

# 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 30 organizations associated with schools and education – including some public schools and universities – pay lobbyists to act on their behalf in Raleigh.<sup>1</sup> And 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 \$9.9 billion in 2005-06. Compare this to \$5.8 billion 10 years earlier, and \$3.3 billion 20 years earlier. Public schools alone cost taxpayers \$6.9 billion, compared to \$4.0 billion in 1995-06 and \$2.2 billion in 1985-86.<sup>2</sup>

Yet even with spending more than tripling over 20 years, education has been outpaced by the rest of the state's expenditures.

Between 1985 and 2005, overall education spending as a percent of the General Fund budget decreased from 68 percent to 58 percent. Spending on K-12 declined from 45 percent to 40 percent of the budget.<sup>3</sup>

Even with the decreased emphasis in the state budget, however, education remains the single largest cost driver. For every dollar paid in taxes, 40 cents goes to K-12 education and 18 cents goes to higher education. For every dollar spent on a lottery ticket, 35 cents goes to education.

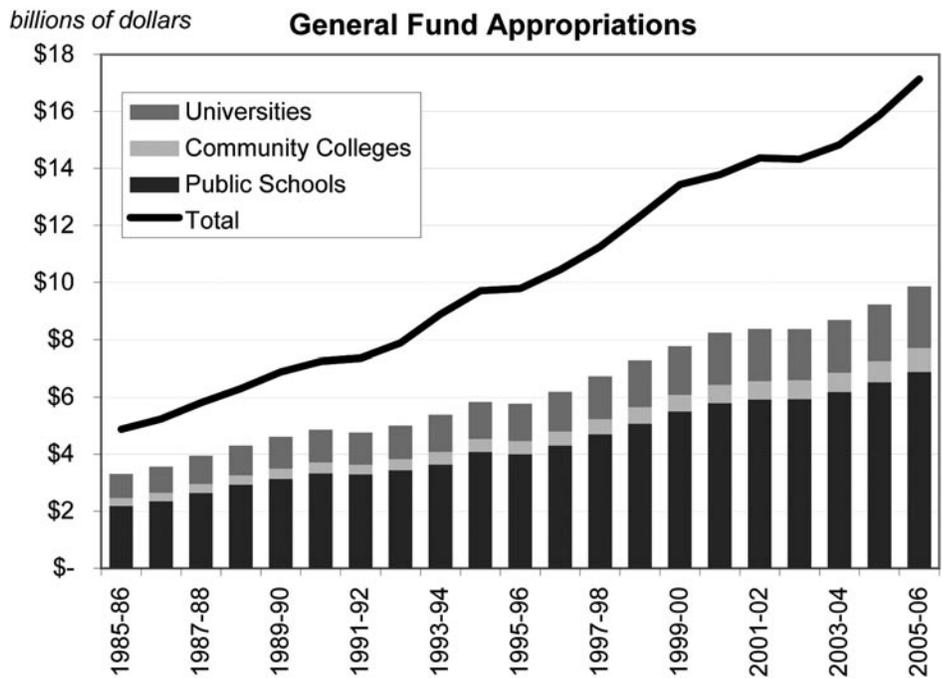
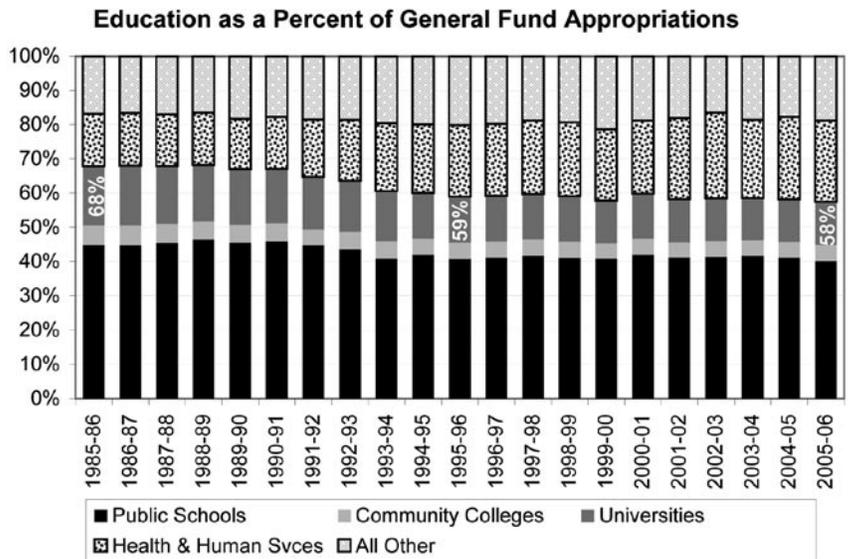
**Millions of futures are at stake.** Even more critical than the financial significance of education is its social and economic importance. Approximately 1.5 million school age children currently represent the future of North Carolina. In 2005-06, 1.37 million of these children were enrolled in traditional public schools in North Carolina. That same year, the parents of 154,200 children chose alternatives to traditional public schools: private schools (92,900), home schools (33,700), and public

charter schools (27,600).<sup>4</sup> The 10 percent of children not served by the traditional public school system represent a growing segment of the student population.

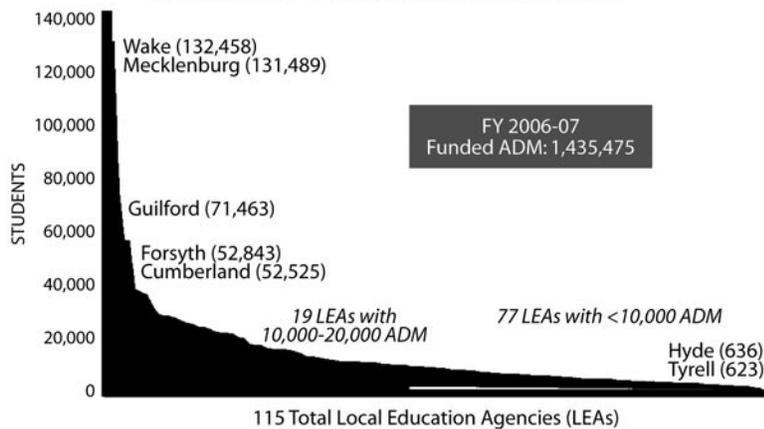
Between 1985 and 2005, the public school population in North Carolina grew by more than 288,000 students, an increase of nearly 30 percent.<sup>5</sup> During the same time period, the actual school age population (ages 5-17) grew by a little more than 31 percent for an increase of nearly 370,000 children. The state's overall population grew even faster, increasing 39 percent.<sup>6</sup>

The growth in student population 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. In the last five years alone, the student population in Mecklenburg and Wake counties has mushroomed by more than 20 percent. These counties face rising spending demands, school overcrowding, and construction crises.

The source of the state's growth is 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.<sup>7</sup> North Carolina is home to an increasing immigrant population as well. People from other regions bring their own ideas about education – collective bargaining, teacher salary norms, class sizes, and testing programs. And North Carolina has begun to respond.



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## WHERE ARE WE NOW?

**Too many students have unmet needs.** Native and new residents alike face challenges rooted in North Carolina's educational history. Nearly one in three high school students will not graduate. Of those who do graduate, two out of three will not complete college within six years. The numbers are more dire for minorities, including Hispanics, and for low income children. 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. And state standards themselves fall short of national standards. The result has been an increasing focus on the marginal students – bringing those one step below grade level up to grade level – possibly to the detriment of high achieving students.<sup>8</sup> Standardized tests have encouraged schools to focus more on reading and math.

**Innovations are needed.** Twenty 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, the problems – and many of the proposed solutions – are the same. The state has poured resources into teacher salaries and has more National Board-certified teachers than any other state. Yet one third of new teachers leave within three years. 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, and 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 20 years. The timeline on the following pages will take the reader from 1985 to 2005, 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 to success. At the turn of the new century, although another budget crisis slowed spending in many areas, the education budget continued to grow. And in the late 1990s and early 2000s, the *Leandro* court case pushed the state to spend more on specific segments of the school population.

North Carolina schools are still more heavily state funded than school systems in most other states, with the result being that state officials retain a great deal of control over school policies as a result. But over the last 20 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 last five years, the state has increasingly channeled money to schools based on certain defined populations – exceptional students, disadvantaged students, low wealth counties, small counties.

The state has moved in some ways from education inputs to outputs and outcomes, but 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 years later, the state continues to spend millions raising teacher salaries and reducing class sizes. In the intervening years, however, some changes have occurred:

**School accountability.** In 1996, the state established and continues to use an accountability program – the ABCs – designed to hold schools accountable for student progress on state standards. A forerunner 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.

**School choice.** Also in 1996, the Legislature approved charter school legislation. As of 2006, there were 93 active charter schools in the state, 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 in the case, Howard Manning, to flesh out what this means in terms of the state’s responsibilities. 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 qualify, and that while funds were fairly distributed, these funds were inadequate to the task. 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, the state has structured education policy to shine a bright light on one segment in particular of the school population: students who are not quite up to grade-level standards. These students are the ones who can make or break a school's ABC status (and teacher bonuses). They bring in extra money that schools must use on services specifically for this population. And the federal government reinforces the importance of this group through No Child Left Behind requirements.

The following pages show the ups and downs – the programs that continue today and those that were abandoned – in the quest to improve student achievement in North Carolina. Key terms are defined to translate “education lingo,” a series of Questions and Answers (Q&A) highlights critical education issues, and a 20-year timeline walks the reader through the path of education policy in North Carolina. Finally, we leave you with some considerations for the future. All in all, this guide attempts to answer three questions: Where have we been? What should we take with us? And what should be left behind?

ENDNOTES:

<sup>1</sup>North Carolina Secretary of State, Lobbyist Compliance Division, (2007); registered principals available from <http://www.secretary.state.nc.us/lobbyists/psearch.aspx>.

<sup>2</sup>Fiscal Research Division, North Carolina General Assembly, *Overview 2006 Legislative Session Fiscal and Budgetary Actions (Revised)* (Raleigh: Fiscal Research Division, 2007), Q-9 to Q-11.

<sup>3</sup>Ibid.

<sup>4</sup>North Carolina Department of Public Instruction, Division of Non-Public Education, “Non-Public and Public School Enrollment Comparisons: Statewide Totals By School Type and School Term”; available from <http://www.ncdpe.org/hhh510q.htm>.

<sup>5</sup>North Carolina Department of Public Instruction, Education Statistics Access System, “Beyond 20/20 Web Data Server, Final ADM Histories by LEAs, 1979-80”; available from <http://149.168.35.67/WDS/TableViewer/tableView.aspx?ReportId=85>.

<sup>6</sup>U.S. 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/stiag785.txt> and U.S. Census Bureau, Population Division, “Annual Estimates of the Population by Age and Sex for North Carolina: April 1, 2000 to July 1, 2006” (SC-EST2006-02-37) (Washington DC: U.S. Census Bureau, May 2007).

<sup>7</sup>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>.

<sup>8</sup>Public School Forum of North Carolina, “Public School Forum Report”; available from [http://www.ncforum.org/doclib/forum\\_report](http://www.ncforum.org/doclib/forum_report).