicated system before the waiver."[2] Critics see the scramble for waivers as evidence of another failed federal education program.

School Reform. The Senate approves – on a party line vote – legislation sponsored by Senate president Phil Berger (R-Rockingham) that would replace teacher tenure with shorter contracts and end social promotion by providing support to all children who are not reading at grade level in grade three. The legislation also includes provisions for merit pay, more instructional hours and language to make it easier to enter the teaching profession via lateral entry.

Budget Approved. In late June the House and Senate override Gov. Perdue's veto of a $20.2 billion state budget. The Senate votes 31-10 along party lines while six democrats – Jim Crawford, Dewey Hill, Bill Brisson, Marion McLawhorn, Darren Jackson and Marcus Brandon -- join 68 Republicans to pass the budget. The budget does not raise taxes but also does not restore funding cuts to public education that Gov. Perdue and other democrats had wanted. The legislation spends $727 million less than Perdue's recommendation. Perdue's proposal would have financed the extra spending primarily through the imposition of a three-quarter cent increase in the state sales tax. The budget also includes a 1.2 percent pay increase for state-paid public school personnel and state employees. Community colleges and UNC campuses are offered the option to providing differing pay increases based on performance bonuses.

Lottery. According to officials at the North Carolina Education Lottery, lottery ticket sales total $1.59 billion, an increase of 9.2 percent over the previous year. Transfers to education reach $456.7 million. By law, lottery money is designated for teacher salaries (50%), school construction (22.7%), pre-kindergarten programs (14.3%), need-based college scholarships (6.9%), local school systems (3.7%) and UNC need-based financial aid (2.4%).[3]

UNC Faculty Report. Calling UNC–Chapel Hill a campus with "two cultures", particularly as they relate to the money-making sports of football and basketball, a faculty report investigating athletes and course taking practices finds that academic counselors within the athletic department steered athletes to classes in the African and Afro-American Studies Department. According to the report, an unnamed staff member helped players enroll in no-show courses. The report found supervision of the athletic academic support center to be loose. University President Tom Ross says the wrongdoing rests squarely on the shoulders of Julius Nyang'oro, former chairman of the African studies department who was forced into retirement by the scandal and the former department manager, Debra Crowder who retired in 2009.

ABCs. After sixteen years, the final report of North Carolina's ABCs of Public Education is released in August. Since 1996 the ABCs helped parents and public officials gauge how well a school was doing through a series of test scores and school based criteria. Schools were ranked anywhere from Schools of Excellence to Low Performing Schools. Under the new system, schools will receive an A to F letter grade. Moreover students will be tested on how well they learn a curriculum based on national standards and will be compared with students around the country.

2 Francis Ordonez, McClatchy Newspapers, May 30, 2012.

3 *Where the Money Goes*, North Carolina Education Lottery web site. Available at: http://www.nc-educationlottery.org/beneficiary.aspx

2012 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools +11,802 (0.8 percent increase)
- Community Colleges -5,053 in traditional curriculum students (a 2% decrease); overall enrollment: -7,970 (1.5 percent decline)
- UNC System + 865 (0.4 percent increase)

TUITION & FEE INCREASES

- UNC Average increase of 8.6% for in-state students and 5.2% for out-of-state students
- Comm. Colleges: 3.7 percent increase in tuition rate for in-state students, 0.9 percent increase for out-of-state students

OTHER EDUCATION CHANGES

- Legislature adds $91.7 million to total education spending over last year.
- Provides $71 million to reduce the LEA flexibility reduction to $360 million.
- Provides $29.7 million in need-based financial aid for UNC students.
- Appropriates $27 million to implement The Excellent Public Schools Act.
- Adds $5 million for NC Back-to-Work program for Community College students.

Thorp Resigns. Unable to maneuver the university past a steady stream of never ending scandals, Chancellor Holden Thorp announces he is resigning his position at the end of the academic year and will return to teaching. "This wasn't an easy decision personally. But when I thought about the university and how important it's been to me, to North Carolinians and to hundreds of thousands of alumni, my answer became clear," said Thorp. In the last year Thorp was besieged by stories about improper benefits for football players and academic misconduct involving the African and Afro-American Studies Department. During his time as Chancellor, Thorp was credited with boosting fundraising and increasing federal research support.

SAT Scores. The State Department of Public Instruction announces that average SAT student test scores (math and critical reading) fall by 4 points over the previous year. North Carolina students have an average combined score of 997. The average math score in the state is 506 and average critical reading score, 491. National average combined scores also decline 1 point over last year, falling from 1011 to 1010. In 2012, 68 percent of North Carolina high school seniors (63,271 students) take the SAT.[4]

NC Pre-K. Nearly two months after a unanimous decision from a three judge panel of the State Court of Appeals upheld a lower court decision that changes by the Republican-led General Assembly would deprive eligible children of benefits, Gov. Beverly Perdue says she is shifting $20 million in government funds to help accommodate an additional 6,300 four-year olds to the state's pre-K program. In a statement reacting to Perdue's action, GOP leaders Thom Tillis (R-Mecklenburg) and Phil Berger (R-Rockingham) said the governor should use any additional monies to plug rising Medicaid gaps rather than "a temporary expansion of government daycare". NC Pre-K enrolls about 25,000 children, down from 35,000 in 2010 before funding reductions.[5]

ACT. How college ready are North Carolina students? To help answer that question, legislation is passed to require all 11th grade students in North Carolina take the ACT test.

The average ACT score for the graduating class of 2012 was 21.9, higher than the National composite score for graduating seniors (21.1). The percentage of North Carolina high school juniors who are judged to be ready for college according to ACT benchmarks is 12.8. Last year, those students met benchmark scores considered a predictor of college success in English, math, reading and science. Just over 16 percent of all juniors achieved the science benchmarks. Other percentages of students hitting benchmarks include English (39.5 percent), reading (33.8 percent) and math (30.4 percent).

4 *North Carolina and National SAT Scores Show Decreases;Advanced Placement Participation and Performance Increase*, North Carolina Department of Public Instruction, News Release, September 24, 2012. Available at: http://www.ncpublicschools.org/newsroom/news/2012-13/20120924-01

5 Associated Press, Emery Dalesio, *News & Observer*, October 18, 2012.

Easley Pension. Under an agreement negotiated between lawyers, former first lady Mary Easley will see her state pension payment more than double. The agreement is part of a settlement lawyers negotiated after Easley's abrupt firing in 2009 by N.C. State University amid controversy over her duties, her salary and budget cutting. When Easley left her position, she began receiving a state pension of $37,171. The new settlement gives Easley a pension benefit of $80,597, based on more years of employment and a higher salary. Chancellor Randy Woodson approved the deal, with the support of University Trustees. "We felt like this was in the best interests of the University, given the potential litigation" says Woodson.

UNC Investigation. A three month investigation led by former Gov. Jim Martin is released to University trustees. The Martin Report – meant to follow up on the University's own report on academic fraud – found a pattern of no-show classes and poorly managed studies within UNC-Chapel Hill's African and Afro-American studies department that date back at least to 1997. The report said the problems represent an academic scandal, "not an athletic scandal". Martin found 216 courses with proven or potential problems and 454 suspected unauthorized grade changes.[6]

2012: Key Legislation Impacting Public Schools, UNC System and Community Colleges

HB 950. The budget bill, approved by the House and Senate, vetoed by Governor Perdue and overridden by both Houses contained the following education provisions:

- Develop program for improving third grade literacy and ending social promotion
- Allow LEAs to establish merit pay plans
- Add five days to school year
- Implement new teacher recruitment and retention programs
- Develop A-F grading system for the public schools

SB 727. In January 2012, both the Senate and House override Gov. Bev Perdue's veto of a bill eliminating dues check off option for state's largest teacher association (North Carolina Association of Educators), making the bill law.

SB 755. Passed by House and Senate and signed by Governor Perdue, law ensures that members of all education associations enjoy equal access to electronic mailboxes and have the opportunity to attend orientation events or to recruit members. The law also prohibits government entities from endorsing one employee association over another.

SB 707. Passed by House and Senate and signed by Governor Perdue, law provides that school personnel who in good faith take reasonable action to end a fight, shall not be held civilly liable because of the actions taken. The bill also clarifies penalties for students who cyber-bully school employees.

SB 724. Passed by House and Senate and signed by Governor Perdue, the law tightens teacher and mentor licensure requirements for teacher preparation and lateral entry programs. Expands the use of EVAAS assessment tools for the placement of students in such courses as Algebra I and mandates the development of transition teams for at-risk students who move from elementary to middle schools or from middle school to high school.

6 First Statewide ACT Test Administration Sets Baseline for North Carolina, North Carolina Department of Public Instruction, September 7, 2012. Available at: http://www.ncpublicschools.org/newsroom/news/2012-13/20120907-01

2013

On January 10, 2013 Republicans Thom Tillis and Phil Berger were sworn in as House Speaker and President of the Senate, respectively. Two years after sweeping to historic majorities in the House and Senate, Republicans gained veto-proof majorities in the House and Senate for the first time in over a century in 2013. The election of Governor Pat McCrory in 2012 meant Republicans controlled all three branches of state government for the first time since the Reconstruction era.

The election represented an historic moment of Republicans consolidating power. In measured remarks for the press, both Berger and Tillis said they will emphasize reforming public education and the tax structure. Berger said "for too many years, our leaders have tried to tax and spend their way to prosperity. Our leaders have lost their way." Tillis told legislators to "redouble their focus on public school reform" and "encourage cost effective educational innovation."

Career Ready Legislation

- In mid-February Governor McCrory signs his first bill as Governor (S.L. 2013-1). McCrory delivers on a campaign promise to make education more relevant to the workplace and increases access to technical and career education. Students can now graduate with diplomas that endorse the graduate as "college ready" or "career ready" or both. The new law also eliminates a number of previous requirements and certifications thereby streamlining the process to become a teacher.

School Reform Legislation

- In March, saying the days of accepting a broken education system in North Carolina are over, Senate leader Phil Berger (R-Rockingham) introduces the Excellent Public schools Act of 2013. The legislation proposes that teacher tenure be replaced by employment contracts of up to four years. The legislation also includes provisions on merit pay, teacher evaluations and criteria for grading public schools.
- In a press release, Berger says provisions to eliminate teacher tenure "will ensure our students receive instruction from the most highly-motivated and effective teachers and are equipped with a strong skill set that prepares them for the future."
- Teachers and educator groups such as the North Carolina Association of Educators criticize the measure as "anti-teacher." Several school districts vow to take the law to court and fight it.

DID YOU KNOW?

In 2013, North Carolina had 107 Charter schools in operation and had approved 24 new schools to open.

Total Pupils enrolled in charters schools: 48,795 students

Total Allotted State Funding for Charter Schools: $255.4 million

Charter Schools are not eligible for construction funds from the lottery revenue or Local Education Agency.

Charters are not required to use the state salary schedules or ranges to pay personnel.

DID YOU KNOW?

Charter schools are not held to state class size maximums.

Charter schools are required to have 185 instructional days.

In 2013, charter schools had 5,036 total certified and non-certified personnel, including 3,203 teachers.

Charter School Funding Sources: 65% State; 30% Local, 5% Federal.

SOURCE: Highlights of the North Carolina Public School Budget 2013, Published by the Department of Public Instruction.

Common Core

- Opposition to Common Core State Standards continues to grow throughout the spring in North Carolina. Common Core standards are designed to provide a roadmap of what students should learn in math and English language arts from kindergarten through high school. Common Core State Standards were adopted by the State Board of Education in 2010. Advocates say the standards will improve critical thinking skills and better prepare students for college and career. Opponents say Common Core standards are fuzzy, age-inappropriate and are a federal takeover of education.
- In June, Lieutenant Governor Dan Forest develops a four-minute video titled My Concerns With Common Core. Forest criticizes the standards for the loss of local control and Common Core's "one-size-fits-all" approach to education. In spring conservative activists launch StopCommonCoreNC.org as a state-wide web site to educate and mobilize parents against the Common Core Standards.

Moral Monday

- Beginning in late spring, Dr. William Barber, head of the North Carolina chapter of the NAACP, organizes weekly demonstrations against the Republican budget and legislative leaders. Barber says Republican budgets and policies hurt the poor and minorities. So-called Moral Monday marches are held weekly in tandem with other left-wing activist groups like the NAACP and NCAE. The marches result in almost a thousand arrests.

UNC-Chapel Hill

- In July, Carol Folt takes over as Chancellor of UNC-Chapel Hill. The former Dartmouth Dean earns $520,000 annually, plus benefits. Folt takes over for Holden Thorp who resigned in 2012 after a string of athletic and academic fraud scandals smeared the university reputation and damaged Thorp's leadership.

Budget

- In late July lawmakers agree on a $20.6 billion spending plan for North Carolina. Included within the spending plan are provisions to end teacher tenure and provide vouchers of up to $4,200 for low-income students to attend private schools. The bill increases overall spending by 2.5 percent over the previous year.
- In addition, provisions in the bill phase out extra pay for teachers with master's degrees in certain areas and eliminates funding for over 3,800 Teacher Assistant positions.
- Reaction to the bill is along party lines. Republicans hail the bill as right-sized and reform-minded. Democrats call the budget bill an attack on teachers and public education.

Grad Gains

- According to the Department of Public Instruction, North Carolina's graduation rate improves to 82 percent. That means 82 percent of students graduate high school in four years. Last year the figure was 80 percent. In 2006, when the state first started reporting the four-year graduation rate, the figure was 68 percent. While showing improvement, graduation rates for minorities such as African Americans and Hispanics still lag Whites.

Key Legislation: Impacting Public Schools, UNC System and Community Colleges

SB 402/S.L. 2013-360 - Provides vouchers of up to $4,200 for families who qualify for free and reduced lunch program to attend private school. Recipients must be enrolled in a public school and can use the money for tuition or other educational expenses at a private school

HB 269/S.L. 2013-364 - Special Needs Voucher: Provides grants of up to $3,000 per semester, and $6,000 annually for parents of special needs students to attend private school. Legislature appropriates $3 million for vouchers in 2013-14.

SB 337/S.L.-355 – Creates the Charter School Advisory Board. Board to enhance oversight and speed approval of the charter school applications. The bill provides that charter applicants will have proper financial and educational background to ensure the success of charter schools. In addition, the legislation keeps policymaking authority for charter schools with the State Board of Education.

SB-402/S.L. 2013-360 - Excellence in Education Act. Among other things, the legislation requires third graders to pass a reading test or take additional instruction before moving on to the next grade level. Mandates the State Board of Education to issue School report cards on achievement growth and performance grades for all North Carolina Public Schools. Also requires local boards of education to eliminate teacher tenure and offer teachers contracts of one to four years in length.

Test Scores

- In early November, after months of warnings by educators and public officials that performance scores on standardized tests for end-of-grade tests in reading and math – along with assorted high school tests – would drop due to higher standards, there is still surprise at the actual drop in test scores. The overall statewide passing rate was 44.7 percent, compared to the previous year's rate of 77.9 percent.
- Passing rates have dropped from 16 to 25 percentage points in reading, 27 to 44 points in math and from 9 to 33 points in science. Officials blamed the drop in scores on the more rigorous Common Core standards and tried to emphasize 71 percent of schools met or exceeded academic growth requirement.
- Scores also reveal that achievement gaps between white and minority students continue despite growing efforts to reduce it.

Voucher Lawsuit

- Joined by 25 plaintiffs, the North Carolina Association of Educators files suit in Wake County Superior Court challenging the constitutionality of legislation that provides Opportunity Scholarship vouchers up to $4,200 to eligible low-income students to attend private schools next fall. The lawsuit asks the judge for an injunction to stop the voucher program even before it starts.

NCAE Lawsuit

- In December, the North Carolina Association of Educators, the largest professional teacher association in North Carolina, files a lawsuit to challenge the elimination of teacher tenure. The law directs school districts to identify teachers in the top 25 percent of all teachers and offer them four-year contracts in exchange for bonuses totaling $5,000. Under the plan all teachers would then be under one-, two- or four-year contracts.
- Proponents say the bill is necessary to improve teacher quality and student performance.
- NCAE says the bill doesn't distinguish between how administrators would pick between the best and the rest. The Raleigh News and Observer sums up the view of those who filed the lawsuit when it quotes Superintendent Ed Prudent of Brunswick County, "How do you account for a teacher having a classroom of advanced or gifted students and another teacher having a classroom of students with learning disabilities or a student who does not speak English, or students from poverty who

2013 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +11,802 (0.7%) increase
- UNC System: -535 (0.2% decline)
- Community College -21,475 (4 percent decline)

TUITION & FEES

- UNC System – Resident Undergraduate: Increase 6.1%; Non-resident Undergraduate: Increase 2.7%
- Community Colleges Curriculum Tuition – In-State Students - Increase $2.50/credit hour to $69.00/credit hour; an increase of 3.8%; Out-of-State Students – Increase $2.50/credit hour to $261.00/credit hour, an increase of 1.0%

OTHER EDUCATIONAL CHANGES

- $7.86 billion appropriated for public schools; a decline of $116 million from previous year
- Reduces total funding for Teacher Assistants by 21% in 2013-14
- Additional $13 million for testing and teacher training for Excellent Public Schools Act Reduces State Support for Department of Public Instruction by 1.8 percent (approximately $780,000)
- $10.2 million appropriated for merit pay for teachers
- $1.02 billion total spending for Community Colleges, up $16.1 million from previous year
- $2.58 billion total spending for UNC System, down $126 million from previous year
- $65.6 million UNC "management flexibility reduction" (cuts to be taken at campus' discretion)

2014

The year began with a growing concern that North Carolina public schools are broken. Republican assessments focus on reform, accountability and parental choice, while Democrats focus on inputs and equity. The legislative short session laid bare the fissures between the two parties over major policy issues like Common Core, teacher tenure and charter schools. Liberal interest groups took the fight over teacher tenure and vouchers to courtrooms. Legislators agreed teacher pay needed to be increased but disagreed over how to increase salaries and by how much. In July a $21.2 billion state budget was passed, and included an average 7 percent pay increase for teachers. Meanwhile the Board of Governors asked UNC campuses to review the number of Institutes and Centers it houses. UNC-Chapel Hill's Center for Poverty, Work and Opportunity, led by UNC Law Professor and liberal activist Gene Nichol, found itself under close scrutiny at the same time UNC Chapel Hill was embroiled in an ever-growing athletics-academics scandal.

FIRE at UNC

- The Foundation for Individual Rights in Education (FIRE), an organization that advocates for basic liberties in higher education, names UNC-Chapel Hill and Appalachian State among its 10 Worst Colleges in 2013 for Free Speech. FIRE criticizes Appalachian State Trustees for sending a letter to professors saying their jobs are safe "only as long as they don't discuss controversial topics in the classroom."
- FIRE also criticizes UNC-Chapel Hill because the student-run honor court lodged disciplinary charges against a student for "intimidating behavior" when she discussed the university's handling of her sexual assault case. A judge later dropped the charges because the charges were deemed too broad.

School Vouchers

- In early February, Wake County Superior Court judge Robert Hobgood blocks a North Carolina law that allows low-income parents to send their children to private or religious schools using state money. Hobgood's ruling prevents the state from holding a lottery for students who applied for annual grants of up to $4,200 called Opportunity Scholarships. Opponents say spending taxpayer money on religious schools is unconstitutional. Ed Speas, an attorney for those who oppose the law, says the law takes money from rural districts, the districts that often need the funds the most.

- Rep. Paul "Skip" Stam, one of the main advocates for Opportunity Scholarships, shares his disappointment when he tells WRAL, "the only constitutional issue the judge ruled on can be fixed in the short session just by appropriating another $11 million to the public schools, and I'm sure we'll be appropriating more than that for the next fiscal year."

Teacher Salaries

- According to the National Education Association, the national average starting salary for teachers in 2012-13 was $36,141. North Carolina's starting salary ($30,778) was lower than surrounding states and ranked 48th nationally. North Carolina's overall average teacher salary of $45,737 was considerably less than the national average of $56,103.

- At his Alma Mater Ragsdale High School in Jamestown, North Carolina Governor Pat McCrory proposes increasing base teacher pay $4,400 over two years. If implemented, the changes would bring base pay for beginning teachers to $35,000, by 2016. Under McCrory's plan, 32,000 of the state's 95,000 teachers would see a pay increase.

Leandro

- As the legislature gets ready to return to session, Howard Manning, the Wake County Superior Court Judge overseeing the state's progress toward meeting North Carolina's landmark Leandro decision, issues a 38-page report

2014 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +10,320 (an increase of 0.6 percent)
- UNC System: + 1,731 (an increase of 0.8 percent)
- Community Colleges: -10,591 (a decline of 2.1 percent; includes enrollment for Curriculum and Continuing Education)

TUITION & FEE INCREASES

- UNC Average Tuition increase: Resident Undergraduate: +1.5%; Non-Resident Undergraduate: +7.4%
- Community College – Curriculum Fees: In-State: +$2.50/credit hour to $71.50, an increase of 3.6 percent; Out-of-State: +$2.50/credit hour to $263.50/credit hour, an increase of 0.9 percent

OTHER EDUCATION CHANGES

- State appropriations for public schools $8.1 billion, a reduction of $58.8 million from 2013-14
- $503.1 million to education from NC Education Lottery
- $41.9 million to reduce class size in Kindergarten and first grade
- Reduces state General Fund support for NC DPI $5 million, a reduction of approximately 10 percent
- $1.4 billion for Comm. Colleges, an increase of $24.4 million over previous year
- $22 million for salary increases
- UNC: $2.6 billion budget, up $29.4 million, over previous year
- $18 million for $1,000 salary increase for UNC employees

that criticizes educators for failing to teach thousands of school children how to read and provide a "sound, basic education." Manning said 483,000 students are not proficient in reading and math and are not receiving a basic education. As Manning waits to receive test results from this year's exams, he sternly warns in the report, "Notwithstanding the results of these assessments, the State of North Carolina cannot 'cut and run' from the results by reducing standards and deleting the assessments because they do not bring good news."

Lottery Earnings

- According to the audit report of the NC Education Lottery, ticket sales totaled $1.84 billion, up 8.8 percent from the previous year. Lottery profits totaled $500 million, up 4.6 percent, a record for a single year.

Teacher Tenure

- In early June, Wake County Superior Court Judge Robert Hobgood declares unconstitutional provisions of the state Budget bill requiring school districts to offer 25 percent of eligible teacher's new contracts in exchange for their career status or tenure. The judge says it was wrong for the state to take away tenure from vested teachers. Hobgood did not extend the order to probationary teachers, those who had not yet earned career status.

- The ruling only intensifies the debate over teacher tenure in North Carolina. Responding to the ruling, Senate President Phil-Berger (R-Rockingham) calls the decision, "a classic case of judicial activism." Rodney Elllis, President of the North Carolina Association of Educators, says he "couldn't be more pleased with the judge's decision." The decision will likely be appealed to the State Supreme Court.

Common Core

- In July, House and Senate negotiators agree on a bill that would set up a framework to repeal the use of Common Core Standards for K-12 education in North Carolina. Legislators create the Academic Standards Review Commissions to review the benchmarks in Grades K-12 that students must meet to progress through the K-12 system. Sen. Jerry Tillman (R-Randolph) says the legislation "repeals and replaces Common Core." Tillman also adds that the measure would allow officials to pull pieces of Common Core Standards into the new state standards.

- Rep. Bryan Hollway, Co-chair of the House Education Committee, says the new commission may use Common Core in setting new standards. "They can take parts of it, but they cannot take it in its entirety," Holloway said.

- On July 22, Governor McCrory signs the legislation. As WRAL reports, McCrory has shown support for Common Core standards saying the state needs to compete globally and that getting rid of the standards "is not a smart move." McCrory seemed to note in signing the bill that even though bill backers said it would repeal Common Core, not much would change. "I will sign this bill because it does not change any of North Carolina's education standards. It does initiate a much-needed, comprehensive and thorough review of standards. No standards will change without the approval of the State Board of Education," he says.

Charter Schools

- According to a new study from the University of Arkansas, in 2011 North Carolina charter school students averaged 13 points higher in reading and 9 points higher in math on National Assessment of Education Progress (NAEP) exams than students in traditional public schools. The study also notes as a caution that before the rapid expansion of charter schools, those students may have experienced a range of educational options such as charter, traditional, private and homeschooling, some of which may – in part – have contributed to the eighth grade scores.

Budget Deal

- In early August, legislative leaders and Governor McCrory give final approval to a $21.2 billion budget that raises teacher salaries an average 7 percent, and increases pay for all teachers to at least $33,000 per year. The legislation moves North Carolina from 46th to 32nd

place in average teacher pay with an average raise of $3,500. The bill also replaces the 37-step schedule with a six step system and discontinues supplemental pay for teachers with a master's degree. The budget bill includes money for Teacher Assistants but limits the flexibility of local districts in paying for them. The changes are expected to cost hundreds of TA jobs.

- With regard to the UNC System, the budget bill increases the total salary and benefits to the average UNC employees by about $1,236. UNC also receives $5 million for raises for exempt employees administered by the Board of Governors.

Want a $450 Raise?

- Several billboards are erected around North Carolina that ask teachers if they want a $450 raise. The ad is part of a Civitas Institute campaign to get teachers to end their membership with the North Carolina Association of Educators. The billboard directs readers to a site where teachers can opt-out from NCAE, join other teacher associations and find similar services that are now provided by the state.

Budget Change

- The *News and Observer* reports in early August that a change in budgeting will mean the state will no longer automatically pay for growth in public school enrollment. Because of the change, local districts won't know until legislators pass a budget how much more money they will have to hire teachers or provide special services.

- Lawmakers had complained that when enrollment was lower than expected, taking money away that wasn't needed looked like a funding cut when the change was just accounting for money that was not needed. The change makes fully funding enrollment growth optional for the legislature. Some critics have said it's a back door way to increasing class size. Republicans, such as chief House budget writer Nelson Dollar, downplayed the change as one to make the budget more understandable and to enhance transparency.

Voucher Unconstitutional

- In mid-August, just days before the start of a new school year, Wake County Superior Court Judge Robert Hobgood declares the school voucher program unconstitutional and casts a cloud over a program that has already received 5,500 applications. The move makes parents of children who had been approved for vouchers wonder how they will pay tuition bills. Judge Hobgood says that using public money for tuition at private and religious schools violates the North Carolina Constitution.

- Reaction to the ruling is quick. Yevonne Brannon of Public Schools First says the decision "upholds North Carolina's long standing commitment to public education." Senate President Phil Berger, a strong supporter of the program and architect of school reform, says "today's ruling by a single trial judge advances a clear political end ahead of the needs of thousands of North Carolina children."

Test Scores

- Helped by a new scoring scale that makes it easier for students to achieve the statewide overall passing rate in all subjects on standardized end-of-grade and end of course tests, pass rates jumped to 56.3 percent, up from 44.7 percent from last year. The tests are based on Common Core standards in English and Math. After last year's disappointing results the State Board of Education approved a new five point level scale. Under the old system passing scores were 3 and 4. Under the new system, level 3 became 4 and level 4 became 5. Students at grade level 3 are considered ready for the next grade level, but not on track for college or career. The tests have other stakes. Third graders who don't pass end-of-grade tests will be retained. Schools will also be graded on an A-F scale, based on a combination of student performance and academic growth.

Grading Scale

In early October the State Board of Education votes to move North Carolina public schools to a 10-point grading scale. Advocates pushed the new scale as a way to simplify grading and level the playing field between school districts. Opponents say the new system makes it easier for

students to get higher grades. Under the new scale, A=100 – 90; B=89-80; C= 79-70; D=69-60 and F=59-. The new scale will be used by all incoming freshman, beginning in the 2015-16 school year.

DID YOU KNOW?

North Carolina spends $150K per High School Diploma.

In 2012-13 North Carolina spent about $8,514 per student. That figure includes operating costs but does not include the costs of school buildings or other capital costs.

Dropouts add to the Cost of Education

If we factor in the costs of dropouts and inflation the cost of education rises. Approximately 82.5 percent of students entering high school graduate four years later. Thus the actual costs of education increase to $11,552, more than $3,000 higher than the stated costs.

The Cost to Educate Varies by County

There is a great disparity among LEAs in the cost to graduate. Hyde County leads in per student total expenditures to graduate with $266,831, and yearly costs of $20,525. Randolph County has the lowest per pupil costs to graduate at $114,129 – an annual per student cost of $8,779.

Is there a relationship between spending and academic achievement?

Of the 31 LEAs that scored at or above the state average (18.7) for graduating seniors on the ACT test, 23 LEAs actually spent below the average per student expenditure ($149,923).

Of the 20 lowest spending LEAs, thirteen exceeded the state average of the percentage of passing scores (44.1) on End-of-Course tests.

UNC Chapel Hill

In late October, UNC-Chapel Hill releases the 900-page Wainstein report that shows how academic counselors pushed athletes into a system of no-show "make believe" classes to help maintain eligibility. The system was aided by sympathetic faculty and staff in the Department of African and Afro-American Studies. The report claims the scheme went on for 18 years to help athletes with poor grades keep eligibility by generating higher grades through classes advertised as lectures that had been quietly converted to questionable "independent study" classes.

According to the report, Chairman Julius Nyang'oro ran a shadow curriculum and Athletic Advisor Deborah Crowder awarded grades without reading papers.

UNC-Chapel Hill says it has forwarded copies of the report to the NCAA. It has not known what action will be taken or what penalties will be assessed. Bruce Svare of the National Institute for Sports Reform calls the UNC case the biggest academic fraud scandal in college sports. Saying the scandal was a result of lack of transparency and the drive to win infused in college athletics.

AP US History Standards

Responding to a growing national chorus of criticism against bias in the AP US History standards, the State Board of Education recommends that High School social studies teachers use a curriculum developed by the Bill of Rights Institute. The left objects because the Bill of Rights Institute has received money from the Charles Koch Foundation. The move comes on the heels of a controversy as to whether AP US History requirements met state requirements for history.

UNC Centers Reviewed

In December, 34 UNC Centers have the opportunity to state their case for continued funding before the UNC Board of Governors meeting. The review is called to evaluate the educational value these centers add to the universities' educational mission.

Key Legislation: Impacting Public Schools, UNC System and Community Colleges

SB 812/S.L. 2014-78 – Academic Standards Review Commission: Establishes 11-person Academic Standards Review Commission to replace Common Core and "to ensure that standards are robust and appropriate and enable students to succeed academically and professionally." ASRC is charged with reviewing all English Language Arts and Mathematics standards to ensure standards are highest in the nation, understandable by teachers and parents and developmentally appropriate.

SB 815/S.L. 2014-50 – Ensuring Privacy of Student Records. Sponsored by Sen. Chad Barefoot (R-Wake), prohibits the transfer of personally identifiable student data, and provides a parental opt-out provision for various data collection procedures. The bill also creates an inventory of student data elements and ensures that current data collection practices are consistent with the Federal Education Rights and Privacy Acts.

SB 793/S.L. 101 – Charter School Modifications - Allows high quality charter schools to quickly expand. The bill also makes charter school records subject to Public Records statutes (Chapter 132) with regard to employee salaries and how money is expended.

SB 719/S.L.2014-28 -Religious Freedom - Legislation affirms the right of student organizations – and specifically campus religious organizations – to determine that only persons with views consistent with an organization's established doctrines can serve as leaders of an organization. Also prohibits public education institutions from punishing organizations for exercising their rights to do so.

HB 230/S.L. 2014-5 - Modifies Read to Achieve and School Performance Grades - Authorizes local school districts to design their own student reading portfolios. Prior to retaining 3rd grade students who are not reading at grade level, LEAs must provide one opportunity to demonstrate reading proficiency through either alternative assessment or successful completion of reading portfolio. Moves school grades from a
10 to 15 point scale for one year only.

H 712/S.L 2014-49- Clarifies changes in Special Need Scholarships - Establishes definition for *child with disability* and *related services* that aligns them with state law. Outlines pre-approval process for parents to submit documented costs for reimbursement. Exempts from Public Records law application for scholarship as well as information related to voucher students.

2015

Amid bright hopes for reform, policymakers returned to work and a new year began with education high on the agenda. Teacher pay seemed to be the only item on a list of education topics that the legislature was sure to address in the upcoming session. However, there certainly was no lack of other concerns competing for attention. Too much testing, the growth of charter schools, teacher retention, school funding, closing the achievement gap and the UNC scandal all vied for leiglsatiive attention. For good or ill, however, the discussion in the 2015 session always seemed to come back to teacher pay. Democrats favored simply adding more dollars across the board, while Republicans sought to tie pay to student achievement and provide incentives to younger teachers. Those frameworks dominated the discussions as the legislature began meetings in January.

UNC President

- In mid-January the UNC Board of Governors takes action to end the tenure of UNC President Tom Ross. UNC Board of Governors President John Fennebresque says it is time for a transition. Republicans, a majority on the Board of Governors for the first time in years, disagree with criticism from Democrats who say the change is politically motivated. Board sentiment seems to favor candidates from

outside academia. That may derive from a new Board of Governors policy that encourages consideration of candidates from such fields as business, military and the non-profit sectors.

Teacher Pay

- Encouraged by revenue estimates that are running $200 million ahead of schedule, lawmakers on both sides of the aisle say it is time for the state to address the issue of teacher pay. Aside from teacher pay, many other K-12 issues seem up in the air. House and Senate Republican leaders and Governor McCrory pledge to increases minimum starting teacher pay to $35,000. Two years ago new teachers earned $30,800, near the lowest in the country. Last year starting teacher pay increased to $33,000.
- While all teachers receive raises most raises were skewed toward younger teachers – 11 years or less of experience – to help with retention. Older serving teachers receive much lower raises; most about one percent.

State Report Card

- New state report cards are released. About one in 20 North Carolina public schools are getting an A while about 6 percent of students attend schools that score an F. Seventy-one percent of North Carolina's 4,200 schools receive a grade of "C" or better. Eighty percent of the grade schools receive is based on how students performed on standardized tests and 20 percent on academic growth. Critics of the grades note a correlation between low grades and poverty. All the schools that grade "F" and nearly all that receive "D" have a majority of their students receiving free or reduced lunch. Sen. President Phil Berger tells the *News and Observer* that public school grades will "increase transparency, encourage support and reform for struggling schools and allow us to explore what our top performers are doing right."

UNC Centers

- After completing a sweeping review of UNC Centers and Institutes, the UNC Board of Governors votes to close three academic centers. One of the Centers, the UNC Center on Work and Poverty and Opportunity at UNC-Chapel Hill is headed by UNC Law Professor, Gene Nichol. Civitas and other groups have written extensively about how the Poverty Center has used taxpayer-funded resources for political purposes. Nichol, who has been critical of the State's Republican leadership, said his work will go forward with new funders that have come forward since the decision to close the Center was contemplated.

2015 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +17,338 (1.1 percent increase)
- Community Colleges: Figures not yet available as of this publication
- UNC System: +2,672 (1.3 percent increase)

TUITION & FEE INCREASES

- UNC: Average Undergraduate Tuition and Fees: Resident Undergraduate: +4.3%; Non-Resident Undergraduate: +2.9%
- Community Colleges: Curriculum Tuition will increase $4.00/Credit Hour to $76/credit hour for Residents; an increase of 5.5%; Non-Resident Curriculum Tuition will increase $4.00/Credit Hour to $268/Credit Hour; an increase of 1.5 percent

OTHER EDUCATION CHANGES

- $8.5 billion to public schools; $412 million more than previous year
- An additional $100 million to reflect more than 17,000 new students
- $141 million increase devoted to salary increases
- $1.06 billion for Comm. Colleges, +$20 million over previous year, $10 million for Salary increases
- $2.7 billion for UNC; an increase of $117 million over previous year
- $27 million to pay for $750 bonuses to UNC Employees
- $49 million for enrollment growth, 3,350 new students

- In an opinion piece explaining the decision, UNC Board of Governors Chairman John Fennebresque writes: "We also felt the center did not enhance the educational mission of the university, did not work across disciplines to effect change, and did not have the financial support to sustain it – the same criteria used to evaluate all 240 centers."

Teacher Tenure

- A three judge panel from the NC Court of Appeals rules that legislation to end teacher tenure is unconstitutional and amounts to an illegal taking of contract and property rights. Six teachers and the NC Association of Educators filed suit against legislation that would have phased out tenure by 2018. Opponents of the decision said they will appeal. Those who support the decision, like Rodney Ellis of NCAE, believe it gives hope to North Carolina, a state that has seen a strong exodus of teachers in recent years.

School Numbers

- Private school enrollment in North Carolina rises by 1,491 students, due almost entirely to the implementation of the Opportunity Scholarship Program. The program helps private schools to reverse an eight-year enrollment decline dating back to 2007-08.

- Enrollment statistics show traditional public schools educate 84 percent of North Carolina's 1.7 million students. Charter schools account for 4 percent of all students; private and home schools account for about 6 percent each. Figures also show a 9 percent increase in home school students, rising from 98,172 to 106,853 and eclipsing private school enrollment (97,656).

Voucher Ruling

- In late July, the North Carolina Supreme Court rules that students can use public tax dollars to attend religious and private schools. The decision reverses a Superior Court decision by Judge Robert Hobgood. The majority holds that using tax dollars for education –no matter where the child attends school – is a public purpose. Renee Flaherty, an Attorney for Institute for Justice,

North Carolina Teacher Salaries

With student enrollment in many areas of the state steadily increasing and a growing number of districts facing teacher shortages in specific subject areas, teacher salaries continue to be an important issue. Despite some teacher salary increases in recent years, the National Education Association (NEA) ranks North Carolina 41st in the nation, with an average public school teacher salary of $47,819; the average teacher salary nationally is $57,420. Gov. McCrory, who has supported generous salary increases for teachers throughout his administration, uses the report to support his goal of raising teacher salaries be competitive with other states. Included in the most recent budget passed by the North Carolina General Assembly is a massive pay hike for teachers to accomplish just that. In the 2016-17 school year, the budget signed by the Governor will raise average teacher pay in North Carolina by an average of 4.7% to $50,186. Within three years, it will raise average teacher pay to over $55,000, moving North Carolina to 24th in the nation in teacher pay, a massive 17 place jump. While many legislators supported these significant salary increases for teachers, they still take issue with the NEA statistics, pointing to the failure of the NEA to account for regional cost of living differences, teacher experience and other factors.

The 2015-16 average teacher salary of $47,819 cited by both the Governor and the NEA provides an incomplete picture of teacher compensation. In addition to their base salaries, teachers in North Carolina receive a variety of income supplements.

which represented parents of voucher students, tells the Carolina Journal: "Five out of six low-income students in North Carolina don't pass either or both of their end-of-grade reading and math tests. Today the court recognized that a school system that wasn't getting results wasn't serving the needs of North Carolina families."

- Rodney Ellis, President of the North Carolina Association of Educators, takes a different view. Ellis says, "The decision will continue the damage being done to our public schools and students by allowing private vouchers to drain money from our already underfunded public schools." The voucher program – called the Opportunity Scholarship – awards eligible families with up to $4,200 for a child's tuition at a private school. Legislators provide an additional $7 million in the 2015-16 to help meet growing demand for the program.

Halifax County

- In a strong show of resolve, Chairman of the State Board of Education Bill Cobey relays the intent of the State Board of Education to take control of the failing Halifax County Public Schools. Cobey communicates his intentions in correspondence to the Halifax County Board of education. The decision means that the State Board of Education will take over all budget functions and have authority over instructional needs. The State School Board had been working with Halifax County since 2009 when Superior Court Judge Howard Manning had called poor end-of-grade reading scores "academic genocide" and ordered the school to make plans to improve performance.

State Budget

- On September 15, stressing the themes of tax cuts, education funding and responsible budgeting, the General Assembly approves a $21.74 billion state budget. The budget raises starting pay for teachers from $33K to $35K; restores funding for nearly 5,000 elementary school teaching assistants, but reduces the flexibility districts previously had to use the money for other purposes.

DID YOU KNOW?

How Do North Carolinians feel about their schools?

(Results from November 2015, Civitas Poll)

Do you agree or disagree with the following statements:

There are too many children in failing schools in North Carolina

- 78 percent of respondents agreed with the statement; liberals: 75%; conservatives; 84%; moderates 69%

Do you agree or disagree with the following statement: Parents have the right to choose a school for their child that will best meet their educational needs and supports their values

- 87 percent of respondents agreed with the statement; liberals: 85%; moderates: 81% and conservatives: 92%

If you could choose the best educational option for your child, what option would you choose?

- Traditional Public Schools: 32%; Private Schools: 28%; Public Charter School: 17% Magnet School: 10%; Home School: 7%; Virtual Charter: 1% Don't Know 5%

A new program to fund education is being proposed in many states. Education Savings Accounts – or ESAs as they are commonly known – allow state funds to be used by parents to create a personal account to pay for K through 12 educational expenses including tuition, tutoring, testing, fees and books. Would you say you support or oppose an Education Savings Account?

- 63% Support
- 30% Oppose
- 7% Did Not Respond/Unknown

Key Legislation: Impacting Public Schools, UNC System and Community Colleges

HB 13/S.L. 2015- 222– Amendment to School Health Assessment Requirement. Expands the school health assessment requirement to all children entering public school for the first time – at any grade level. The previous requirement was only for children entering at kindergarten. When a health assessment is not provided, parents or guardians will have 30 calendar days to submit the health assessment form or be forbidden from attending school.

HB 113/S.L. 2015-44 – Raises the penalty for school personnel convicted of engaging in sexual acts or taking indecent liberties with a student who is less than four years younger than the offender from a misdemeanor to a Class I Felony. Legislation does not apply to teachers, school administrators, student teachers, school safety officers and coaches.

HB 334/S.L. 2015-248 – Charter and LEA Changes. Legislation requires local school boards to establish a procedure before allowing an immediate family member of a school board member or central office staff administrator to engage as an independent contractor or be employed by the local school district. With regard to charter schools, the legislation increases the minimum number of charter school students from 65 to 80, defines procedures for fast-tracking, directs charter boards to adopt anti-nepotism policies, and maintains Charter School Advisory Board under DPI but gives the State Board of Education the ability to supervise, direct and control the office.

SBE 333/S.L. 2015-126. Amends information required to be included in the State Board of Education's annual report on teachers leaving the profession. Under the legislation, report must now include the number of teachers who left employment in hard-to-staff schools and subject areas. In addition, statewide disaggregated effectiveness for those teachers who leave the profession will be reported to the State Board of Education, but not be included in data collected at the LEA level.

SB 670/S.L.2015-300. Beginning in January 2017, this legislation limits the number of full four- year terms that members of the UNC Board of Governors may serve to three. Legislation also establishes a process for the selection of the President of the UNC System. The Board of Governors shall submit a list of three final candidates for consideration. The Board shall conduct of vote and the candidate that receives a majority of votes from the Board shall be named President.

- The UNC System overall receives about $99 million more in state funding, bringing the state appropriation to $2.7 billion. The state budget does, however, force campuses to cut $18 million in administrative costs this year while paying for enrollment growth and providing for additional funds for Elizabeth City State University and the new medical school at East Carolina University.
- The budget also allocates an additional $10 million this year to pay for community college faculty.
- Governor McCrory signs the budget bill on September 18th.

Academic Performance

- Fewer students meet overall targets for academic performance. Overall about 56.6 percent of students pass statewide exams in math, reading and science, about the same as the percentage that passed the exams last year (56.3 percent). With regard to the all-important third grade, only 59 percent of students pass the reading exam, down slightly from previous years. Results show that overall performance on standardized tests has remained largely flat from a year ago.
- While North Carolina's high school graduation rate is at an all-time high, other tests of academic performance remain stalled or declining. SAT scores are down from where they were last year and also a decade ago. North Carolina's combined math, reading and writing scores are down 5 points from last year and 16 points from ten years ago. Interestingly, as North Carolina's participation on the SAT exam has declined, state scores have declined as well. Usually the converse is true. North Carolina's participation has dropped from 70 percent to 59 percent in 2015.

NCAE Payroll Deduction

- In December, the State Auditor says it is not able to verify that the North Carolina Association of Educators has 40,000 members. Since NCAE is not able to verify it meets state requirements, Senator Ralph Hise (R-Madison) has urged the state Controller to stop collecting dues from payroll deductions.

Transgender Bathrooms

- Governor Pat McCrory joins with several other states in a friend of the court brief supporting a Virginia School District facing a discrimination lawsuit over the use of bathrooms by transgender students. According to a December 1st press release from the Governor's Office: "This attempt to centralize gender identity policies in schools at the federal level is another example of Washington encroaching on the local decision-making of the teachers and parents who know their students best." The governor weighs in after Roy Cooper, the North Carolina Attorney General and presumptive Democratic nominee for Governor, declined to sign North Carolina onto the brief.

Common Core

- After sixteen months of work reviewing Common Core math and English standards, the Academic Standards Review Commission (ASRC) stopped short of adopting its own recommendations, seemingly caving to intense pressure from education and business groups to not scuttle the controversial standards. The recommendations disappointed many opponents of Common Core who wanted a strong statement from ASRC as to how North Carolina would begin to restructure math and English language arts should Common Core be pulled from the classroom.
- The vote leaves the State Board of Education with much more discretion as it approaches a rewrite of standards. What happens next is not known. The Standards will be presented to the State Board of Education in early March. Sen. Jerry Tillman, a Common Core opponent and Chairman of the Senate Education Committee, told the Raleigh *News and Observer* he would be watching to see what changes the State Board of Education makes. If lawmakers don't like what the board does, Tillman said the legislature "may decide we want to start all over. We have to look at it along a standard-by-standard basis" Tillman said.

2016

Among the significant results of the 2016 elections in North Carolina was the surprise election of Republican Mark Johnson over Democrat incumbent June Atkinson for the position of Superintendent of Public Instruction. Atkinson had served three terms and was the longest-serving State Superintendent in the nation. In the state budget, K-12 teachers once again received aggressive pay raises, school choice vouchers received more support, and three UNC campuses were directed to offer extremely low tuition. North Carolina's largest teacher association, NCAE, continued to refuse to disclose its membership figures in spite of requests from the State Controller's office, in order to protect its dues check-off privileges with the state. A national news investigation which found North Carolina to have one of the poorest teacher background screening systems in the country caught the attention of lawmakers.

NCAE Refuses to Disclose Membership Count

- In January, Linda Combs, State Controller, sends a letter to the state's largest teachers union, North Carolina Association of Educators, asking that the organization "provide me or the State Auditor evidence of your membership count. . . to ensure that NCAE is eligible for the payroll deduction program." State law requires that organizations like the NCAE have at least 40,000 members to be eligible for dues check off and that the State Auditor certify the membership numbers annually.

- According to a recent audit report NCAE claims to have about 70,000 members. A report however, from the State Auditor found only 9,452 individuals that have payroll or retirement checks processed by the state actually pay dues to NCAE.[1] Despite repeated requests from State officials, NCAE Executive Director Rachelle Johnson told State Controller Linda Combs in a letter, the organization had no intention of providing membership numbers to the state, calling the state's request "unnecessarily intrusive."

Teacher Background Screening

- USA Today publishes a national investigation of teacher background screening and found massive defects in systems in just about every state. According to the story, North Carolina has a national reputation for welcoming "questionable educators" that other states have rejected. The authors blamed a patchwork system of laws, poor communications between jurisdictions and lax standards as factors that failed to keep teachers with serious questions of misconduct in their past out of the classroom.

- The study, which graded all states on how well they vet teacher backgrounds, gave North Carolina an F, and called it one of the worst states in the country. Contributing to the problem was a State Board of Education review in 2008 which identified serious shortcomings with the current system. Recommendations were issued in 2010, but years later have never been implemented.[2]

- The articles stirred significant interest from legislators and the State Board of Education.[3] In an interview with the News and Observer discussing the state's system of background screening for applicants, Atkinson said "our system has been effective over 99 percent of the time."

UNC Caught in the Middle

- In early May UNC System President Margaret Spellings says the university is "truly caught in the middle" as state and federal officials launched competing lawsuits over HB-2 and threatened to withhold $1.4 billion in Federal Funding. On one hand, Spellings responded to the Department of Justice saying UNC will comply with federal nondiscrimination law. At the same time, Spellings acknowledged that HB-2 remains the law of the state and the university must abide by it.[4]

- HB 2, approved by the North Carolina General Assembly in March 2016, rolls back protections passed by the Charlotte ordinance that allowed individuals to use public accommodations based on their gender identity. The new bill states individuals must use accommodations based on the gender on the individual's

birth certificate. HB 2 also made it illegal for cities to expand on protections similar to the Charlotte ordinance.[5] Supporters say the bill protects the privacy of individuals in restrooms. Opponents said the legislation discriminates against transgender individuals.

Achievement School District

- In June Governor Pat McCrory signs off on a bill (HB 1080) to create a five-school Achievement School District. The legislation, sponsored by Rep. Rob Bryan (R-Mecklenburg), creates a pilot school district for schools that have consistently shown poor growth and performance. The legislation also allows the State Board of Education to appoint a Superintendent for the new district and to choose charter companies with proven records to run the schools.

- Mark Jewell of the North Carolina Association of Educators says his organization opposes the bill because it does nothing to treat poverty issues at the root of poor test scores.[6] Supporters say ASDs represent an innovative attempt improve education at failing schools.

High School Dropout Rate Increases

- After a decline of eight consecutive years, the Department of Public Instruction reports an increase in the public school dropout rate. In 2015-16 the dropout rate edged up to 2.39 percent from 2.28 in the previous year. According to the report, the dropout rate increased for all ethnicities except Asian.

- The top reasons for dropping out included "attendance and enrollment in community college." The number of students dropping out of school to attend community college increased over last year.[7]

Teacher Tenure

- In an April decision from the North Carolina Supreme Court, Justice Robert Edmunds writes that legislation that would retroactively remove teacher tenure violated constitutional rights that protect contracts. A unanimous Supreme Court rules that the Court failed "to see a legitimate public purpose for which it was necessary substantially to impair the vested contractual rights of career status teachers."

- The ruling said the legislature could not retroactively rollback tenure protection provisions, protections that teachers had been promised for decades. Teachers also won the right to a hearing to challenge their firing or demotion. In an important victory for the legislature, the court did say however that going forward, the legislature could stop new teachers from receiving tenure benefits.[8]

Teacher Raises

- In late April Gov. McCrory introduces his recommended budget for FY2016-17. The $22.3 billion spending plan includes an overall increase in spending of 2.8 percent, and raises for teachers. Under the McCrory plan, teachers would get an average pay increase of 5 percent and a 3.5 percent one-time bonus targeted at veteran educators who had already hit the state's salary cap. The plan would raise average teacher salary in North Carolina to $50,000.

- McCrory's teacher pay plan was meant to quell discontent over low teacher salaries and growing publicity over teachers leaving North Carolina for better paying jobs elsewhere.[9]

Budget

- In late July Governor McCrory signs a $22.3 billion state budget. The bill raises spending over the previous year by 2.8 percent but also includes significant changes to education, several of which differ from McCrory's proposal.

- Included in the budget are provisions to give a raise to all teachers (with amounts ranging from $750 to $5,250). Average teacher pay would increase 4.7 percent. When supplements are included the average teacher pay would exceed $50,000.

- The bill also includes $3.5 million for a principal preparation program and $10 million to provide bonuses to 3rd grade reading teachers whose student growth scores rank in the top 25 percent of similar teachers statewide.

- In addition, $34.8 million is set aside for Opportunity Scholarships for low-income students to attend private schools. $4.2 million is added to Special Needs Scholarship which provides up to $4,000 per semester for special needs students. The Special Needs Scholarship now has $10 million in funding, an increase of 137 percent over last year.

2016 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: +5,240 students, represents an increase of 0.3 percent.
- Community Colleges: - 13,354 students, represents a decline of 5.3 percent (FTE in Curriculum and Continuing Education Programs)
- UNC System: Figures not yet available at time of this guide's update

TUITION & FEE INCREASES

- UNC: $6,709 average Resident Undergraduate Tuition and Fees: an increase of 3.8%; $20,970, average Non-Resident Undergraduate Tuition and Fees, an increase 2.7%
- Community Colleges: Tuition for Curriculum students remained $76/credit hour for residents and $268/credit hour for Non-Residents. No tuition changes for Resident and Non-Resident students in 2016-17.

OTHER EDUCATION CHANGES

- $47 million to fund K-12 enrollment growth
- Provide a 4.7 percent salary increase for teachers and raise average teacher salary to over $50,000
- Create pilot teacher bonus program for reading, career-tech and AP teachers who meet specific goals
- Add $10 million for textbooks and digital materials, bringing total budget to $71 million
- Adds $6 million for equipment purchases throughout Community College System
- Modifies performance metrics for NC Community College System to improve assessment of student success and incentives for college performance
- Create 3 new multi-campus centers where students can complete certificates, diplomas or associates degrees
- Provides $31 million in additional funds to UNC System for projected enrollment growth
- Delays implementation of NC Guaranteed Admission Program
- Increases principal preparation program by $3.5 million
- Increases funds for Special Education Scholarships by $5.8 million
- Provides $34.8 million to establish Grant Fund Reserve for Opportunity Scholarship Program

- Lastly, the budget also includes provisions to: 1) limit tuition at three UNC Institutions – Elizabeth City State University, UNC-Pembroke, and Western Carolina University to $500 per semester for in-state undergraduates, $2,500 per semester for non-residents; 2) freeze tuition increases for four years at UNC institutions and 3) provides that tuition and fees increases cannot exceed 3 percent.[10]

Charter School Surge Halted

- In early August the State Board of Education slows the growth of charter schools in North Carolina by approving only 8 of 28 applications for 2017-18. Two of the new schools will add a combined 1,200 new seats in Mecklenburg County. In a controversial move, the State Board of Education fails to approve six applications that had been recommended for approval by the Charter School Advisory Board.

- The board's actions are undoubtedly influenced by a number of schools that had been approved, opened and failed due to financial or academic problems, including three in the Charlotte area. In February 2016, there are 159 charter schools and approximately 82,000 students in charter schools in North Carolina.[11] In September, the North Carolina Charter school office receives 38 applications for schools to open in 2018.[12]

Performance Scores

- In September the Department of Public Instruction releases student performance and graduation rates. The results reveal some improvements but still raise many questions. In grades 3-8, the number of students reading at grade level proficiency edged up from 56.3 percent in 2014-15 to 56.9 percent in 2015-16. An improvement but still far short of the stated goal of all students reading proficiently by third grade. Overall proficiency in math increased from 52.2 percent (2014-15) to 54.7 percent (2015-16).

- According to NC DPI school accountability data, about 33 percent of the state's more than 2,400 traditional and charter schools achieved an A or B grade on school report cards. The proportion of schools receiving D or F grades fell from the previous year (29.4

percent) to 23.2 percent. Education officials also announced that the state graduation rate increased to an all-time high of 85.9 percent.[13] That joy is tempered by some hard facts. As Terry Stoops of the John Locke Foundation has noted, in 2015, 42 percent of recent high school graduates enrolled in one or more remedial or developmental math and or/English courses at a North Carolina Community College. Stoops also notes that while the remediation rates have declined, those changes have been more a result of placement policy changes.[14]

NC Education Lottery

- Lottery officials announce another record year for revenue with sales totaling $2.4 billion. Monies targeted for education total $608 million. How the money is divided among competing educational interests is a source of endless discussion and frequently leads to annual changes in the distribution of funds.
- For 2017, lottery dollars are allocated as follows: non-instructional support personnel (63 percent); school construction (17 percent); pre-kindergarten (13 percent); Need-Based College Scholarships (5 percent); UNC Need-Based Financial Aid (2 percent).[15]

New Superintendent

- In November, attorney and school board member Mark Johnson stuns the Tar Heel state by defeating three-term Democratic incumbent June Atkinson to become North Carolina's next State Superintendent of Public Instruction. Johnson defeats Atkinson by 56,000 votes out of almost 4.5 million cast.
- Atkinson had been the longest serving State Superintendent in the country. Johnson, a former Teach for America teacher, ran a campaign focused on the themes of trusting local school districts, reduced testing and utilizing appropriate technology in the classroom.
- In an interview for WRAL two weeks after the election, Atkinson appeared to be still shaken by her defeat as her emotions shifted between bitterness, crying and sadness. She took issue with Johnson's remarks on the campaign trail. "I have two pet peeves, Atkinson said, "one is it bothers me when people swim in the swamp of ignorance or swim in the swamp of dishonesty. It bothers me that my opponent would say disparaging things about people here in the department."

> I have two pet peeves, one is it bothers me when people swim in the swamp of ignorance or swim in the swamp of dishonesty. It bothers me that my opponent would say disparaging things about people here in the department.
>
> June Atkinson, outgoing Superintendent of Public Instruction, discussing her victorious opponent in the 2016 election

- In the same article, Johnson said he acknowledges Atkinson has a lot of institutional knowledge and he said he looks forward to talking with her.[16]

School Funding Formulas

- Distributing over $8 billion in K-12 public and charter school funding is unduly complex, often favors wealthier counties and lacks transparency. Those are the findings of a report released In November by the Program Evaluation Division of the General Assembly.
- The report lists five recommendations including moving to a weighted student funding model which would tie funding to students and be based on the needs of individual students.[17] This is the second time North Carolina's school funding formulas have been independently reviewed. In 2010, at the request of a special legislative commission, a private consulting firm recommended similar changes. However, the economic recession and its aftermath kept the issue on the back burner. None of the recommendations from the earlier report have been adopted.[18]

Special Session

- In December, Governor McCrory calls a special session to approve $201 million in disaster relief for the victims of Hurricane Matthew in eastern North Carolina and wildfire relief in Western North Carolina. Officials say more than 30,000 businesses suffered from storm damage and more than 1,500 households were still displaced. Wildfires burned more than 62,000

acres. The aid package is in addition to several hundred million dollars the state is also receiving in federal disaster relief funding.

- Disaster relief is the most straightforward part of the special session, other legislation emerging from the session is more controversial, including HB-17. The legislation does several things.

- The legislation directly limits incoming Gov. Roy Cooper's appointment powers with regard to UNC Boards of Trustees and the State Board of Education and makes the Governor's cabinet appointments subject to senate approval.[19]

- The bill also transfers powers from the State Board of Education and gives it to the State Superintendent of Public Instruction, newly-elected Republican, Mark Johnson.

- In addition, the bill gives the State Superintendent more ability to manage the state's education budget, greater authority over senior staff at DPI and the ability to choose the leader of the Achievement School District – a responsibility that previously belonged to the State Board of Education. Reaction to the legislation was swift and highly critical. State Superintendent June Atkinson told the Raleigh News and Observer, the changes "have the potential to change the department from a nonpartisan agency to a partisan agency, and I find that troubling."[20]

- Sen. Chad Barefoot (R-Wake) thought differently. He told reporters, "Most of what we're doing is clarifying the constitutional role of the superintendent. I can tell you from personal experience that the superintendent needs more administrative control over his department."[21] As expected, the Governor's office and State Board of Education file suits challenging the law as unconstitutional. As of this writing, the suits are working their way through the courts.

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12 North Carolina Office of Charter Schools, web site. Available online at: http://www.ncpublicschools.org/charterschools/applications/

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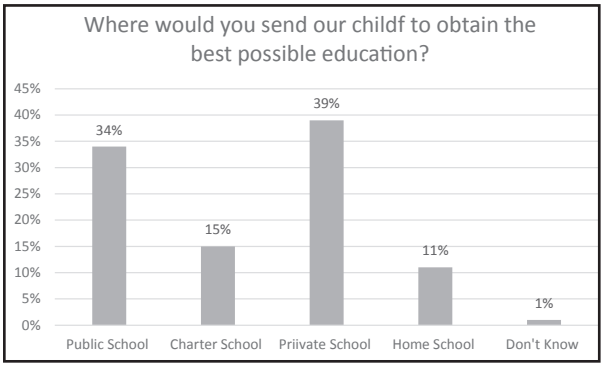
CIVITAS POLLING AND EDUCATION

Civitas continues to poll North Carolina voters on a wide range of issues including public education. Some of the specific topics we've asked about include teacher pay, charter schools, school choice, education savings accounts, Common Core, Achievement School Districts and overall satisfaction with the public schools.

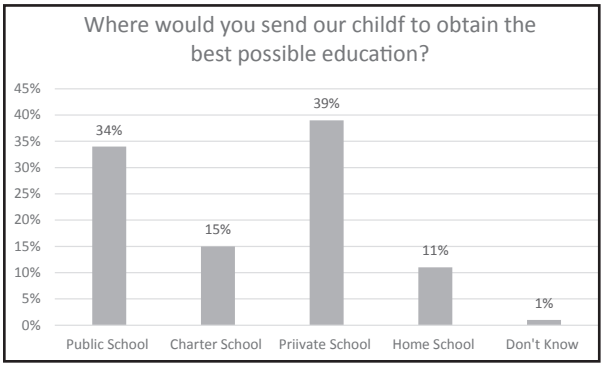
Recent Highlights include:

If it were your decision and you could select any type of school, what type of school would you select in order to obtain the best education for your child?



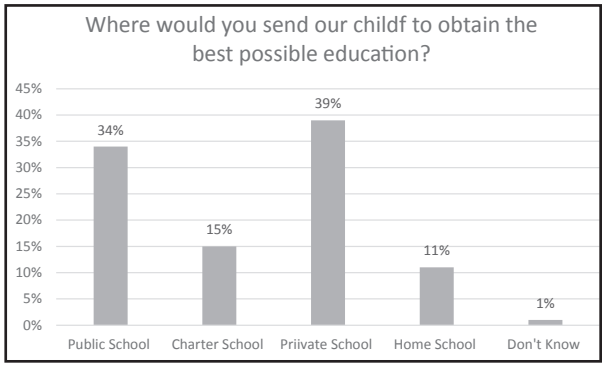
(Civitas – Friedman Poll, September 2012)

Tenure – or career status – has traditionally been granted to teachers who successfully complete a three or four year probationary period. Tenure prohibits dismissal, demotion or removal except for violating one of fifteen stated criteria. Proponents say it is a safeguard against favoritism. Opponents say it makes it very difficult to remove ineffective teachers. Do you favor or oppose the concept of tenure for teachers?



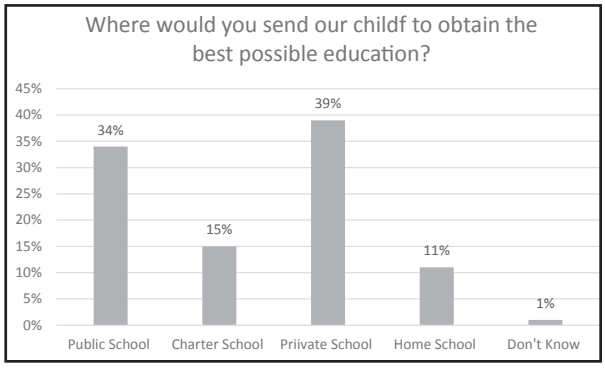
(Civitas Poll, March 2014)

North Carolina adopted Common Core Standards in 2010. However both the House and the Senate have voted for bills that will review and rewrite these standards and make them specifically North Carolina standards. Do you favor or oppose rewriting the Common Core standards in North Carolina?



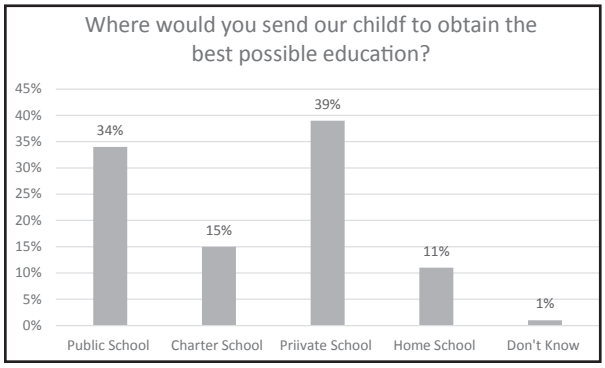
(Civitas Poll, June 2014)

The Opportunity Scholarship Grant program in North Carolina was passed by the legislature and signed by the Governor in July of 2013. The legislation provides eligible, low-income students with vouchers of up to $4,200 to attend the school of their choice. Do you favor or oppose the Opportunity Scholarship Program?



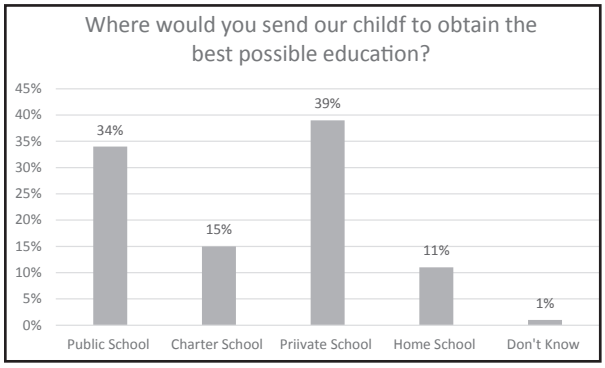
(Civitas Poll, February 2015)

Recently, Nevada became the fifth state to approve Education Savings Accounts for students, commonly called ESAs. ESAs are government authorized savings accounts that place government funds in an account for families and allow parents to use the funds for approved expenses such as tuition, books, and tutoring. In general, do you favor or oppose the idea of "Education Savings Accounts?



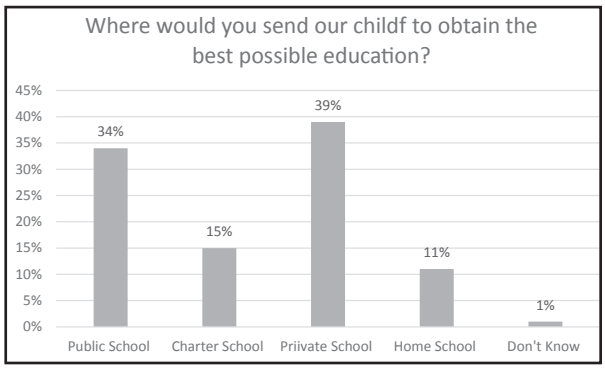
(Civitas Poll, November 2015)

Please tell me if you agree or disagree with the following statement: While it's unfair to expect every school to be everything to every child, there are too many children in failing schools in North Carolina. Children are hurt when their parents can't choose what's best for their children. When our schools fail, we rob our children of a bright future.



(Civitas Poll, November 2015)

Please tell me if you agree or disagree with the following statement:"Parents have the right to choose a school for their child that will best meet their child's educational needs and supports their values."



(Civitas Poll, November 2015)

CIVITAS EDUCATION POLLING HIGHLIGHTS:

- 65 percent of North Carolinians favor charter schools
- 38 percent of respondents gave the local public schools a grade of "B"; 34% gave schools a grade of "C"; 11 percent gave an "A"; 9 percent gave a "D" and 4 percent gave an "F".
- 63 percent of respondents would choose to send their child to a school other than the local public school if given a choice.
- 52 percent of respondents oppose the implementation of Common Core Standards in North Carolina Public Schools
- 42 percent of respondents oppose allowing a higher percentage of out-of-state students to attend the University of North Carolina; 41 percent of respondents favor the proposal
- 63 percent of respondents favor allowing state funds to be used by parents to create a personal account to pay for K-12 educational expenses, including tuition, testing, fees and books.
- 47 percent of respondents said parents send their children to failing schools because they don't have the resources or access to a better school, like a private school, charter school or home school.

CONCLUSION

Lessons Learned

Education has been at the center of the policy debate in North Carolina for much of the past thirty years. Governors Martin, Hunt, Easley, Perdue and McCrory have all made improving public education a top priority. Their efforts have produced a beehive of activity and new initiatives, some of which include: reorganizing the Department of Public Instruction and the State Board of Education; revamping the standard course of study; implementing Common Core State Standards and developing new academic standards; implementing end-of-grade and end-of-course testing; reducing class sizes; hiring thousands of new teachers and support staff; developing an accountability model with incentives for teachers, raising teacher pay, the North Carolina Education Lottery and charter schools.

With this activity have come ever-growing levels of public investment in education. General Fund expenditures for K-12 education have climbed steadily since the mid-eighties, rising from $2.2 billion in 1985-86 to $8.7 billion in 2016-17. While the debate over the merits of these efforts will certainly continue, policymakers and all those committed to improving public education in North Carolina would do well to consider a few of the lessons learned from this brief history of education in our state.

LESSON ONE: A STRONG CULTURE OF ACCOUNTABILITY IS NECESSARY FOR SUCCESSFUL EDUCATION REFORM

Institutions, like people, must be held accountable for their actions. This may seem obvious, but were it a reality, many of the recent efforts to improve education would have been unnecessary:

- In 1985, the $800 million Basic Education Program was passed in response to growing concern over the decline in basic knowledge and skills among our state's young people.
- In 1997, the General Assembly passed student accountability standards for 3rd, 5th, 8th and 12th grade students to ensure students were performing at grade level. In 2013, the General Assembly approved the Opportunity Scholarship Program that offer scholarships up to $4,200 to allow low income students in many of the state's poorest areas the chance to obtain a quality education at a private school.

All of these programs originated in the Legislature and were designed to remedy a declining and unresponsive system of public education. While the goals of this legislation may have been laudable, it was the chronic inability of the public schools to take effective and successful action that prompted the reforms. Were parents, educators, and officials faithful to their own duties and committed to holding schools responsible, such grand initiatives would not have been necessary, nor would the courts have found it necessary to intervene through the *Leandro v. State* decisions.

This is not to say that the Legislature does not have a role to play in holding schools accountable. Rather, the new programs underscore the inevitable shortcomings of any legislative effort that does not encourage (or in some cases require) parents, community leaders, educators and administrators to carry out their responsibilities. True education reform can only succeed in an environment that values true accountability.

Accountability is certainly one of the buzzwords of the education reform movement. The names of the various legislative initiatives of the last 25 years give a prominent place to the idea of accountability: ABCs of Education, (Accountability, Basics and Local Control), Student Accountability Standards, the Student Improvement and Accountability Act. These titles proudly proclaim the state's intentions. But a closer look at how these laws were actually implemented raises questions about the state's commitment to accountability efforts.

Take, for example, the ABCs of Education. The idea at the heart of the 1997 legislation was that every student should be able to demonstrate specific skills before moving to the next grade.

According to a 2006 State Board of Education Report however, "From 2001-02 to 2005-06, the percentage of gateway grade students promoted who did not meet the standards has increased each year, from 64 percent in 2001-02 to 91 percent in 2005-06."[1]

In 2010, the State Board of Education voted to end the state-required performance gateways that have linked promotion and graduation to end-of-grade and end-of-course tests for the past several years. The move is a part of the state's greater reliance on early diagnostic assessments that can pinpoint student learning needs before the end of the school year. The changes took effect with the 2010-11 school years.

Is this good policy? Under rules established by the ABCs legislation, principals frequently had the final authority to decide whether a student gets promoted when he or she fails to meet promotional standards. Now early diagnostics are supposed to alert educators before failure happens. While this flexibility may work well for students who test poorly, how do we know the early diagnostics is working for troubled students or whether testing is effective for all student populations?

LESSON TWO: MORE MONEY ISN'T ENOUGH

Even after accounting for inflation and population growth, over the past thirty years, education spending has skyrocketed. In an earlier version of this guide we noted from 1985-2005 North Carolina has spent $1.75 billion just trying to *improve* public education.[2] Most recently in 2010 North Carolina received $400 million from the Federal government to promote innovation and encourage education reform as part of the Race-to-the-Top program.

Most of this money has gone to separate initiatives such as class size reduction, salary increases for teachers and administrators, more support personnel in schools, accountability and standardized testing regimens, and to encourage school reform.

As of 2015, North Carolina employed about 95,000 classroom teachers. Once administrators and support positions are accounted for, the public schools employed close to 175,000 people.[3] The 1997 passage of the Excellence in School Act (ESA) committed the state to reaching the midpoint of national teacher salaries by the year 2000 and resulted in average salary increases of close to 8 percent every year. ESA is estimated to have added close to $1 billion in costs to the state budget. Average teacher salaries have gone from $33,129 in 1997-98 to $47,177 in 2009-10. Because of the economic downturn teachers received no salary increases or ABC bonuses in 2009 or 2010. However since 2010, teachers have received 2 salary increases totaling a combined 8.2 percent. The increases have helped to push average teacher salary from $46,700 in 2010 to $47,783 in 2014-15. In 2015, salaries and matching benefits totaled 67 percent of all funds appropriated for public education.

WHAT HAVE WE GOTTEN FOR OUR MONEY? North Carolina has seen some improvements in measures like SAT scores, but many of our students are not receiving a "sound basic education." Too few students are staying in school and too many of those who do remain are not performing as well as their peers in other states.

- ➤ While North Carolina's graduation rate has improved, still only 86.5 percent of North Carolina high schoolers graduate in four years and approximately 15 percent do not graduate at all.[4] North Carolina ranks 36th nationally in the percentage of population (83 percent) over 25 years old with at least a high school diploma and 25th in the percentage (25.6 percent) of its adult population holding at least a bachelor's degree.[5]
- ➤ NC Scores on the National Assessment of Educational Progress (NAEP) 4th Grade Reading Test, the North Carolina average student score (219) was not statistically different from

the average score nationally (220). North Carolina students scored lower than students in 26 states/jurisdictions, higher than students in 11 states/jurisdictions and not significantly different than students in 14 other states or jurisdictions.

- On the 2009 National Assessment of Educational Progress (NAEP) 8th Grade Reading Test, the average North Carolina student score (260) was less than the average national score of 262. The North Carolina score was lower than student scores in 32 other states/jurisdictions, higher than scores in 9 other states/jurisdictions and not significantly different from student scores in 10 other states or jurisdictions.[7]

LESSON THREE: BUDGET REFORM IS A PREREQUISITE TO EDUCATION REFORM

If the last thirty years have taught us anything, it is that the budget has direct influence on education reform. None of the major initiatives of the last thirty years – ABCs of Education, BEP, SIAA, ESA, Supplemental Funding, increases in teacher salaries, remedial education, class size reductions, charter schools, differentiated pay, school choice – would have been possible without budget resources and legislative backing. In many ways, the budget was merely the tool for implementing education policy.

Yet because the majority of the reform efforts of the last thirty years have been tied to the budget, they have also been subject to the whipsaw fluctuations in funding that accompany economic cycles. Prominent programs like SIAA and BEP have absorbed significant financial cuts during sluggish economic times and then rebounded once things turned around. The normal cycles of the state and national economy can lead to funding fluctuations that can be crippling, if not fatal, to many education programs.

A growing economy, expanding enrollments and strong public support for K-12 education have helped to fuel the ever-expanding budgets of the last 30 years. There is increasing concern, however, that the present system of funding education is no longer working.

School district reliance on state funds places a premium on the steady and reliable collection of tax revenue by the state. While a growing economy and population changes have helped to fund budget expansion, recent developments make the future of education funding uncertain:

- The strain of a growing state and local tax burden. In 1985, North Carolina's combined state and local tax burden was the 35th highest in the United States. By 2015 North Carolina was the 20th highest.[6]
- The long-term financial impacts of *Leandro v. State* are already significant. In 2007, the Legislature provided approximately $235 million in supplemental funds (low wealth, small school and disadvantaged student) to school districts, in part to help correct for deficiencies. By 2025, the state will likely have spent another $1.75 billion above and beyond what is needed to keep pace with population growth plus inflation.
- The expected demographic shift and subsequent expansion of Medicaid already underway in North Carolina will increase the competition for scarce public resources. By 2030, almost 1-out-of -5 Americans – some 72 million people – will be 65 years or older.[7]

An evaluation of North Carolina's public school funding formulas recommended revising how the state funds its schools. Major recommendations included:

- Combining all allotments that are distributed on the basis of total enrollment
- Changing the way lottery funds are distributed
- Adding a "weighting" factor to teacher allotments to reflect the impact of special education, at risk limited-English and gifts student populations;
- Modifying the statewide teacher salary schedule to better reflect teacher and student performance and achievement of learning objectives.[8]

These changes haven't happened but are necessary. Without changes in the current system of financing K-12 education, such financial and demographic trends will leave the state unable to maintain current educational service levels. A successful future requires that we learn from past mistakes and focus on new reforms already on the horizon.

ENDNOTES:

1 State Board of Education, *2005-2006 State Accountability Standards in Grades Three, Five and Eight*, (Raleigh: State Board of Education), iii.

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3 Highlights of the North Carolina Public School Budget 2015, North Carolina Department of Public Instruciton, Available at: http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2015highlights.pdf

4 Ibid.

5 See: https://en.wikipedia.org/wiki/List_of_U.S._states_by_educational_attainmen

6 *2010 Facts and Figures: How Does Your State Compare?* Published by the Tax Foundation, 2010

7 *U.S. Census Bureau, Dramatic Changes in U.S. Aging Highlighted in New Census, NIH Report: The Impact of Baby Boomers Anticipated,* press release, March 9, 2006; available at http://www.census.gov/PressRelease/www/release/archives/aging_ population/006544.html.

8 *Recommendations to Strengthen North Carolina's School Funding System,* Augenblick, Palaich and Associates, Inc., September 2010

APPENDIX

Estimated Number of Public Charter Schools & Students, 2014-15

	New Charters, Fall of 2014	Closed Charters, Spring 2014	Net Gain Charters , 2014-15	Total Charter Schools, 2014-15	Charter School Growth	Estimated Enrollment, 2014-15	Charter Enrollment Growth
Alaska	0	0	0	27	0%	6,300	2%
Arkansas	6	0	6	45	15	23,100	41%
Arizona	31	13	18	623	3%	225,000	20%
California	87	34	53	1,184	5%	547,800	7%
Colorado	15	2	13	214	6%	98,000	5%
Connecticut	4	0	4	22	22%	8,200	17%
Dist. of Columbia	5	4	1	61	2%	35,300	6%
Delaware	3	0	3	24	14%	12,500	13%
Florida	56	28	28	653	4%	275,000	20%
Georgia	13	4	9	103	10	80,600	16%
Hawaii	1	0	1	34	3%	10,400	6%
Iowa	0	0	0	3	0%	300	4%
Idaho	3	2	1	48	2%	19,600	-4%
Illinois	3	2	3	66	5%	63,000	6%
Indiana	6	2	4	79	5	44,300	25%
Kansas	0	0	0	11	0	2,700	6%
Louisiana	18	6	12	129	10%	74,000	25%
Massachusetts	3	6	-3	78	-4%	35,700	3%
Maryland	3	2	1	53	2%	18,600	5%
Maine	1	0	1	6	20%	900	135%
Michigan	17	7	10	307	3%	159,000	16%
Minnesota	10	1	9	158	6%	47,900	11%

Estimated Number of Public Charter Schools & Students, 2014-15 (continued)

	New Charters, Fall of 2014	Closed Charters, Spring 2014	Net Gain Charters , 2014-15	Total Charter Schools, 2014-15	Charter School Growth	Estimated Enrollment, 2014-15	Charter Enrollment Growth
Missouri	3	1	2	51	4%	20,000	8%
North Carolina	25	1	24	151	19%	70,800	22%
New Hampshire	4	0	4	23	21%	3,000	43%
New Jersey	5	5	0	87	0%	41,000	27%
New Mexico	4	2	2	97	2	24,400	14%
Nevada	4	0	4	38	12%	28,200	15%
New York	17	2	15	248	6%	106,000	17%
Ohio	11	27	-16	384	-4%	146,000	18%
Oklahoma	3	1	2	27	8%	18,700	40%
Oregon	2	1	1	125	1%	32,000	12%
Pennsylvania	4	4	0	176	0%	128,000	-1%
Rhode Island	3	0	3	21	17%	7,100	19%
South Carolina	10	3	7	66	12%	27,400	18%
Tennessee	14	5	9	80	13%	20,900	72%
Texas	2	7	33	275	14%	280,000	18%
Utah	15	0	15	110	16%	65,400	19%
Virginia	1	0	1	7	17%	2,300	8%
Washington	1	0	1	1		45	
Wisconsin	22	22	0	245	0%	46,800	7%
Wyoming	0	0	0	4	0%	600	27%

Source: National Alliance for Public Charter Schools, February 2015. Available at: http://www.publiccharters.org/wp-content/uploads/2015/02/open_closed_FINAL.pdf

Teacher Benefits: Vacation Leave, Sick Leave and Personal Leave

VACATION LEAVE

All Permanent employees, Full time and Part time, who work or are on paid leave for at least one-half or more workdays in the month earn annual vacation leave based on years of state service. Leave for Part time employees is earned on a pro rata basis.

The rate of earning is based upon the length of Total State Service as follows:

VACATION LEAVE ACCRUAL EFFECTIVE JANUARY 1, 2011

STATE SERVICE TIME	YEARLY FULL-TIME ACCRUAL RATE	MONTHLY FULL-TIME ACCRUAL RATES (HOURS)	MONTHLY FULL-TIME ACCRUAL RATES (DAYS)
0-2 YEARS	14 DAYS (112 HOURS)	9.33 HOURS	1.17 DAYS
2-5 YEARS	14 DAYS (112 HOURS)	9.33 HOURS	1.17 DAYS
5-10 YEARS	17 DAYS (136 HOURS)	11.33 HOURS	1.42 DAYS
10-15 YEARS	20 DAYS (160 HOURS)	13.33 HOURS	1.67 DAYS
15-20 YEARS	23 DAYS (184 HOURS)	15.33 HOURS	1.92 DAYS
20+ YEARS	26 DAYS (208 HOURS)	17.33 HOURS	2.17 DAYS

Exception: Bus drivers, who work less than 20 hours per week and who are not otherwise eligible to earn annual vacation leave, will earn one day per year or 8 hours if they are employed to drive on a regular route (that is, not a substitute driver) and they were employed as a regular bus driver during the entire previous school year.

SICK LEAVE BENEFITS FOR TEACHERS

Rate of Earning

(i) Permanent Full Time employee working or on paid leave for at least one-half or more the workdays in the month earn: One day or maximum of 8 hours.
Example: 12 month employee earns 12 days or 96 hours per year
Example: 10 month employee earns 10 days or 80 hours per year

(ii) Permanent Part Time employee working or on paid leave for at least one-half or more of the workdays in the month earn: Pro rated basis of one day or 8 hours
Example: 12 month employee who is Part Time 75% earns 9 days or 72 hours per year

(iii) Part Time employees who are scheduled to work less than 50% of an assigned schedule do not earn sick leave.

(iv) Sick leave may be accumulated indefinitely and at retirement, it is added for retirement service credit.

Use of Personal Leave Chart (Reflecting Changes):

Calendar Days	Workdays	Can Use Personal Leave without a Deduction?	Can Use Personal Leave With Deduction?	Can Use Annual Vacation Leave?
Instructional Days	185(2)	No	Yes (1)	No
Optional Vacation Leave Non-Instructional Workdays (3)(4)	At least 2(4)	Yes (1)(5)	No(3)	Yes
Mandatory Workdays(6)	Up to 8(6)	No	No	No

PERSONAL LEAVE

Personal leave is earned by classroom teachers and school media coordinators who require substitutes. In order to be eligible, the teacher must be in a permanent full- or part-time position. Personal leave is earned at the rate of .20 days for each full month of employment not to exceed two days per year. Part-time personnel earn a pro rata share of the rate for full-time teachers. Unused personal leave may be carried forward from one year to another and may be accumulated without limitation until June 30th . On June 30, personal leave in excess of 5 days is converted to sick leave so that a maximum of 5 days of personal leave are carried forward to July 1st . Upon retirement, any personal leave may also be converted to sick leave.

(1) In accordance with Section 5.1.2. – Benefits & Employment Policy Manual
   (a) Personal leave may be used only upon authorization of the immediate supervisor.
   (b) Unless approved by the principal, a teacher shall not take personal leave on the first day teachers are required to report for the school year, on required teacher workdays, on days scheduled for State testing, on the last working day before or the next working day after holidays or annual vacation days scheduled in the calendar.
   (c) On all other days, if the request is made at least five days in advance, the request shall be automatically granted subject to the availability of a substitute teacher.
   (d) A teacher who requests personal leave at least five days in advance cannot be required to provide a reason.
   (e) Personal leave may be used on any instructional day or workday except as noted in (b) above.

(2) The State Board of Education may grant waivers to use some or all of the 5 additional instructional days (formally protected work days) as professional development workdays that will enhance students' performance. Any days for which a waiver has not requested and approved remain instructional days and the days that are waivered become mandatory attendance workdays. (Effective July 1, 2011 there are no protected teacher workdays.)

(3) Optional Non-Instructional Workdays – Workdays that are not designated as mandatory attendance workdays when teachers and other employees can use accumulated vacation leave. See (6) below.

(4) At least 2 of the 10 non-instructional days must be designated as days that teachers may take accumulated annual leave (optional workdays). Local boards may designate up to 10 non-instructional days as days on which teachers may take accumulated annual leave.

(5) Limited to the accrued personal leave balance as of the leave date.

(6) Workdays that the local board can designate as mandatory attendance workdays; if not mandatory, Optional Vacation Leave Non-Instructional workday provisions apply.
When Christmas is on Tuesday, Wednesday or Thursday, the maximum will be 7 instead or 8.

Source: North Carolina Public Schools, Benefits and Employment Policy Manual, available at: http://www.ncpublicschools.org/docs/district-humanresources/key-information/information/policymanual.pdf

Index and Sources for Charts & Graphs

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Education as a Percent of General Fund Appropriations
Created by Civitas Institute. Data Source: North Carolina General Assembly, Fiscal Research Division, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Fiscal Years 2000-01 through 2015-16. Available at: http://www.ncleg.net/fiscalresearch/budget_legislation/budget_legislation.html

General Fund Appropriations
Created by Civitas Institute. Data Source: North Carolina General Assembly, Fiscal Research Division, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Fiscal Years 2000-01 through 2015-16. Available at: http://www.ncleg.net/fiscalresearch/budget_legislation/budget_legislation.html

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Statewide Distribution of ADM
Created by Civitas Institute. Data Source: North Carolina Department of Public Instruction, Initial Allotments for LEAs 2015-16. Available at: http://www.ncpublicschools.org/fbs/allotments/state/

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General Fund Appropriations for Public Education, 1985-2010.
Created by Civitas Institute. Data Source: Office of State Budget and Management, Historical Budget Tables. Available at: http://www.osbm.state.nc.us/new_content/historical_budget_data.pdf.

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Public Schools of North Carolina Organizational Chart.
Data Source: North Carolina Department of Public Instruction. Available at: http://www.dpi.state.nc.us/docs/organization/orgchart/orgchart.pdf

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Average Teacher Starting Salaries in Various States 2012-13
Created by Civitas Institute. Data Source: National Education Association. Available at: http://www.nea.org/home/2012-2013-average-starting-teacher-salary.html

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Adjusted Teacher Compensation by State
Created by Civitas Institute. Data Source: Rankings & Estimates for various years, National Education Association.

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NAEP Reading Scale Scores
Created by Civitas Institute. Data Source: National Center for Education Statistics' National Assessment of Educational Progress 2015 (NAEP)

NAEP Math Scores
Created by Civitas Institute. Data Source: National Center for Education Statistics' National Assessment of Educational Progress 2015 (NAEP)

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Dropouts and Dropout Rates in North Carolina 2005-06 through 2014-15
Created by Civitas Institute. Data Source: Department of Public Instruction's Consolidated Data Report 2014-15

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North Carolina and United States Combined Average Math and Critical Reading Scores, 1994-2014
Created by Civitas Institute. Data Source: North Carolina SAT Report, 2014, Department of Public Instruction

Math and Critical Reading Scores for Selected States, 2014
Created by Civitas Institute. Data Source: The 2014 SAT Report on College & Career Readiness published by the College Board

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North Carolina Public School Personnel by Type and Source of Funding, 1999-2016
Created by Civitas Institute. Data Source: Facts and Figures, Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/resources/data/

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NC Charter School Enrollment, 1999-2016
Created by Civitas Institute. Data Source: ADM Allotments, Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/resources/data/

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Percentage of NC High School Students Graduating from High School in Four Years, 2010-11 through 2015-16
Created by Civitas Institute. Data Source: NC Department of Public Instruction, Cohort Graduation Reporting Service. Available at: http://www.dpi.state.nc.us/accountability/reporting/cohortgradrate

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Enrollment vs. Population Growth, 1999-2016
Created by Civitas Institute. Data Source: NC Department of Public Instruction. Available at: http://www.dpi.state.nc.us/fbs/accounting/data/

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Southeast SAT Scores 2004
Created by Civitas Institute. Data Source: The College Board, "Table 3: Mean SAT Verbal and Math Scores by State, With Changes for Selected Years," (New York: The College Board, 2007). Available at: www.collegeboard.com.

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Charter Schools by County 2015-16
Created by Civitas Institute. Data Source: NC Public Schools. Available at: http://www.ncpublicschools.org/charterschools/schools/by-county/

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Percent of Schools Not Meeting Adequate Yearly Progress: 2005-06.
Created by Civitas Data Source: U.S. Department of Education, National Center for Education Statistics; State Education Reforms,"Table 1.6 State Assignment of School Ratings: Percent of Schools Not Making Adequate Yearly Progress, and Percent of Schools Identified As in Need of Improvement, by state: 2005-06" (Washington D.C: US Department of Education, 2007).

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Percentage of High School Classes Taught by Teachers Lacking a Major or Minor in Field, 1999-2000.
Adopted from Heather G. Peske and Kati Haycock, "Teaching Inequality" (Washington DC, "The Education Trust", June 2006)

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2005 High School Graduate Intentions (Includes 2004 Summer School).
Created by Civitas Institute. Source: North Carolina Public Schools Statistical Profile for 2006.

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North Carolina Public Schools, 2009 Per Pupil Spending By Source of Support.
Created by Civitas Institute. Data Source: Facts and Figures, 2009-10, North Carolina Department of Public Instruction.

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Civitas Polling and Education
Source: Civitas Institute, Monthly Polls for respective years.

Appendix

Charter Schools by State, 2015
Source: Source: National Alliance for Public Charter Schools, February 2015. Available at: http://www.publiccharters.org/wp-content/uploads/2015/02/open_closed_FINAL.pdf

Leave and Vacation Benefits for Teachers
Source: North Carolina Public Schools, Benefits and Employment Policy Manual, available at: http://www.ncpublicschools.org/docs/district-humanresources/key-information/information/policymanual.pdf

About the Civitas Institute

The vision of the Civitas Institute is of a North Carolina whose citizens enjoy liberty and prosperity derived from limited government, personal responsibility and civic engagement.

The mission of the Civitas Institute is to facilitate the implementation of conservative policy solutions to improve the lives of all North Carolinians. Towards that end, Civitas provides research, information and training to:

- *Empower* citizens to become better civic leaders and more informed voters;
- *Educate* emerging public leaders, enabling them to be more effective in the democratic process; and
- *Inform* elected officials about citizen-based, free-market solutions to problems facing North Carolinians.

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