



1989 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 3,401 (0.3%) decrease
- UNC: 82 (0.05%) 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

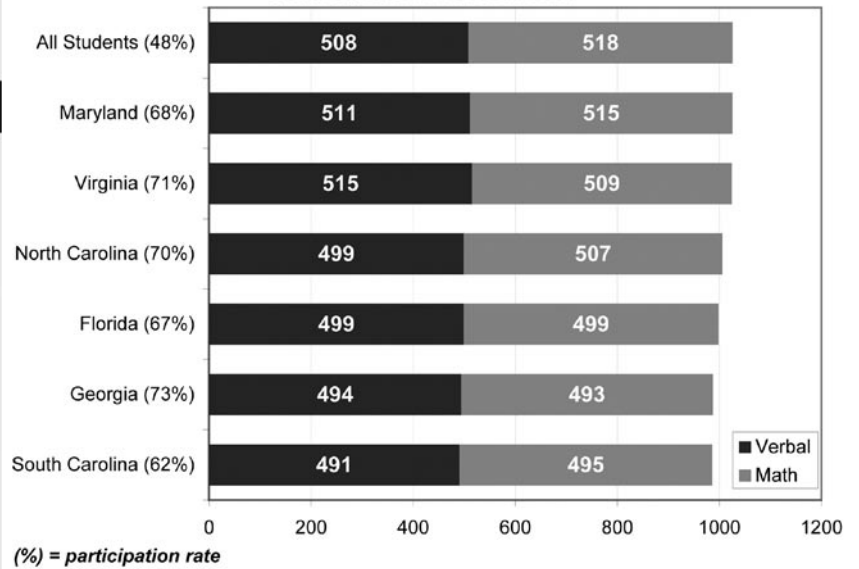
more than 14,000 non-teacher positions will have been added to the school system a 27 percent increase over previous levels.

- 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."

Southeast SAT Scores: 2004



- 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 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



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

- 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.

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

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.



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

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).

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 lan-



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

guage 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.

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

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



1993 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 14,942 (1.4%) increase
- UNC: 4,249 (2.8%) increase

TUITION & FEE INCREASES

- Average increase of 11% for in-state and 8% 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

- \$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

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. 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:

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

²Fiscal 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 Martin 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; 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.



1994 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 22,465 (2.0%) increase
- UNC: 920 (0.6%) 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
- Eliminate 185 vacant positions

► Funding for the differentiated pay program for noncertified personnel in the schools is increased but changed from recurring to non-recurring. 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 FY1994-95 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

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

BEP: more problems

- Release of a state report showing 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.

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:

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

“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.”

– Leandro, p. 345

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.

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?

- By law, the number of charter schools is capped at 100.
- Currently, 94 active charter schools operate within the state. These schools serve more than 27,000 students.

ENDNOTES:

¹“Overview,” U.S. Charter Schools; available from http://www.uscharterschools.org/pub/uscs_docs/o/index.htm.
²As quoted, with minor changes, from “Overview,” U.S. Charter Schools.

**Charter Schools by County
2006-2007 School Year**

COUNTY	NUMBER of SCHOOLS	COUNTY	NUMBER of SCHOOLS
Alamance	3	Moore	2
Avery	2	Nash	1
Beaufort	1	New Hanover	1
Brunswick	1	Northampton	1
Buncombe	3	Orange	2
Burke	1	Pamlico	1
Cabarrus	1	Person	2
Carteret	2	Robeson	1
Chatham	2	Rockingham	1
Cherokee	1	Rutherford	1
Cumberland	1	Scotland	1
Durham	6	Stanly	1
Forsyth	5	Surry	1
Franklin	1	Swain	1
Gaston	2	Transylvania	1
Guilford	4	Union	1
Henderson	1	Vance	1
Iredell	3	Wake	14
Jackson	1	Warren	1
Lee	1	Watauga	1
Lenoir	2	Wayne	1
Lincoln	1	Wilkes	1
Mecklenburg	9	Wilson	1
Moore	2	Total:	94

ADAPTED FROM: “Charter Schools in North Carolina,” Office of Charter Schools, Department of Public Instruction”; available <http://www.dpi.state.nc.us/charterschools/resources>.



1995 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 22,465 (2.0%) 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

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

1995

Riding on the coattails 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 DPI's 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 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:

¹Fiscal 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



1996 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 25,795 (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)

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

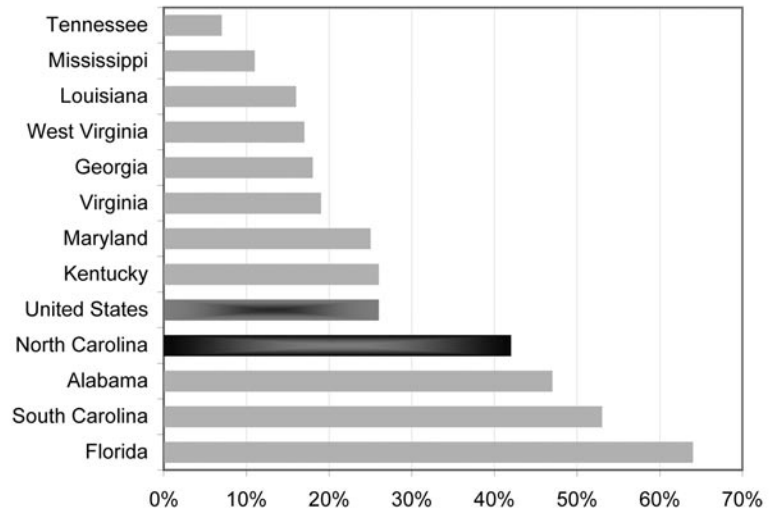
The 1996 short session began with improved economic conditions and a \$700 million budget surplus.

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.

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



► The 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



1997 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 26,450 (2.3%) 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 51% in community college tuition

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*

oppose the legislation, arguing that it real-locates 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.

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

Excellent Schools Act

► In June, the Legislature passes the Excellent Schools Act (ESA) (S.L. 1997-221). Championed

1997

Despite holding a slim majority in the House, Republicans were unable to cap spending. The 1997-98 General Assembly

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.

ESAs 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.

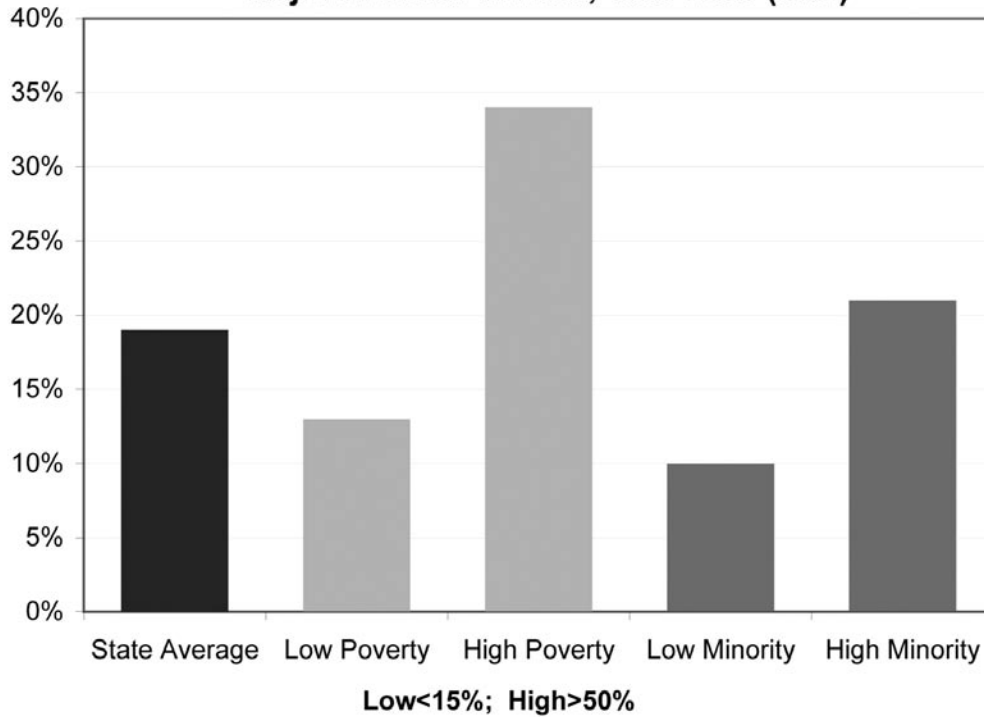
► Chief Justice Burley Mitchell writes in his response to the verdict, "The right to education in the state constitution is a right to a sound basic education. An education that does not serve the purpose of preparing students to participate and compete in the society in which they live and work is devoid 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.

Percentage of High School Classes Taught by Teachers Lacking a Major or Minor in Field, 1999-2000 (U.S.)



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 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 con-



1998 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 25,033 (2.1%) 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
- No increase in community college tuition

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

servatives, 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 EDUCATION FUNDING

ENROLLMENT CHANGES

- Public Schools: 21,561 (1.8%) 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 community college tuition 33.75% (\$95 per semester)

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 the right to an opportunity for a sound basic education may include the right to early childhood education before age 5

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:

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