



# Effective and Equitable:

*Creating a Shared Vision for  
North Carolina Schools*

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By Kris Nordstrom, Policy Analyst

919/856-3195

[kris@ncjustice.org](mailto:kris@ncjustice.org)



PO Box 28068

Raleigh, NC 27611-8068

[www.ncjustice.org](http://www.ncjustice.org)

## INTRODUCTION

For the past decade, North Carolina’s public school systems have dealt with crippling declines in funding and a policy agenda grounded in ideology that is hostile to public education. North Carolina lawmakers have embraced high stakes testing and unaccountable school privatization initiatives while asking our educators to do more with less. Student performance is falling and there are ever increasing gaps between the advantaged and disadvantaged. Teacher preparation programs have seen enrollments shrivel.

### **North Carolina needs another path.**

Lawmakers must refocus on evidence-based policies that confront the symptoms of poverty and institutional racism. That means investing in programs that give all children the opportunity to be successful. It means giving educators the resources necessary to help all children develop into thriving adults. It means supporting and rewarding educators for the commitment they have made to our children. And it means giving high school graduates pathways to continue their education that do not indebt them for years to come.



The list of policy recommendations below is not comprehensive because it focuses solely on “education policy.” However, if we want all North Carolina children to thrive, policymakers must consider a holistic policy agenda that confronts the role of poverty outside of school. Improvements in tax, environmental, health, criminal justice, immigration, economic, housing, and food policies play complimentary roles in boosting academic performance and ensuring that all North Carolinians can lead long, fulfilling lives.

This report offers the best estimates of how much each policy recommendation below would cost in the North Carolina state budget. The analysis does not consider the massive financial benefits of a strong education system that leads to long-run increases in lifetime earnings, or savings that accrue from long-run decreases in government services that would accrue from having a better-educated, more self-sufficient populace.

## EQUITY MEASURES

### 1 Change School Performance Grades to End Stigmatization of High-Poverty Schools

#### *Prioritizing growth and equity will help parents and policymakers identify our state's best schools*

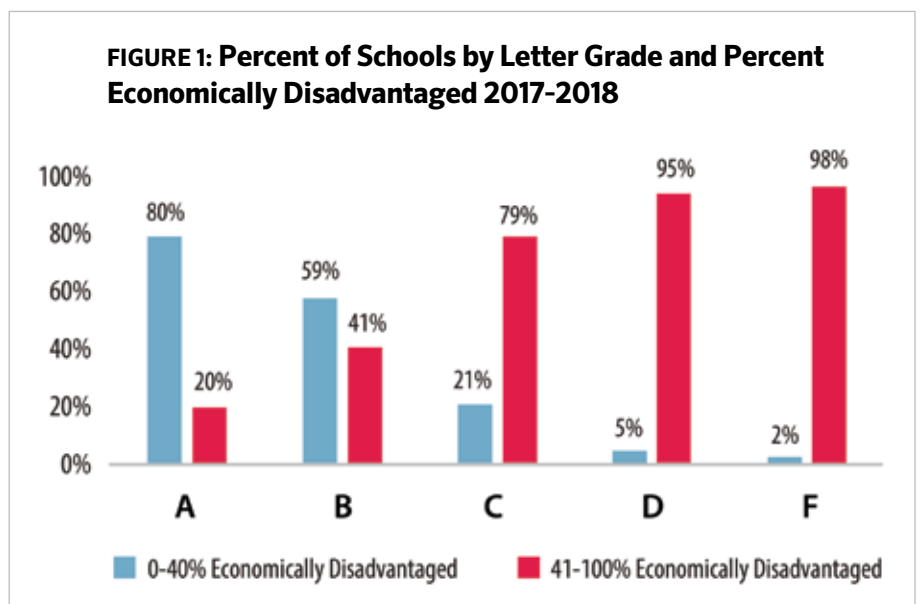
In 2013, North Carolina began assigning letter grades to measure each school's performance. Eighty percent of each school's letter grade is based on school achievement and 20 percent is based on student growth. Achievement measures the share of students meeting state performance goals solely on the basis of one test score, while growth attempts to quantify how much a student has learned in a year.

#### WHY MODIFYING SCHOOL PERFORMANCE GRADES IS IMPORTANT

North Carolina's school performance grades stigmatize schools with high concentrations of students from families with low incomes by emphasizing student achievement. Decades of education research have shown that student achievement is highly correlated with family income, a relationship that has only grown stronger as our economy has become more unequal.

North Carolina compounded this problem by selecting the absolute worst measure of student achievement. The emphasis on proficiency rates causes schools to focus on students “on the bubble” —those students expected to perform near the pass-fail cutoff—to the detriment of all other students. Alternative measures such as performance indexes and average scale scores that emphasize improving the performance of all students would measure achievement in a way that encourages schools to raise the performance of all students.<sup>1</sup>

North Carolina's school performance grades tell us little about which schools are doing a good job educating their students, but do a great job telling the public where students from families with low incomes are being taught:



<sup>1</sup> Brandon L. Wright, “How states can avoid proficiency rates when measuring academic achievement under ESSA,” Thomas B. Fordham Institute Flypaper Blog, July 21, 2017, as found at: <https://edexcel-lence.net/articles/how-states-can-avoid-proficiency-rates-when-measuring-academic-achievement-under-essa>

North Carolina policymakers are demoralizing educators and discouraging excellent teachers and principals from taking on assignments in high-need schools by stigmatizing these schools. Real estate companies publicize these measures, which can dissuade families with higher incomes from moving into neighborhoods served by schools with students from families with low incomes.<sup>2</sup>

## RECOMMENDATION

North Carolina can provide important school quality information to parents and policymakers without needlessly stigmatizing high need schools. An improved school performance formula would take into account the following factors:

- **Student growth:** This remains the best available measure for determining how much learning occurs in a given year. Unlike student achievement, there is little correlation between students' family income and school growth.
- **Achievement gaps:** School accountability measures should take into account the size of racial and economic achievement gaps, and whether those gaps are widening or narrowing to advance school equity.
- **Access to a well-rounded education:** School performance grades should take into account access to art, music, physical education, language programs, and the other elements of a well-rounded education that promote a love of learning.
- **Level of school segregation:** It's been shown that racially and economically integrated schools boost student achievement and long-term earnings, while reducing dropouts and crime rates. Integrated schools increase cross-racial understanding and enhance students' capacity for working with others.<sup>3</sup> Measures of school segregation can be incorporated into school performance grades to show how a school's demographics differ from the district or county in which the school is located.<sup>4</sup>

## Cost of Modifying School Performance Grades

Modifying school performance grades would **not require any additional funding.**

## 2 Foster School Integration

School segregation in North Carolina is persistently hurting North Carolina's communities. Students of color and students from low-income households are increasingly isolated in certain schools, while other schools are disproportionately white and wealthy. School segregation is worst in large, growing urban areas, and in districts with growing charter school sectors.<sup>5</sup>

- From 2006-07 to 2016-17, the number of schools where more than 75 percent of the students were persons of color and from families with low incomes grew from 295 to 476.

2. Valerie Strauss, "What to know before using school ratings tools from real estate companies," *Washington Post*, June 14, 2017, as found at: [https://www.washingtonpost.com/news/answer-sheet/wp/2017/06/14/what-to-know-before-using-school-ratings-tools-from-real-estate-companies/?noredirect=on&utm\\_term=.168da2369bd9](https://www.washingtonpost.com/news/answer-sheet/wp/2017/06/14/what-to-know-before-using-school-ratings-tools-from-real-estate-companies/?noredirect=on&utm_term=.168da2369bd9)

3. Kris Nordstrom, "Stymied by Segregation: How Integration Can Transform North Carolina Schools and the Lives of Its Students," North Carolina Justice Center, March 2018, as found at: <https://www.ncjustice.org/sites/default/files/STYMIED%20BY%20SEGREGATION%20-%20Integration%20can%20Transform%20NC-FINAL-web.pdf>

4. Paul L. Tractenberg and Ryan W. Coughlan, "The New Promise of School Integration and the Old Problem of School Segregation: An Action Plan for New Jersey to Address Both," The Center for Diversity and Equality in Education, May 2018.

5. Charles Clotfelter, Steven Hemelt, Helen Ladd, Mavzuna Turaeva, "School Segregation in The Era of Immigration and School Choice: North Carolina, 1998-2016," CALDER Working Paper No. 198-0618-1, June 2018, as found at: <https://caldercenter.org/publications/school-segregation-era-immigration-and-school-choice-north-carolina-1998-2016>

**FIGURE 2: North Carolina's Growing Share of Racially & Economically Isolated Schools**

	Number of Schools		Share of All Schools	
	2006-07	2016-17	2006-07	2016-17
<b>Racially Isolated</b>	433	579	19%	24%
<b>Economically Isolated</b>	493	915	21%	37%
<b>Racially &amp; Economically Isolated</b>	295	476	13%	19%

- Segregation of students with low incomes has increased, particularly in urban districts.
- Counties with multiple school districts, such as Halifax and Davidson counties, are often drawn to create racially-segregated school districts.
- Charter schools increase racial segregation in the district in 72 percent of counties that have at least one charter school.<sup>6</sup>

General Assembly leaders continue to pass and consider laws that would exacerbate school segregation. Most notably, [HB 514](#) allows four, majority-white Charlotte suburbs to effectively secede from Charlotte-Mecklenburg Schools, where white students comprise just 29 percent of enrollment. These municipal charter schools can prioritize enrollment for suburban residents and provide additional resources to these exclusive schools that would not be shared with the rest of the school district.<sup>7</sup>

The General Assembly has also considered proposals that would allow charter schools to save seats for the children of corporations that have contributed at least \$50,000 to a charter school, and support efforts to break up large school districts.<sup>8</sup>

### WHY SCHOOL INTEGRATION IS IMPORTANT

Research on school segregation and integration has reached consensus on three points:

- School segregation has negative impacts on students of color and students with low incomes.
- School integration has positive impacts on students of color and students with low incomes.
- School integration provides many personal benefits to white students with high incomes and does not have any negative test-score impacts.<sup>9</sup>

<sup>6</sup> Kris Nordstrom, "Stymied by Segregation: How Integration Can Transform North Carolina Schools and the Lives of Its Students," North Carolina Justice Center, March 2018, as found at: <https://www.ncjustice.org/wp-content/uploads/2018/11/STYMIED-BY-SEGREGATION-Integration-can-Transform-NC-FINAL-web.pdf>

<sup>7</sup> Kris Nordstrom, "With HB 514, legislature unambiguously embraces school segregation," Progressive Pulse, May 31, 2018, as found at: <http://pulse.ncpolicywatch.org/2018/05/31/with-hb-514-legislature-unambiguously-embraces-school-segregation/>

<sup>8</sup> Kris Nordstrom, "Flurry of House charter school bills would facilitate segregation of North Carolina's schools," Progressive Pulse, April 26, 2017, as found at: <http://pulse.ncpolicywatch.org/2017/04/26/flurry-house-charter-school-bills-facilitate-segregation-north-carolinas-schools/>

<sup>9</sup> Bohmstedt, G., Kitmitto, S., Ogut, B., Sherman, D., and Chan, D. "School Composition and the Black-White Achievement Gap," (NCES 2015-018), U.S. Department of Education, Washington, DC: National Center for Education Statistics. As found at: [https://nces.ed.gov/nationsreportcard/subject/studies/pdf/school\\_composition\\_and\\_the\\_bw\\_achievement\\_gap\\_2015.pdf](https://nces.ed.gov/nationsreportcard/subject/studies/pdf/school_composition_and_the_bw_achievement_gap_2015.pdf)

School segregation is associated with increasing racial achievement gaps, dropout rates, and incarceration rates. The end of the integrated busing program in Charlotte led to an increase in racial achievement gaps as well as increased arrest and incarceration rates for male students of color.<sup>10</sup> These results are consistent with national research that finds segregation is the biggest predictor of racial achievement gaps.<sup>11</sup> Additional research has shown that the end of school de-segregation court orders led to increased dropout rates for Black and Hispanic students.<sup>12</sup>

There are considerable benefits associated with school integration. Students from families with low incomes in Maryland that were randomly assigned to low-poverty schools experienced large, persistent test score gains compared to similar students assigned to high-poverty schools.<sup>13</sup> The desegregation efforts of the 1970s decreased dropout rates for Black students by 2 to 3 percentage points.<sup>14</sup> Over the long-term, attending a desegregated school can increase annual earnings by 30 percent for Black men.<sup>15</sup>

None of these studies finds any negative impacts for white students.

The positive impacts of school integration extend beyond test scores for students of all backgrounds. Students attending integrated schools become less prejudiced, increase cross-racial trust and friendships, and enhance their capacity for working with others.<sup>16</sup>

## RECOMMENDATION

North Carolina's policymakers could enact a number of policies to foster school integration:

1. **Merge city and county school districts, particularly Halifax and Davidson Counties.**
2. **Hold districts' transportation funding harmless for districts implementing desegregation plans. State reimbursement for transportation creates a barrier for districts that want to implement desegregation plans because funding goes down if a district is not using the most efficient bus routes.**
3. **Use school report cards to highlight segregation.**
4. **Require that charter schools provide transportation and school lunch to avoid excluding families with low incomes.**
5. **Close charter schools that facilitate white flight.**
6. **Reject initiatives that will further segregate our schools such as unfettered charter school growth, charter schools created for the benefit of already-privileged students, and efforts to break up school districts along racial lines.**

10 Stephen B. Billings, David J. Deming, and Jonah Rockoff, "School Segregation, Educational Attainment, and Crime: Evidence from the End of Busing in Charlotte-Mecklenburg," *The Quarterly Journal of Economics* (2014), 435–476, as found at: [https://scholar.harvard.edu/files/ddeming/files/the\\_quarterly\\_journal\\_of\\_economics-2014-billings-435-76-1.pdf](https://scholar.harvard.edu/files/ddeming/files/the_quarterly_journal_of_economics-2014-billings-435-76-1.pdf)

11 Sean F. Reardon, "School Segregation and Racial Academic Achievement Gaps," *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 2(5), 34–57 (2016), as found at: <http://www.rsffournal.org/doi/full/10.7758/RSF.2016.2.5.03>

12 David D. Liebowitz, "Ending to What End? The Impact of the Termination of Court-Desegregation Orders on Residential Segregation and School Dropout Rates," *Educational Evaluation and Policy Analysis*, August 25, 2017, as found at: <http://journals.sagepub.com/doi/full/10.3102/0162373717725804>

13 Heather Schwartz, "Housing Policy Is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland," *The Century Foundation*, 2010, as found at: <https://tcf.org/assets/downloads/tcf-Schwartz.pdf>

14 Jonathan Guryan, "Desegregation and Black Dropout Rates," *American Economic Review*, 94(4): 919–943, 2004 as found at: <https://www.aeaweb.org/articles?id=10.1257/0002828042002679>

15 Rucker C. Johnson, "Long-run Impacts of School Desegregation & School Quality on Adult Attainments," *NBER Working Paper No. 16664*, Issued in January 2011, Revised in September 2015, as found at: <http://www.nber.org/papers/w16664>

16 Roslyn Arlin Mickelson, "School Integration and K-12 Educational Outcomes: A Quick Synthesis of Social Science Evidence," *The National Coalition on School Diversity*, March 2015, as found at: [https://www.gpmlaw.com/portalesource/School\\_Integration\\_and\\_K-12\\_Educational\\_Outcomes.pdf](https://www.gpmlaw.com/portalesource/School_Integration_and_K-12_Educational_Outcomes.pdf)

### Cost of Enacting Policies to Foster School Integration

Of the policy initiatives above, only the second policy—holding transportation funding harmless for districts implementing desegregation plans—would have a fiscal impact on the state. The **ultimate cost would depend on how many districts implement desegregation plans**, and would not substantially increase total school transportation costs.

## 3 Create Programs to Attract and Retain Teachers of Color

Students of color comprise 52 percent of the population of North Carolina’s schools, but 80 percent of teachers are white. A number of districts have no Hispanic or Black teachers, and one district has no teachers of color at all.<sup>17</sup>



### WHY ATTRACTING AND RETAINING TEACHERS OF COLOR IS IMPORTANT

Research focused on North Carolina has found impressive benefits to hiring more teachers of color. Having just one Black teacher in an elementary school reduces dropout rates for Black students by nearly one-third and increases the likelihood of aspiring to college by 3 percentage points. The impacts are much larger for male students from families with low incomes who see dropout rates fall from 18 to 12 percent.<sup>18</sup>

There are many reasons why Black students have greater success with teachers who look like them. Black teachers are less likely to suspend Black students,<sup>19</sup> and Black teachers have higher academic expectations for Black students, particularly boys.<sup>20</sup>

### RECOMMENDATIONS TO ATTRACT AND RETAIN TEACHERS OF COLOR

- **Modify the Teaching Fellows program to include at least one historically Black university or college in the list of participating schools and include improving teacher diversity as a criteria for student selection. Currently, no HBCUs selected to participate in the program and selection criteria for students relies heavily on standardized tests that are often biased against candidates of color.**
- **Create a study committee to determine how criteria for teacher preparation program eligibility as well as teacher and principal licensure exams serve to exclude teachers of color.**
- **Create an Office of Educator Diversity at the Department of Public Instruction (DPI). The office would consult with school districts to improve teacher recruitment and hiring practices. Additionally, the office could assist districts in creating programs and communities of support for teachers of color.**

17 Kelly Hinchcliff and Lena Tillett, “NC’s teacher diversity gap: ‘Where are the black and brown teachers?’” WRAL.com, as found at: <https://www.wral.com/nc-s-teacher-diversity-gap-where-are-the-black-and-brown-teachers/18129132/>

18 Seth Gershenson, Cassandra M. D. Hart, Constance A. Lindsay, Nicholas W. Papageorge, “The Long-Run Impacts of Same-Race Teachers,” IZA Institute of Labor Economics Discussion Paper Series, March 2017, as found at: <http://ftp.iza.org/dp10630.pdf>

19 Lindsay, Constance A., and Cassandra M. D. “Exposure to Same-Race Teachers and Student Disciplinary Outcomes for Black Students in North Carolina.” Educational Evaluation and Policy Analysis 39, no. 3 (September 2017): 485–510, as found at: [10.3102/0162373717693109](https://doi.org/10.3102/0162373717693109)

20 Seth Gershenson, Stephen B. Holt, Nicholas W. Papageorge, “Who believes in me? The effect of student–teacher demographic match on teacher expectations,” Economics of Education Review, Volume 52, June 2016, as found at: <https://www.sciencedirect.com/science/article/abs/pii/S0272775715300959>



- Reduce the number of racially and economically segregated schools. Black teachers have higher turnover rates than white teachers, but the higher turnover rate is attributable largely to Black teachers being more likely to teach in hard-to-staff schools.<sup>21</sup>

### Cost of Attracting and Retaining Teachers of Color

There would be **no budgetary cost** associated with modifying the Teaching Fellows program.

Similarly, a study of biases within teacher preparation program eligibility criteria and educator licensure exams could be conducted **within existing funds** for the UNC system.

A 10-person Office of Educator Diversity at DPI **would likely cost approximately \$1 million per year** and would allow for one consultant in each of the state's eight educational regions supported by two centrally-located support staff personnel.

## INCREASING STUDENT SUPPORTS

### 4 Meeting Industry Standards for School Support Staff

Certified school support staff include nurses, librarians, counselors, psychologists, and social workers. For FY 2018-19, the state provides approximately \$647 million to fund these positions.



#### WHY MEETING INDUSTRY STANDARDS FOR SCHOOL SUPPORT STAFF IS IMPORTANT

Certified staff play important roles in the education and development of children. Researchers and educators are increasingly understanding the role of adverse childhood experiences (ACEs) such as family and neighborhood violence, parental unemployment, and housing insecurity. Such stressors affect student behavior and impede healthy brain development in young learners. Students of color and students from families with low incomes are more likely to experience such stressors. School psychologists, social workers, counselors, and nurses are necessary to provide an integrated system of mental health support to help students manage ACEs and other health issues that hinder development. Such systems of support improve school climate, reduce student conflict, and bolster school safety.

Certified staff also help boost academic achievement. A DPI review of 25 years of research identified over 100 studies showing that school health programs positively affect student health and academic achievement.

Unfortunately, North Carolina students continue to arrive to school each day with unaddressed physical and mental health challenges, creating significant barriers to student achievement and flourishing:

- In 2017, nearly 1 in 5 students received school nurse services related to chronic disease, yet school employees who are *not* nurses perform approximately 60 percent of all medical procedures conducted in schools.<sup>22</sup>

<sup>21</sup> Min Sun, "Black Teachers' Retention and Transfer Patterns in North Carolina: How Do Patterns Vary by Teacher Effectiveness, Subject, and School Conditions?"

<sup>22</sup> Sara Nienow, "Meeting Current Standards for School Nurses Statewide May Cost Up to \$79 Million Annually," North Carolina General Assembly Program Evaluation Division Report Number 2017-04, May 1, 2017, as found at: [https://www.ncdeg.net/PEd/Reports/documents/SchoolNurses/School\\_Nurses\\_Report.pdf](https://www.ncdeg.net/PEd/Reports/documents/SchoolNurses/School_Nurses_Report.pdf)

- The 2017 Youth Risk Behavior Survey data indicates that 29 percent of high school students felt so sad or hopeless almost every day for two or more weeks in a row that they stopped doing some usual activities.
- There was a 13 percent increase between 2007 and 2017 in reported signs of depression among students who reported making mostly Ds and Fs.
- Sixteen percent of high school students seriously considered attempting suicide in the past year.<sup>23</sup>
- Immigrants and children of immigrants face specific trauma from increased immigration enforcement activity and the constant threat of deportation and family separation.<sup>24</sup>

Despite the importance of certified support staff, state investment has fallen by over 9 percent over the past decade. In FY 08-09, North Carolina schools received 5.1 instructional support positions per every 1,000 students, compared to only 4.6 positions per 1,000 students in FY 18-19.

### RECOMMENDATION

- Meet nationally-recognized industry standards for support staff for nurses, librarians, counselors, psychologists, and social workers.

### Cost of Meeting Industry Standards for School Support Staff

Meeting industry standards for school support staff will require **doubling of the state's existing funding level (see Figure 3).**

**FIGURE 3: Cost of Meeting Industry Standards**

POSITION TYPE	POSITION BASIS	POSITIONS	COST
Nurses	1 per school	2,593	\$196,108,590
Librarians	1 per school > 200 ADM	2,285	\$172,814,550
Counselors	1:250	6,225	\$470,796,750
Psychologists	1:700	2,225	\$168,125,490
Social Workers	1:400	3,890	\$294,200,700
TOTAL REQUIREMENTS			<b>\$1,302,046,080</b>
Existing Funding			\$646,761,258
<b>ADDITIONAL REQUIRED</b>			<b>\$655,284,822</b>

<sup>23</sup> Dr. Ellen Essick, "Student Access to a Sound, Basic Education: A Whole Child Approach," presentation to the Commission on Access to Sound Basic Education, January 17, 2019, as found at: [https://files.nc.gov/governor/SISP\\_Overview.pdf](https://files.nc.gov/governor/SISP_Overview.pdf)

<sup>24</sup> Alexandra F. Sirota and Victoria Crouse, "The ACE of ICE: How Current Immigration Enforcement and Deportation Hurts Children," North Carolina Justice Center, March 10, 2018, as found at: <https://www.ncjustice.org/publications/the-ace-of-ice-how-current-immigration-enforcement-and-deportation-hurts-children/>

## 5 Modify the Low Wealth Formula to Direct State Revenue to Communities that Need It Most

The Low Wealth allotment is designed to equalize the level of spending across counties. Certain counties—due to high property values and resident wealth—have greater capacity to raise local revenue for their public schools. The Low Wealth allotment provides about \$236 million of additional state funds to districts in counties with below-average capacity to generate local revenue.

The Low Wealth allotment is an important tool in ensuring North Carolina’s school finance system meets students’ needs in less wealthy communities. On average, districts with more students qualifying for free or reduced lunch receive slightly more total funding than districts with fewer students qualifying for free or reduced lunch, making North Carolina among the minority of states with a progressive school funding system.

Districts in counties with below-average wealth capacity are eligible for the Low Wealth allotment, which provides the additional amount required to bring that county up to the statewide average local revenue per student if the county meets certain funding effort requirements.

To improve support for low-wealth counties, the state could expand eligibility to those counties with greater-than-average wealth, and provide supplemental funding to bring all counties to above-average levels. The state could also re-distribute local revenues from high-wealth counties to low-wealth counties, as is done in many states’ school finance systems.

### WHY MODIFYING THE LOW WEALTH ALLOTMENT IS IMPORTANT

The resources in high-need districts are not closing achievement gaps and students in high-need districts are less likely to pass state exams or graduate from high school.

The state must provide additional resources to high-need districts to help them overcome the greater poverty-related barriers to learning that drive discrepancies in student outcomes.

### RECOMMENDATION

- Expand eligibility to counties that are within 110 percent of the average wealth level in the state, and provide supplemental funding equal to 110 percent of the statewide average local revenue per student.
- Given the overall low levels of funding in North Carolina, this analysis only contemplates an expansion of eligibility and funding levels. In the future—if the state is meeting its constitutional responsibility for providing every district with the operating funds necessary to provide a sound basic education—North Carolina may consider progressive measures that transfer locally-raised revenues from wealthy to less-wealthy districts.

### Cost of Modifying the Low Wealth Allotment

Expanding Low Wealth eligibility and providing supplemental funding would **increase funding for the Low Wealth allotment by \$131 million**, allowing more districts to close opportunity gaps with wealthier districts.

## 6 Increase Disadvantaged Student Supplemental Funding (DSSF) Allotment to Fulfill *Leandro's* Unmet Promise

*Fully-funding DSSF will allow targeted interventions for disadvantaged students to help close persistent achievement gaps*

The Disadvantaged Student Supplemental Funding (DSSF) allotment provides supplemental funding to districts on the basis of their population of disadvantaged students. The allotment was developed in 2004 in response to the state's long-running *Leandro* court case to provide districts with additional supports for at-risk students.

### WHY MODIFYING THE DSSF ALLOTMENT IS IMPORTANT

The DSSF allotment has been proven successful in lifting the performance of disadvantaged students. A 2008 evaluation from the University of North Carolina found that DSSF funding significantly boosted test scores in high schools selected to be part of the initial pilot funding, cutting the test-score gap in half versus non-pilot high schools.<sup>25</sup>

Unfortunately, the level of funding provided by the DSSF allotment remains well below the levels envisioned by the courts and is insufficient for closing achievement gaps for disadvantaged students. In 2004, state leaders estimated that the DSSF allotment would need to reach \$223 million in order to adequately support disadvantaged students.<sup>26</sup> Adjusted for inflation, the allotment would need to be approximately \$296 million in today's dollars.

### RECOMMENDATION

- Increasing the DSSF allotment to \$296 million would allow all districts—but especially those with large concentrations of disadvantaged students—to hire additional instructors, provide professional development, support new teachers, purchase instructional materials, provide tutoring services to struggling students, and provide targeted salary supplements for high-need positions.

### Cost of Modifying the DSSF Allotment

Fully funding the inflation-adjusted estimates for DSSF would **require an additional \$201 million**, more than tripling the existing funding levels.

## 7 Restore Funding for Supplies and Textbooks

*A return to pre-Recession funding levels is required to give educators the tools they need*

North Carolina's allotments for supplies and textbooks remain well below pre-Recession levels and what schools receive in other states. When adjusted for inflation, per-student funding for supplies and textbooks are down 55 percent and 39 percent, respectively.

<sup>25</sup> Gary T. Henry, C. Kevin Fortner, Rebecca Zulli-Lowe, Charles L. Thompson, and Dana K. Rickman, "The Impact of the Disadvantaged Student Supplemental Fund on High School Student Performance in Pilot Districts," Carolina Institute for Public Policy, September 2008, as found at: <https://publicpolicy.unc.edu/files/2015/07/The-Impact-of-the-DSSF-on-High-School-Student-Performance-in-Pilot-Districts1.pdf>

<sup>26</sup> Letter from Howard N. Lee, Chairman, N.C. State Bd. of Educ., and Michael E. Ward, Superintendent of Public Instruction, to Howard Manning, Jr., Superior Court Judge (June 7, 2004).

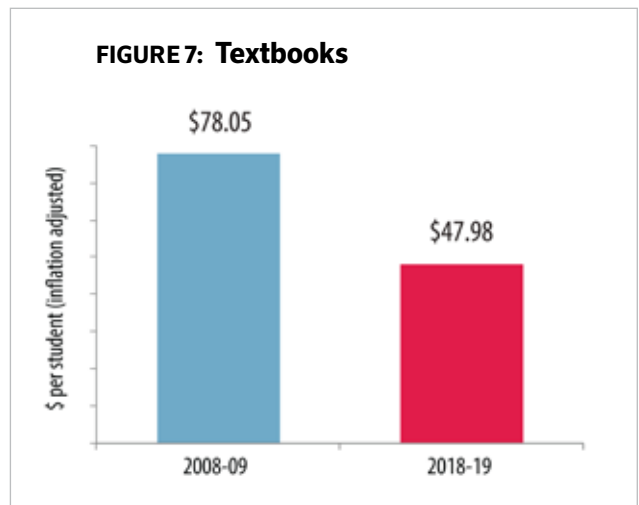
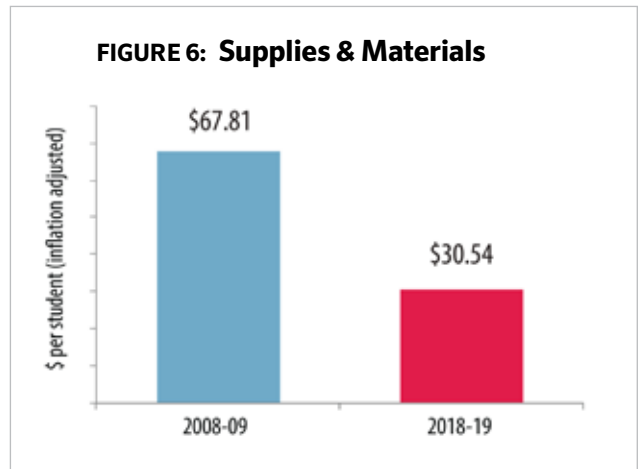
Even North Carolina’s pre-Recession levels compare unfavorably to other states. For example, a 2016 expert panel in Maryland recommended funding supplies and materials at \$100 per student for elementary schools and \$115 per student at the middle and high school levels.<sup>27</sup> A Washington, DC, study recommended providing \$225 per student for supplies in middle and high schools.<sup>28</sup> As far back as 2006, a study of Washington’s school finance system recommended combined supplies/textbook funding of \$140 per student in elementary and middle schools, and \$175 per student in high schools.<sup>29</sup> Current-year funding in North Carolina for those activities is just \$79 per student, about half the level recommended Washington more than a decade ago.

**✓ WHY RESTORING FUNDING FOR SUPPLIES AND TEXTBOOKS IS IMPORTANT**

In every school, students need pencils, paper, and books. Today’s students also deserve access to computers, art supplies, musical instruments, and lab equipment. After teachers, supplies and textbooks are the most basic elements of school operations. If teachers are the guides for students’ educational journey, supplies and textbooks are the roadmap.

Research indicates that the choice of textbook can have a large impact on student performance. A meta-analysis from Johns Hopkins University found “substantial learning impacts from the adoption of specific curricula,” with a cost-benefit ratio substantially higher than other interventions such as reducing class size or increasing teacher quality.<sup>30</sup>

Adequate funding for supplies and textbooks also eases the burden on teachers’ pocketbooks. National surveys indicate that teachers spend an average of \$479 per year on supplies and materials for their classrooms.<sup>31</sup> Easing this burden would be a significant boost to teachers’ net pay and help restore prestige to the profession.



27 APA Consulting, “Final Report of the Study of Adequacy of Funding for Education in Maryland,” November 30, 2016, as found at: <http://marylandpublicschools.org/Documents/adequacystudy/AdequacyStudyReportFinal112016.pdf#page=81>.  
 28 The Finance Project and Augenblick, Palaich and Associates, “Cost of Student Achievement: Report of the DC Education Adequacy Study,” December 20, 2013, as found at: [https://osse.dc.gov/sites/default/files/dc/sites/osse/release\\_content/attachments/DC%20Adequacy%20Study\\_Full%20Report.pdf#page=71](https://osse.dc.gov/sites/default/files/dc/sites/osse/release_content/attachments/DC%20Adequacy%20Study_Full%20Report.pdf#page=71).  
 29 Lawrence O. Picus and Associates, “An Evidence-Based Approach to School Finance Adequacy in Washington,” September 11, 2006, as found at: [http://www.k12.wa.us/OEC/pubdocs/EvidenceBasedReportFinal9-11-06\\_000.pdf#page=85](http://www.k12.wa.us/OEC/pubdocs/EvidenceBasedReportFinal9-11-06_000.pdf#page=85).  
 30 David Steiner, “Curriculum Research: What We Know and Where We Need to Go,” StandardsWork, March 2017, as found at: <https://standardswork.org/wp-content/uploads/2017/03/sw-curriculum-research-report-fnl.pdf>.  
 31 Niraj Chokshi, “94 Percent of U.S. Teachers Spend Their Own Money on School Supplies, Survey Finds,” New York Times, May 16, 2018, as found at: <https://www.nytimes.com/2018/05/16/us/teachers-school-supplies.html>

**RECOMMENDATION**

Return the Textbook and Supplies allotments 15 percent above pre-Recession levels, adjusted for inflation and enrollment growth.

**Cost of Restoring Funding for Supplies and Textbooks**

Returning textbook funding to pre-Recession levels would require **additional funding of \$65.2 million per year.**

Returning supplies funding to pre-Recession levels would require **additional funding of \$73.8 million per year.**

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## 8 Increase Support for Limited English Proficiency (LEP) Programs

North Carolina's funding system provides a supplemental allotment to help school districts support educational services for English learners (ELs). The Limited English Proficiency (LEP) allotment provides districts with an additional \$85 million to support the state's nearly 100,000 ELs.

To be eligible for the LEP allotment, a district must have at least 20 students or 2.5 percent of their students identified as ELs. Funding is capped if ELs account for more than 10.6 percent of the district's total headcount. If, for example, 12 percent of a district's students are ELs, they will only receive supplemental funding on the basis of 10.6 percent of their students.

For FY 2017-18, five North Carolina districts do not receive LEP funding because they do not meet the minimum eligibility threshold. Thirteen school districts have LEP populations that exceed 10.6 percent of their student population, and therefore have their funding capped.

### WHY INCREASING SUPPORT FOR LEP PROGRAMS IS IMPORTANT

The LEP allotment has proven insufficient in providing a sound, basic education to ELs. ELs face greater barriers to achieving educational milestones such as third grade reading proficiency and high school graduation than their peers. Sufficient funding and implementation of specific interventions, such as added instructional time, dual-language immersion programs, and family outreach could help ELs overcome these barriers.<sup>32</sup>

**RECOMMENDATION**

Increased support for the LEP allotment should include:

- **Lawmakers should eliminate the arbitrary cap that denies LEP funding to school districts with small numbers of EL students.**
- **In some districts, the concentration of ELs is above the funded threshold. Lawmakers should remove the arbitrary cap on LEP funding that denies needed funds to districts with a large EL population.**

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32 Alexandra F. Sirota, "Funding the Educational Success of All Learners: Aligning the Formula to Support English Learners

- There is incredible linguistic diversity among ELs. Districts must use their LEP funding to hire teachers and identify instructional materials in an increasingly wide array of languages. The LEP formula should take into account linguistic diversity, providing greater funding to districts with greater linguistic diversity among their ELs.
- In order to facilitate recruitment and retention of great teachers with foreign language skills, lawmakers should allow districts to use LEP funds for salary supplements for LEP teachers.

### Cost of Increasing Support for LEP Programs

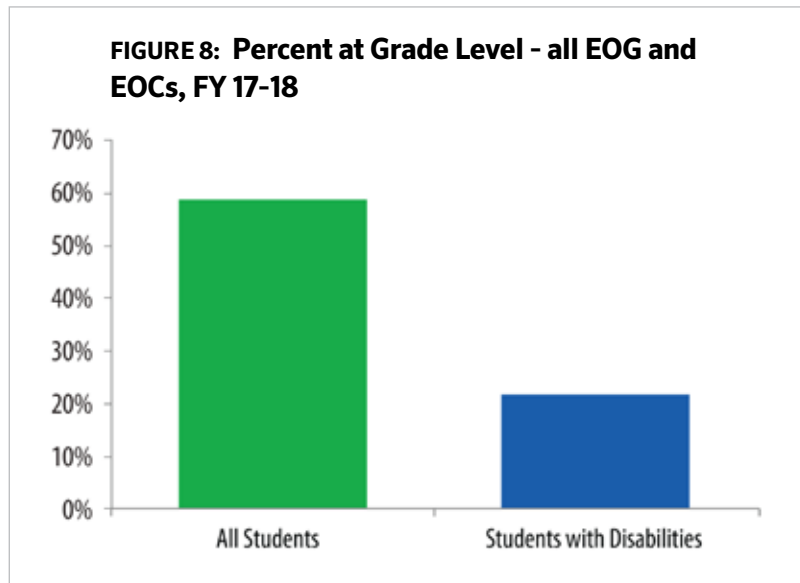
There is no consensus as to the appropriate level of funding required to help ELs overcome the unique barriers to achievement that they face. However, a 2015 study of school finance in Nevada takes a deep look at the costs specific to education ELs. According to their analysis, ELs should generate supplemental funding equal to 0.42 of the “base” level of funding that goes to all students.<sup>33</sup>

In North Carolina, base allotments provided on the basis of all students equal approximately \$4,900 per student. If we apply the weight calculated in the Nevada study, that would imply per-student supplemental funding for ELs of \$2,058. With an FY 2017-18 headcount of 94,018, that would imply total LEP funding of \$193.5 million, or **an increase of \$108.6 million** to adequately fund LEP programs.

## 9 Modify Children with Disabilities (CWD) Allotment

If a North Carolina public school student is identified as having a disability, federal law requires a school to provide that student with an appropriately ambitious educational program that is “reasonably calculated to enable a child to make progress appropriate in light of the child’s circumstances.”<sup>34</sup>

To meet that goal for students enrolled in K-12 schools, North Carolina provides its school districts with a supplemental allotment of approximately \$809 million. For FY 2018-19, the Children with Disabilities (CWD) allotment provides districts with supplemental funding of \$4,442.34 for every student identified as disabled, irrespective of the child’s disability. However, funding is capped at 12.75 percent of a district’s total headcount. Currently, 65 of 115 districts exceed the cap, and therefore do not receive supplemental funding for all of their students with disabilities.



33 APA Consulting, “Professional Judgment Study Report,” Prepared for Lincy Institute at the University of Nevada, Las Vegas, January 2015, as found at: <http://apaconsulting.net/wp-content/uploads/2018/08/NV-Professional-Judgment-Report.pdf>

34 “Andrew F. v. Douglas County School District,” Oyez, 22 Jan. 2019, as found at: [www.oyez.org/cases/2016/15-827](http://www.oyez.org/cases/2016/15-827)

## ✓ WHY MODIFYING THE CWD ALLOTMENT IS IMPORTANT

North Carolina has never followed best practices for adequately funding services for children with disabilities. A 1994 General Assembly study determined that adequately serving the state's population of disabled students would require supplemental funding equal to 2.3 times the cost of an average student. Lawmakers formulated a five-year plan to achieve this funding level. In the first year, they increased funding for children with disabilities to a level equal to 1.9 times the cost of an average student. However, lawmakers have never provided subsequent funding to achieve the recommended level of 2.3 times funding.

Student performance for students with disabilities substantially lags behind performance for all students.

## RECOMMENDATION

Lawmakers could help reduce these achievement gaps if the state were to make two changes:

1. Eliminate the funding cap that currently caps CWD appropriations to 65 school districts; and
2. Differentiate funding based on the level of intervention to align more closely the distribution of resources to school districts with the greatest level of need.

## Cost of Modifying the CWD Allotment

Currently, the CWD allotment provides supplemental funding equal to just 1.9 times the cost of an average student, and school districts' allotments are capped at 12.75 percent of their total student headcount. There are costs associated with addressing each of these issues.

- **Eliminating the 12.75 percent funding cap (\$41 million) and increasing supplemental funding to 2.3 times the cost of an average student (\$352 million): Approximately \$412 million**

In addition to lifting the funding cap and increasing per-student appropriations, policymakers should examine other models that differentiate funding based on the disabled student's instructional arrangement. Texas provides a good model of how lawmakers can differentiate supplemental funding for students with disabilities based on student disability, at far more generous levels than those in North Carolina.

Unfortunately, we cannot estimate the cost of moving to this model because North Carolina does not currently have public data on the number of disabled students disaggregated by instructional arrangement.

**FIGURE 9: Example Model for Differentiated Supplemental Funding for Disabled Students**

Instructional Arrangement	Funding Weight
Homebound	5.0
Hospital class	3.0
Speech therapy	5.0
Resource room	3.0
Self-contained, mild and moderate	3.0
Self-contained, severe	3.0
Off home campus	2.7
Nonpublic day school	1.7
Vocational adjustment class	2.3
Residential care and treatment	4.0
State schools	2.8
Mainstream	2.1



## 10 Make NC Pre-K Universal

NC Pre-K has offered a high-quality pre-kindergarten program for at-risk four-year-olds since 2001. The program, originally known as More at Four, was re-branded as NC Pre-K in 2011 when administration was transferred from DPI to the Department of Health and Human Services.

In FY 2017-18, NC Pre-K served 29,509, four-year-olds, or approximately 47 percent of the estimated number of eligible children.<sup>35</sup> In general, [student eligibility](#) is limited to four-year-olds from families whose gross income is at or below 75 percent of the State Median Income (SMI). There are exceptions made for children in certain military families and children with certain risk factors, including developmental disability, Limited English Proficiency, educational need, or a chronic health condition.

### WHY MAKING NC PRE-K UNIVERSAL IS IMPORTANT

Evaluations of NC Pre-K consistently show important benefits for participating students. The latest evaluation from researchers at Duke University found that the benefits of NC Pre-K last at least through the end of eighth grade.<sup>36</sup> The study is the latest in a long line of studies that have found that children who participate in high-quality pre-kindergarten programs experience gains that persist throughout their schooling and into early adulthood.<sup>37</sup> Offering NC Pre-K to every North Carolina four-year-old would provide tremendous long-term benefits to North Carolina residents.

### RECOMMENDATION

- **Currently there are approximately 120,000 four-year-olds in North Carolina. In states where pre-kindergarten programs are universally offered, but not mandatory, about 70 percent of age-eligible children enroll.<sup>38</sup> That means ensuring that NC Pre-K is available for every four-year-old would require approximately 84,000 slots, an increase of 54,500 slots.**

### Cost of Making NC Pre-K Universal

North Carolina currently uses a mix of state and federal funding streams to support NC Pre-K. For FY 2017-18, \$154.5 million supported 29,509 students, or \$5,235 per student. As indicated by a recent analysis of barriers to expanding NC Pre-K, per-student operating costs are likely to increase as the program expands.<sup>39</sup> If per-student costs for additional slots were increased to \$5,800, it would cost **\$316.1 million to add 54,500 slots to ensure that NC Pre-K is available for every four-year-old.**

35 W. Steven Barnett, with assistance from Richard Kasmin, "Barriers to Expansion of NC Pre-K: Problems and Potential Solutions," National Institute for Early Education Research, January 17, 2019, as found at: <http://nieer.org/research-report/barriers-to-expansion-of-nc-pre-k-problems-and-potential-solutions>.

36 Kenneth Dodge, Yu Bai, Helen F. Ladd, Clara G. Muschkin, "Evaluation of North Carolina Early Childhood Program among Middle School Students," Working Paper, January 2019, as found at: <https://childandfamilypolicy.duke.edu/resources/publications/>.

37 Camilli, G., Vargas, S., Ryan, S., & Barnett, W. "Meta-analysis of the effects of early education interventions on cognitive and social development," Teachers College Record, March 2010, as found at: <http://www.gregorycamilli.info/papers/early%20education%20interventions.pdf>.

38 The National Institute for Early Education Research, "The State of Preschool 2017," as found at: <http://nieer.org/state-preschool-yearbooks/yearbook2017>.

39 W. Steven Barnett, with assistance from Richard Kasmin, "Barriers to Expansion of NC Pre-K: Problems and Potential Solutions," National Institute for Early Education Research, January 17, 2019, as found at: <http://nieer.org/research-report/barriers-to-expansion-of-nc-pre-k-problems-and-potential-solutions>.

## 11 Universal Free Breakfast and Lunch

Child nutrition is almost entirely supported by federal funds. The federal government reimburses schools for each meal served, according to a set reimbursement rate. For example, the typical school receives \$0.31 for every lunch provided to students who pay full price and \$3.31 for every lunch provided to a student who qualifies for free lunch.<sup>40</sup> Federal reimbursement rates can vary based on the school's poverty level.<sup>41</sup>

State appropriations are limited to a \$2 million appropriation to support school breakfast programs. Additionally, it is intended that the state's allotment for central office personnel includes the salary for each district's director of child nutrition.

North Carolina is one of just 18 states that does not provide funding for child nutrition programs above the minimum spending amounts required by the federal government. Most districts' child nutrition programs lose money, diverting resources from instructional programs.<sup>42</sup>



### WHY UNIVERSAL FREE BREAKFAST AND LUNCH IS IMPORTANT

Twenty-one percent of North Carolina children live in households that are food insecure. In 2016, just six states had worse records for child food insecurity.<sup>43</sup> Poor nutrition is associated with anxiety, diet-related diseases, learning difficulties, health problems, and other poor health outcomes that can affect them throughout their K-12 education journey and as they grow into adulthood.

There is overwhelming evidence that child nutrition programs boost student performance. Children participating in school breakfast programs are more likely to attend school, perform better on tests, and have greater class participation.<sup>44</sup>

Despite the benefits of child nutrition, participation varies across districts and remains too low overall. In the 2016-17 school year, 58.3 students from families with low incomes ate school breakfast for every 100 that ate school lunch.<sup>45</sup> With proper financial support, participation in both breakfast and lunch programs could be boosted.

Universal free meal programs offer substantial advantages over fee-based programs. These programs boost participation, eliminate the stigma placed on students participating in free- and reduced-price lunch programs, and combat harmful practices such as “lunch shaming.” In short, universal free meal programs will boost student health, improve learning outcomes, and contribute to an inclusive school environment.

40 Students qualify for reduced-price lunch if their family income is within 185 percent of the federal poverty level. Such students pay \$0.40 for school lunch and \$0.30 for school breakfast. Students qualify for free lunch if their family income is within 130 percent of the federal poverty level.

41 United States Department of Agriculture, “School Meals: Rates of Reimbursement,” as found at: <https://www.fns.usda.gov/school-meals/rates-reimbursement>.

42 North Carolina General Assembly Program Evaluation Division, “Child Nutrition Programs Challenged to Meet Nutrition Standards, Maintain Participation, and Remain Solvent,” October 12, 2011, as found at: [https://www.ncleg.net/PED/Reports/documents/CNP/CNP\\_Report.pdf](https://www.ncleg.net/PED/Reports/documents/CNP/CNP_Report.pdf).

43 Annie E. Casey Foundation, “Children living in households that were food insecure at some point during the year,” Kids Count Data Center, as found at: <https://datacenter.kidscount.org/data/tables/5201-children-living-in-households-that-were-food-insecure-at-some-point-during-the-year?loc=1&loc2=2#ranking/2/any/true/870/any/11675>.

44 Food Research Advocacy Center, “Benefits of School Breakfast,” as found at: <http://www.frac.org/programs/school-breakfast-program/benefits-school-breakfast>.

45 Food Research Advocacy Center, “North Carolina School Breakfast Report: 2016–2017 School Year,” March 2018, as found at: [https://cdn-cms.f-static.com/uploads/248048/normal\\_5aafc1ee2ad1d.pdf](https://cdn-cms.f-static.com/uploads/248048/normal_5aafc1ee2ad1d.pdf).

**RECOMMENDATION**

- Ultimately, school meals are an integral part of school operations, just like paper, books, and teachers. Given the importance of school meals to school operations and performance, we should provide meals to all students at no cost.

**Cost of Universal Free Breakfast and Lunch**

This estimate assumes that the number of lunches served would increase 20 percent if student costs were reduced to zero, and that there would be as many breakfasts served as lunches. Under these assumptions, **universal free breakfast would cost \$62.7 million, and universal free lunch would cost \$105.3 million.**

**RESTORE EDUCATOR PAY AND PROFESSIONALISM****12 Make Teacher Pay Competitive with Other Industries**

Despite recent-year pay increases, salaries of North Carolina’s teachers remain below what professionals with similar educational backgrounds earn in other professions. Many are aware that North Carolina’s average teacher pay ranking has fallen from 22nd in FY 03-04 to 37th in FY 17-18. However, this measure understates the extent to which teacher pay in North Carolina is inadequate.

A 2018 report from the Economic Policy Institute ranks the states in terms of their teacher pay competitiveness—that is, how does teacher pay in a given state compare to other professions requiring a college degree. The report paints a particularly damning picture of teacher pay competitiveness in North Carolina, ranking the state 49th in terms of teacher wage competitiveness. According to their estimates, teacher pay in North Carolina is a whopping 35.5 percent behind pay for other college graduates in the state. Only Arizona offers a less competitive teacher pay package.<sup>46</sup>

Not surprisingly, enrollment in North Carolina teacher preparation programs remains well below historical levels.

**✓ WHY MAKING TEACHER PAY COMPETITIVE WITH OTHER INDUSTRIES IS IMPORTANT**

Teachers are the most important classroom factor for improving student performance. Nations with successful school systems offer policymakers models for creating a competitive pay plan for North Carolina teachers. Countries such as South Korea and Finland have demonstrated that raising teacher pay to levels competitive with other professions can attract high-quality candidates to teaching, retain effective teachers in the classroom, and improve outcomes for students. Competitive teacher pay is a necessary first step towards boosting student achievement, increasing lifelong earnings, and delivering widespread economic growth to North Carolinians.

<sup>46</sup> Sylvia Allegretto and Lawrence Mishel, “The teacher pay penalty has hit a new high: Trends in the teacher wage and compensation gaps through 2017,” September 5, 2018, as found at: <https://www.epi.org/files/pdf/153196.pdf>

**RECOMMENDATION**

- Increase teacher pay by 25 percent to make teacher salaries more competitive with other North Carolina professions requiring a college degree.

**Cost of Making Teacher Pay Competitive with Other Industries**

A 25 percent increase to teacher pay would leave teacher pay below average levels in other industries, but would greatly improve the recruitment and retention of high-quality teaching candidates. Such an increase would **cost approximately \$1.6 billion**.

**13 Create Incentives for Principals to Lead High-Need Schools**

The state budget froze pay for principals in four out of five years following the Recession. As a result, principal pay fell to near the bottom of national rankings.<sup>47</sup>

In the 2017 budget, General Assembly leaders overhauled North Carolina's system for principal pay. Previously, principal pay was determined by a principal's years of experience, and the size of their school.

**FIGURE 10: Principal Salary Schedule**


	BASE	MET	EXCEEDED
ADM	18-19	18-19	18-19
0-400	\$66,010	\$72,611	\$79,212
401-700	\$69,311	\$76,242	\$83,173
701-1,000	\$72,611	\$79,872	\$87,133
1,000-1,300	\$75,912	\$83,503	\$91,094
1,300+	\$79,212	\$87,133	\$95,054

Beginning with the 2017-18 school year, principals pay is now based on the size of a principal's school, and whether schools led by the principal have met student growth targets in at least two of the past three years.

Additionally, principals are now eligible for bonuses if their school growth score in the prior year is above average. Bonuses are doubled if the school earned a school performance grade of D or F in that year.

**FIGURE 11: FY18-19 Principal Bonuses**

School Growth Rank	SPG of A, B, or C	SPG of D or F
Top 5%	\$10,000	\$20,000
Top 10%	\$7,500	\$15,000
Top 15%	\$5,000	\$10,000
Top 20%	\$2,500	\$5,000
Top 50%	\$1,000	\$2,000

 **WHY CREATING INCENTIVES FOR PRINCIPALS TO LEAD HIGH-NEED SCHOOLS IS IMPORTANT**

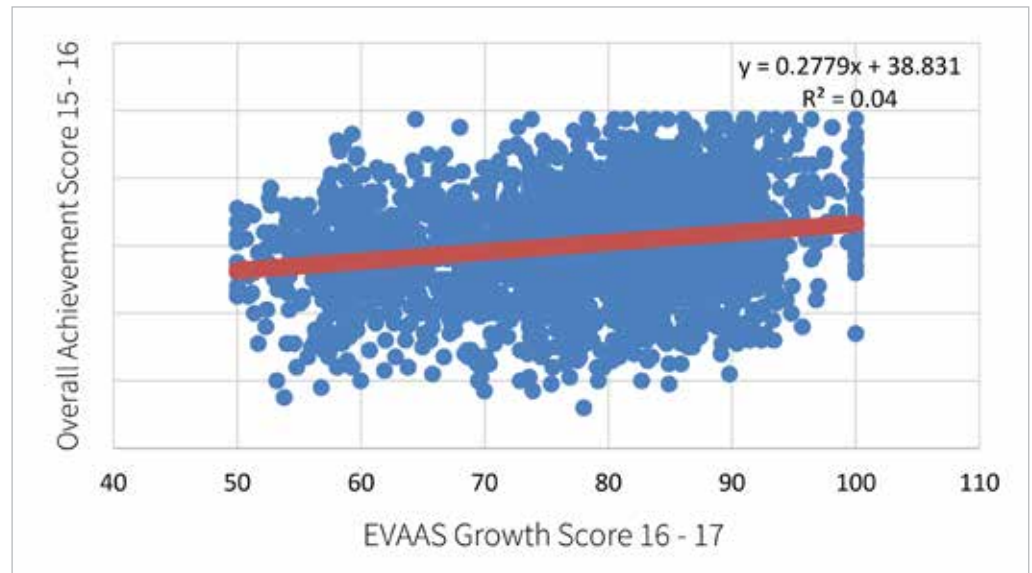
School leadership is second only to teaching among school-related influences on student success, with a particularly vital impact in high-need schools.<sup>48</sup> Highly rated principals drive higher student achievement gains, improve school climate, and retain effective

47 Lynn Bonner, "Higher pay and incentives possible for NC school principals," Raleigh News & Observer, December 25, 2016, as found at: <https://www.newsobserver.com/news/local/education/article122935019.html>

48 Paul Manna, "Developing Excellent School Principals to Advance Teaching and Learning: Considerations for State Policy," Wallace Foundation, 2015, as found at: <https://www.wallacefoundation.org/knowledge-center/Documents/Developing-Excellent-School-Principals.pdf>

teachers at greater rates.<sup>49</sup> Recruiting and retaining excellent leadership in high-need schools is especially important in North Carolina, where national tests show increasing achievement gaps for students with low incomes and students of color and that low-income and

**FIGURE 12: Principal Salary Schedule**



**FIGURE 13: Repurposing Funds Could Allow for Higher Principals' Salaries**

Years of Experience	Base
0	\$61,219
1	\$62,227
2-3	\$63,571
4-5	\$64,915
6-7	\$66,259
8-9	\$67,603
10+	\$68,947

Free or Reduced Lunch	ADM 0-149	ADM 150-700	ADM 701-1,400	ADM 1,401+
Up to 20%	Base	1.5%	3.0%	4.5%
Up to 50%	1.5%	3.0%	4.5%	6.0%
Up to 70%	3.0%	4.5%	6.0%	7.5%
Up to 95%	4.5%	6.0%	7.5%	9.0%
Up to 100%	6.0%	7.5%	9.0%	10.5%

low-achieving schools in North Carolina disproportionately are assigned inexperienced principals.<sup>50,51</sup>

Unfortunately, by tying compensation to performance on standardized tests, the General Assembly's new principal pay scheme can dissuade principals from accepting roles in high-need schools.

Schools with high test scores one year are more likely to also get high Education Value Added Assessment (EVAAS) scores the following year. Based on data from the 2015-16 and 2016-17 school years, a principal moving from a school with an achievement score of 100 to a school with an achievement score of 50 would expect their EVAAS score to drop by 7.2 points.

EVAAS scores are also negatively correlated with a school's share of students from families with low incomes, and share of students of color.

To be clear, the relationships are very weak. Yet when test swings can shift a principal's salary by \$16,000 and potentially affect up to \$20,000 of bonus payments, effective leaders are going to be wary of taking on more difficult assignments.

49 Alyssa Blanchard, "How Principals Drive School Success," Tennessee Education Research Alliance, May 2018, as found at: [https://peabody.vanderbilt.edu/TERA/files/How\\_Principals\\_Drive\\_School\\_Success\\_FINAL.pdf](https://peabody.vanderbilt.edu/TERA/files/How_Principals_Drive_School_Success_FINAL.pdf)

50 Kris Nordstrom, "2017 NAEP results present mixed bag for North Carolina students," The Progressive Pulse, April 10, 2018, as found at: <http://pulse.ncpolicywatch.org/2018/04/10/2017-naep-results-present-mixed-bag-for-north-carolina-students/>

51 Wes Austin, Bingjie Chen, Dan Goldhaber, Eric Hanushek, Kristian Holden, Cory Koedel, Helen Ladd, Jin Luo, Eric Parsons, Gregory Phelan, Steven Rivkin, Tim Sass, Mavzuna Turaeva, "Path to the Principalship and Value Added: A Cross-state Comparison of Elementary and Middle School Principals," CALDER Working Paper No. 213-0119-1, January 2019, as found at: <https://caldercenter.org/publications/path-principalship-and-value-added-cross-state-comparison-elementary-and-middle-school>

**RECOMMENDATION**

- Legislative leaders should create a system that provides additional pay for principals in the highest-need schools. For example, the 2017 House budget proposal took into account years of experience, school size, and the share of students in a school qualifying for free-or-reduced price lunch.

**Cost of Creating Incentives for Principals to Lead High-Need Schools**

Creating incentives for principals to lead high-need schools would **not require additional investment**, just a repurposing of funds currently tied to performance on standardized tests.

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## 14 Focus Teacher Bonuses on Recruitment and Retention at High-Need Schools

Over the past three years, the General Assembly has created a number of bonus programs for teachers. These programs provide teachers with bonuses based on student test results:

- **3rd Grade Reading Bonus Program:** Provides bonuses prorated within existing funds to teachers with an EVAAS growth score in the top 25 percent of teachers statewide and an additional bonus to teachers with an EVAAS growth score in the top 25 percent of teachers within each school district. Neither bonus may exceed \$3,500.
- **4th through 5th Grade Reading Bonus Program:** Provides a \$2,000 bonus to teachers with an EVAAS growth score in the top 25 percent of teachers statewide and an additional \$2,000 bonus to teachers with an EVAAS growth score in the top 25 percent of teachers within each school district.
- **4th through 8th Grade Math Bonus Program:** Provides a \$2,000 bonus to teachers with an EVAAS growth score in the top 25 percent of teachers statewide and an additional \$2,000 bonus to teachers with an EVAAS growth score in the top 25 percent of teachers within each school district.
- **Baccalaureate/Cambridge AICE Teacher Bonuses:** Provides a \$50 bonus for every student receiving a passing grade on advanced coursework exams, up to a maximum of \$3,500.
- **Career and Technical Education Teacher Bonuses:** Provides bonuses of \$25 or \$50 for every student earning a qualifying industry certification or credential. Bonus amounts vary based on the rigor and employment value of the certification or credential. The maximum annual bonus under this program is \$3,500.

Combined, the state spends nearly \$39 million per year on these five bonus programs.

## ✓ WHY FOCUSING TEACHER BONUSES ON RECRUITMENT AND RETENTION AT HIGH-NEED SCHOOLS IS IMPORTANT

There is little evidence that performance-based incentives for individual teachers have any impact on student performance. A widely publicized meta-analysis of 44 performance pay studies found that team-based rewards were much more effective than rewards for individual teachers.<sup>52</sup>

Dollars can be more effectively deployed by ensuring our best teachers are reaching students with the greatest needs. Ensuring high-need students have great teachers could close persistent achievement gaps facing students from families with low incomes and students of color. By one estimate, having a good teacher as opposed to an average teacher for three to four years in a row would close the income-based achievement gap.<sup>53</sup> Unfortunately, students of color, students from families with low incomes, and low-achieving students are systematically denied access to the state’s best teachers.<sup>54</sup>

### RECOMMENDATION

- **Rather than pit teachers against each other, the state should use these bonus funds to incentivize great teachers to teach high-need students. Districts could be provided with the \$39 million currently used on ineffective bonus schemes in relation to their share of disadvantaged students, allowing districts to establish recruitment and retention plans that suit their district’s specific needs. Alternatively, this money could be added to the DSSF allotment. Under the spending rules of the DSSF allotment, districts may spend funds on educator salary supplements to recruit and retain educators in high-need schools.**

### Cost of Focusing Teacher Bonuses on Recruitment and Retention at High-Need Schools

There would be **no cost to repurposing these funds** to recruit and retain teachers in high-need schools. That said, there is reason to believe that **\$39 million would not be sufficient on its own** to establish a recruitment and retention plan for all of North Carolina’s high-need schools.

Currently, 564 schools scored a D or an F on the latest measure of school performance grades. These schools employ about 20,000 teachers. Two recent studies of \$5,000 retention bonuses for high-performing teachers in high-poverty schools found that the bonuses increased the likelihood of retention of top performing teachers by as much as 23 percent while also increasing reading scores.<sup>55</sup> Providing annual bonuses of \$5,000 to 20,000 teachers would cost \$61 million above current spending on ineffective bonus schemes.

52 Lam D. Pham, Tuan D. Nguyen, and Matthew G. Springer, “Teacher Merit Pay and Student Test Scores: A Meta-Analysis,” Vanderbilt University, April 3, 2017, as found at: <https://s3.amazonaws.com/vu-my/wp-content/uploads/sites/868/2013/02/05145950/Pham-Nguyen-Springer-2017.pdf>

53 Eric A. Hanushek and Steven G. Rivkin, “The Distribution of Teacher Quality and Implications for Policy,” Annual Review of Economics 4 (2012): 131–157, as found at: <http://hanushek.stanford.edu/sites/default/files/publications/Hanushek%2BRivkin%202012%20AnnRevEcon%204.pdf>

54 Douglas L. Lauen, Gary T. Henry, Roderick A. Rose, and Karen Phelan Kozlowski, “The Distribution of Teacher Value Added in North Carolina,” Consortium for Educational Research and Evaluation – North Carolina, December 2013, as found at: <https://publicpolicy.unc.edu/files/2015/07/The-Distribution-of-Teacher-Value-Added-in-North-Carolina-December-2013.pdf>

55 Springer, M. G., Swain, W. A., & Rodriguez, L. A. (2016). “Effective Teacher Retention Bonuses: Evidence From Tennessee,” Educational Evaluation and Policy Analysis, 38(2), 199–221, as found at: <https://doi.org/10.3102/0162373715609687>; and Springer, M. G., Swain, W. A., & Rodriguez, L. A. (2019). “Selective retention bonuses for highly effective teachers in high poverty schools: Evidence from Tennessee,” Economics of Education Review, Volume 68, February 2019, Pages 148–160, as found at: <https://doi.org/10.1016/j.econedurev.2018.12.008>

## 15 Provide All School Employees a Living Wage

Beginning July 1, 2018, the state ensured all state employees would earn at least \$15 per hour, or \$31,200 a year for full-time employees. These raises did not apply, however, to noncertified state-funded employees of local school districts such as bus drivers, custodians, child nutrition staff, and teacher assistants.

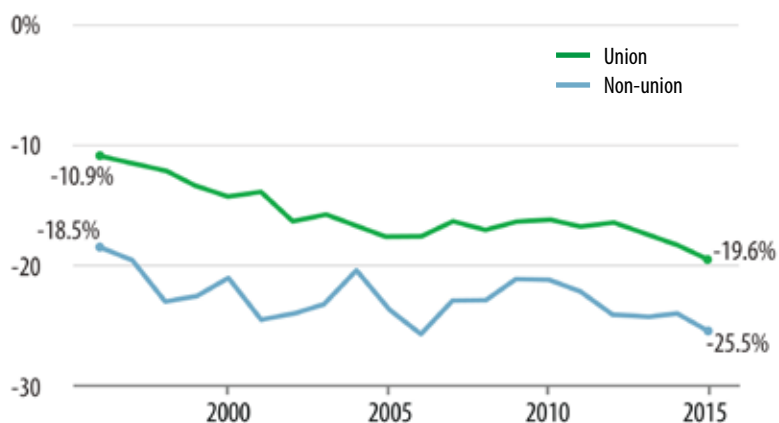
### ✓ WHY PROVIDING ALL SCHOOL EMPLOYEES A LIVING WAGE IS IMPORTANT

Currently, state law allows noncertified school employees to earn as little as \$11.75 per hour. Many such employees are only paid on instructional days, meaning that full-time noncertified employees could earn as little as \$17,000 per year.

An increase to \$15 per hour would help in moving each employee to a living wage. A \$15 per hour rate is considered a living wage for an individual with no children in every North Carolina county.<sup>56</sup>

**FIGURE 14: Teachers in a Union Have a Smaller Wage Gap**

*Wage gap between public school teachers and similar workers, by union status, 1996-2015*



NOTE: Figure compares weekly wages. Regression-adjusted estimates include controls for age (quartic), education, race/ethnicity, geographical region, marital status, and gender for the pooled sample. Data are for workers age 18-64 with positive wages (excluding self-employed workers). Union representation is defined as being a union member or being covered by a union contract.

SOURCE: Authors' analysis of Current Population Survey Outgoing Rotation Group data  
Economic Policy Institute — <https://www.epi.org/files/pdf/110964.pdf#page=13>

### RECOMMENDATION

- Guarantee that all school district employees receive pay equal to at least \$15 per hour, consistent with pay for state employees.

### Cost of Providing All School Employees a Living Wage

A 12-month annual salary of \$31,200 equates to \$2,600 per month. This cost estimate assumes that all noncertified employees are 10-month employees and would therefore require a guaranteed minimum salary of \$26,000 per year. Providing this level of pay to noncertified school employees would **cost approximately \$86 million per year**.

<sup>56</sup> Massachusetts Institute of Technology, Living Wage Calculator, as found at: <http://livingwage.mit.edu/states/37>



## 16 Allow Collective Bargaining for School Employees

Collective bargaining is a process of negotiation between employers and unionized employees to find mutual agreement on salaries, benefits, working conditions, and other rights for workers.

North Carolina prohibits state and local governments from entering into collective bargaining agreements with their employees, making North Carolina one of just two states with such a law. The prohibition has its roots in Jim Crow laws, been decried by both the NAACP and the UN's International Labor Organization.

### WHY ALLOWING COLLECTIVE BARGAINING FOR SCHOOL EMPLOYEES IS IMPORTANT

Research indicates that districts with strong teacher unions had more teachers with stronger qualifications, higher retention rates for high-quality teachers, higher dismissal rates for low-quality teachers, and lower high-school dropout rates.<sup>57</sup>

Collective bargaining is also an important tool in ensuring teacher pay remains competitive with salaries of other college-educated professionals. In 2015, teachers not represented by a union had a 25.5 percent wage gap compared to a 19.6 percent wage gap for unionized teachers.<sup>58</sup>

### RECOMMENDATION

- Allow school employees to collectively bargain.

### Cost of Allowing Collective Bargaining for School Employees

There is **no fiscal impact related to allowing collective bargaining for school employees**, though it would almost certainly **increase compensation for school employees in future years**.

## 17 Restore Funding for Professional Development

Historically, North Carolina's school funding system included a Professional Development allotment. In FY 08-09, the state provided school districts and charter schools with \$12.5 million to support professional development efforts. During the Great Recession, lawmakers eliminated this allotment on what was supposed to be a temporary basis in an attempt to reduce school budgets in ways that spared jobs. However, the General Assembly chose to permanently eliminate the allotment in FY 11-12, even though state revenue had begun to recover. As a result, North Carolina school districts have received no direct funding for professional development in the past 10 years.

Now, federal Title II funds pay for most professional development activities. North Carolina schools receive approximately \$45 million per year in Title II funding.

<sup>57</sup> Eunice S. Han, "The Myth of Unions' Overprotection of Bad Teachers: Evidence from the District-Teacher Matched Panel Data on Teacher Turnover

<sup>58</sup> Sylvia A. Allegretto and Lawrence Mishel, "The teacher pay gap is wider than ever: Teachers' pay continues to fall further behind pay of comparable workers," Economic Policy Institute, August 9, 2016, as found at: <https://www.epi.org/files/pdf/110964.pdf#page=13>

## ✓ WHY RESTORING FUNDING FOR PROFESSIONAL DEVELOPMENT IS IMPORTANT

The elimination of professional development funding flies in the face of research and common sense. High-quality professional development (training that is job-embedded, ongoing, and differentiated) has a direct impact on student achievement. A comprehensive meta-analysis of the impact of professional development found that “teachers who receive substantial professional development... can boost their students’ achievement by about 21 percentile points.”<sup>59</sup> Another more recent report concludes “investments in high-quality principal training yield substantial benefits in student achievement, as well as teacher quality and retention.”<sup>60</sup>

Professional development is also vital for recruitment and retention. Professionals in any field seek to continually improve their practices and performance. This is particularly true in education, where teachers face an evolving, and often increasing, set of responsibilities. For example, modern teachers are expected to:

- Successfully differentiate instruction for an increasingly diverse set of students, including English learners, advanced students, struggling learners, and disabled students;
- Incorporate trauma-informed instruction techniques to help students overcome ACEs;
- Implement new, less-discriminatory student discipline measures such as restorative justice and positive behavior support;
- Teach newer, more rigorous academic standards;
- Develop cultural competencies that foster connections with diverse student and family populations;
- Incorporate technology into instruction; and
- Embed literacy instruction into lesson plans regardless of subject area.

Consequently, a majority of North Carolina teachers report needing professional development for differentiating instruction, closing the achievement gap, and integrating technology into instruction.<sup>61</sup> Teachers will be unable to meet these expectations without high-quality professional development.

Restoring state funding for professional development is increasingly important in light of efforts from the Trump administration to eliminate Title II funding, districts’ only dedicated source of professional development funding.<sup>62</sup>

## RECOMMENDATION

- **Restore the Professional Development allotment to FY 08-09 levels, adjusted for inflation and student growth.**

59 Kwang Suk Yoon, Teresa Duncan, Silvia Wen-Yu Lee, Beth Scarloss, and Kathy L. Shapley, “Reviewing the evidence on how teacher professional development affects student achievement,” Regional Education Laboratory Southwest, October 2007, as found at: [https://ies.ed.gov/ncee/edlabs/regions/southwest/pdf/REL\\_2007033.pdf](https://ies.ed.gov/ncee/edlabs/regions/southwest/pdf/REL_2007033.pdf)

60 Leib Satcher, Anne Podolsky, and Danny Espinoza, “Supporting Principals’ Learning: Key Features of Effective Programs,” Learning Policy Institute, February 27, 2017, as found at: <https://learningpolicyinstitute.org/product/supporting-principals-learning-key-features-effective-programs-report>

61 North Carolina Teacher Working Conditions Survey, 2018, as found at: [https://ncteachingconditions.org/results/report/418/133002#NC16\\_PD](https://ncteachingconditions.org/results/report/418/133002#NC16_PD)

62 Kris Nordstrom, “Trump budget would eliminate professional development funding for NC educators,” The Progressive Pulse, March 23, 2017, as found at: <http://pulse.ncpolicywatch.org/2017/03/23/trump-budget-eliminate-professional-development-funding-nc-educators/>

## Cost of Restoring Funding for Professional Development

Restoring the Professional Development allotment to FY 08-09 levels, adjusted for inflation and student growth, would **cost \$15.1 million.**

## 18 Restore Funding for Beginning Teacher Support Programs

Historically, North Carolina’s school funding system included an allotment for mentor programs for new teachers. In FY 08-09, the state provided school districts and charter schools with an \$11.2 million Mentoring allotment to support professional development efforts. During the Great Recession, lawmakers eliminated this allotment on what was supposed to be a temporary basis in an attempt to reduce school budgets in ways that spared jobs. However, the General Assembly chose to permanently eliminate the Mentoring allotment in FY 11-12, even though state revenue had begun to recover. As a result, North Carolina school districts have received no beginning teacher support programs in the past nine years.



### WHY RESTORING FUNDING FOR BEGINNING TEACHER SUPPORT PROGRAMS IS IMPORTANT

Research continues to find that turnover is costly for districts, and that beginning teacher support programs are an effective tool for reducing turnover.

Beginning teachers in North Carolina consistently experience higher attrition rates than more experienced teachers. In FY 2017-18, 12.3 percent of teachers in their first three years of teaching left the classroom. Turnover like this has significant, negative impact on students. High rates of turnover lead to the hiring of less experienced teachers, with lower licensure exam scores, an increase in the proportion of less effective lateral entry teachers, and an increase in the proportion of teachers teaching out-of-subject.<sup>63</sup>

Evidence shows support programs that include a mentor teacher from one’s subject area and common planning time with other subject area teachers help reduce turnover. These same programs have also been shown to boost the achievement of these new teachers’ students.<sup>64</sup>

The challenges faced by beginning teachers, and the high costs of turnover are problems that disproportionately impact schools serving students from families with low incomes, as such schools are more likely to be staffed with early-career teachers.

### RECOMMENDATION

- Restore the Mentoring allotment to FY 08-09 levels, adjusted for inflation and student growth.

## Cost of Restoring Funding for Beginning Teacher Support Programs

Restoring the Mentoring allotment to FY 08-09 levels, adjusted for inflation and student growth, would **cost \$13.5 million.**

63 Lucy C. Sorensen and Helen Ladd, “The Hidden Costs of Teacher Turnover,” CALDER Working Paper No. 203-0918-1, September 2018, as found at: <https://caldercenter.org/publications/hidden-costs-teacher-turnover>

64 Richard M. Ingersoll, “Beginning Teacher Induction: What the Data Tell Us,” Education Week

## 19 Restore Professional Status of North Carolina Teachers

Over the past decade, North Carolina lawmakers have taken a number of steps that debase the teaching profession:

- **No Master’s pay for new teachers:** Historically North Carolina teachers with a master’s degree earned a 10 percent salary supplement over teachers with a bachelor’s degree. In 2013, the state eliminated these supplements for teachers who began that master’s program after August 1, 2013.
- **Elimination of National Board application costs:** Prior to 2010, the state would pay teachers’ application costs for seeking National Board of Professional Teaching Standards (NBPTS) certification. The NBPTS certification process costs \$1,975.
- **Basing teacher evaluations on student test results:** As a condition of receiving the federal Race to the Top grant in 2012, North Carolina began including measures of student test performance in teacher evaluations. Policymakers have since lessened the teacher evaluation tool’s emphasis on student test results, but growth data continues to inform other aspects of the evaluation process.
- **Elimination of career status:** Career status entitles a teacher to due process protections to ensure they are treated fairly before being dismissed or demoted. These due process protections are especially important for teachers teaching controversial material and for those wanting to advocate for policy changes without fear of reprisal. In 2013, lawmakers phased-out career status protections for teachers.
- **Elimination of longevity pay:** Teachers with at least 10 years of state experience used to receive annual longevity payments for hitting certain career milestones. Longevity payments ranged from 1.5 percent to 4.5 percent, depending on the teacher’s years of creditable service in North Carolina.
- **New hires no longer eligible for retiree health care benefits:** Currently, school district employees are eligible to receive health care benefits when they retire. Teachers and state employees with at least five years of experience are eligible for coverage under the state health care plan when they retire. Beginning 2021, new hires will no longer be eligible for this benefit.



### WHY RESTORING THE PROFESSIONAL STATUS OF NORTH CAROLINA TEACHERS IS IMPORTANT

Teachers are the most important classroom factor when it comes to improving student performance and the cumulative efforts to debase the teaching profession in North Carolina have undoubtedly negatively affected teachers. Benefits of NBPTS certification are well documented.<sup>65</sup> Tying teacher evaluations to test results is unpopular and has not improved teacher quality or boosted

<sup>65</sup> Dan Goldhaber and Emily Anthony, “Can Teacher Quality Be Effectively Assessed? National Board Certification as a Signal of Effective Teaching,” The Urban Institute, 2005, as found at: <https://www.urban.org/sites/default/files/publication/50736/411271-Can-Teacher-Quality-Be-Effectively-Assessed-.PDF>

achievement.<sup>66</sup> Evidence shows that removing career status increases teacher turnover.<sup>67</sup> North Carolina teachers with in-subject master's degrees outperform their peers.<sup>68</sup> Longevity is important for retaining experienced teachers, who continue to improve their performance well into their careers.<sup>69</sup> District leaders are worried that the elimination of retiree health care benefits will hamper recruitment efforts.

## RECOMMENDATION

- Policymakers should reverse each of these moves, paying for teachers' NBPTS application costs, eliminating student test results from the teacher evaluation process, restoring career status, allowing teachers to—once again—earn a master's supplement if the degree is relevant to their field of teaching, restoring longevity pay, and making new hires eligible for retiree health care benefits.

## Cost of Restoring the Professional Status of North Carolina Teachers

The fiscal impact of restoring the professional status of North Carolina Teachers is as follows:

- **Paying for National Board application costs:** The state previously budgeted **\$3.3 million per year** for NBPTS application costs.
- **Eliminate student test results from teacher evaluations:** There is **no cost** to eliminating student test results as a formal artifact in the teacher evaluation process.
- **Restoration of career status:** There is **no cost** to restoring career status.
- **Restore master's pay for in-field master's degrees:** Restoring master's pay would have an **indeterminate fiscal impact**. There is no data on the number of teachers who have received in-field master's degrees. Most likely, restoration of master's pay would have a minimal impact on statewide average teacher pay, and would therefore not require a standalone appropriation.
- **Restore longevity pay:** Restoring longevity would likely cost **less than \$100 million**. Longevity only applies to teachers' with 10 or more years of experience teaching *in North Carolina*. There is no data indicating how many of North Carolina's teachers with more than 10 years of experience would not qualify for longevity due to having experience outside of the state. However, if every teacher with 10 years of experience (regardless of location) were provided longevity, it would cost about \$104 million.
- **New hires no longer eligible for retiree health care benefits:** Restoring retiree health benefits to new hires would certainly have a fiscal impact in the future, but **would not require an additional appropriation** during the 2019-21 biennium.

66 Matt Barnum, "The Gates Foundation bet big on teacher evaluation. The report it commissioned explains how those efforts fell short," Chalkbeat, June 21, 2018, as found at: <https://chalkbeat.org/posts/us/2018/06/21/the-gates-foundation-bet-big-on-teacher-evaluation-the-report-it-commissioned-explains-how-those-efforts-fell-short/>.

67 Katharine O. Strunk, Nathan Barrett, Jane Arnold Lincove, "When Tenure Ends: Teacher Turnover in Response to Policy Changes in Louisiana," Education Research Alliance for New Orleans, February 22, 2017, as found at: <https://educationresearchallianceenola.org/files/publications/022217-Strunk-Barrett-Arnold-Lincove-When-Tenure-Ends-Teacher-Turnover-in-Response-to-Policy-Changes-in-Louisiana.pdf>.

68 Kevin C. Bastian, "A Degree Above? The Value-Added Estimates and Evaluation Ratings of Teachers with a Graduate Degree," Education Finance and Policy, February 20, 2018, as found at: [https://www.mitpressjournals.org/doi/abs/10.1162/edfp\\_a\\_00261?journalCode=edfp](https://www.mitpressjournals.org/doi/abs/10.1162/edfp_a_00261?journalCode=edfp).

69 Helen F. Ladd and Lucy C. Sorensen, "Returns to Teacher Experience: Student Achievement and Motivation in Middle School," CALDER Working Paper 112, December 2015, as found at: [https://caldercenter.org/sites/default/files/WP%20112%20Update\\_0.pdf](https://caldercenter.org/sites/default/files/WP%20112%20Update_0.pdf).

## END INEFFECTIVE PROGRAMS

### 20 Moratorium on New Charter Schools

Charter schools are publicly-funded schools of choice that are exempt from certain rules that apply to traditional public schools. Notably, only 50 percent of charter school teachers must have a North Carolina teacher license, and charter schools are not subject to school calendar laws. Charter schools are overseen by an appointed board of directors, rather than an elected school board.

Currently there are 192 charter schools enrolling 111,604 students, about 7 percent of the total public student population. For-profit charter management organizations operate one-fifth of North Carolina's charter schools; such organizations prioritize maximization of profit over student success.<sup>70</sup>

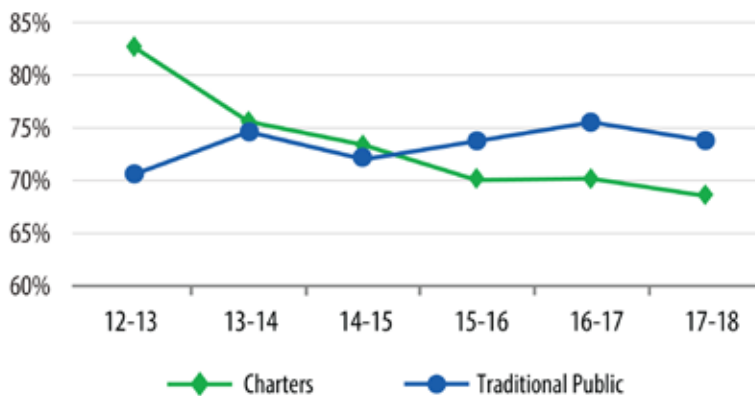
#### WHY PLACING A MORATORIUM ON NEW CHARTER SCHOOLS IS IMPORTANT

Charter schools were originally created to be laboratories for school innovation. The hope was that, by freeing these schools from certain regulations, educators would be able to identify innovative

practices that could be adopted by the traditional public school system. After more than two decades of charter schools in North Carolina, examples of scalable charter school innovations are nearly impossible to find.

No-excuses charter schools that emphasize strict disciplinary policies are not scalable, as traditional public schools cannot threaten students with permanent expulsion. Other charter schools benefit from attracting substantial revenue

**FIGURE 15: Percentage of NC Schools Meeting or Exceeding Expected Annual Growth**



from private donations. These schools use their additional revenue to provide smaller classes and pay teachers higher salaries to work additional hours and days. There is nothing particularly innovative about these approaches.<sup>71</sup>

Meanwhile North Carolina's charter schools fail to outperform their traditional school counterparts. The percentage of charter schools meeting or exceeding annual school growth—a measure that takes into account demographic differences between traditional schools and wealthier charter schools—is

<sup>70</sup> Public School Forum of North Carolina, "Top 10 Education Issues 2019," as found at: <https://www.ncforum.org/wp-content/uploads/2019/01/Top-10-Education-Issues-2019-PDF.pdf>

<sup>71</sup> Bruce Baker, *Education Inequality and School Finance: Why Money Matters for America's Students*, 2018, p. 68.

increasingly falling behind traditional public schools as charter schools have grown rapidly without adequate oversight or accountability.

In addition, North Carolina charter schools exacerbate racial segregation. In an examination of charter school trends from 1999 to 2012, researchers from Duke University found that charter schools transitioned from serving a disproportionate share of students of color to serving an increasingly white population. During this same period, charter schools became increasingly segregated, with some schools serving primarily students of color, and others serving primarily white students.<sup>72</sup> A more recent analysis of school demographics from the 2016-17 school year found that in 72 percent of the counties with at least one charter school, charter schools increase the degree of racial segregation in the district.<sup>73</sup>

Finally, the unfettered growth of charter schools creates additional fiscal pressure on traditional school districts. School districts face a number of fixed costs such as utility costs and central office administration. When a student leaves the traditional public school system for a charter school, the school district loses the average funding for a student. However, the district still incurs these fixed costs. The negative fiscal impact of charter schools increases as the sector grows. For example, Durham County, where more than 16 percent of students are enrolled in charter schools, charter schools have reduced funding for traditional public school students by the equivalent of \$500 to \$700 per student.<sup>74</sup>

In short, North Carolina's charter sector:

- Has failed to serve as a useful laboratory for innovation;
- Is delivering subpar results for students;
- Exacerbates racial segregation;
- And increases operating costs in traditional public schools

## RECOMMENDATION

- **Cease approval of new charter schools until an accountability framework is developed that ensures new charter schools are not exacerbating racial segregation or increasing costs for traditional public schools, and that new charter schools will truly be laboratories to field test innovations that could be scaled in traditional public schools.**

## Cost of Placing a Moratorium on New Charter Schools

There would be **no additional cost** related to putting a moratorium on the approval of new charter schools.

72 Helen F. Ladd, Charles T. Clotfelter, and John B. Holbein, "The Growing Segmentation of the Charter School Sector in North Carolina," *Education Finance and Policy*, Vol 12, Issue 4, Fall 2017, as found at: [http://www.mitpressjournals.org/doi/pdf/10.1162/EDFP\\_a\\_00226](http://www.mitpressjournals.org/doi/pdf/10.1162/EDFP_a_00226)

73 Kris Nordstrom, "Stymied by Segregation: How Integration Can Transform North Carolina Schools and the Lives of Its Students," North Carolina Justice Center, March 2018, as found at: <https://www.ncjustice.org/publications/stymied-by-segregation-how-integration-can-transform-nc-schools/>

74 Ladd, Helen F. and Singleton, John D., *The Fiscal Externalities of Charter Schools: Evidence from North Carolina* (April 9, 2018). Economic Research Initiatives at Duke (ERID) Working Paper No. 261. Available at SSRN: <https://ssrn.com/abstract=3082968> or <http://dx.doi.org/10.2139/ssrn.3082968>

## 21 Revoke Charters of Virtual Charter Schools

Virtual charter schools are publicly-funded schools that are governed by an independent board and deliver instruction on-line. The North Carolina General Assembly authorized two such schools to operate beginning the 2015-16 school year: North Carolina Virtual Academy (NCVA), operated by K12, Inc. and North Carolina Connections Academy (Connections), operated by British conglomerate Pearson.

The authorizing language in the 2014 budget bill initially established the schools as a four-year “pilot program,” expiring after the 2018-19 school year. Subsequent language in the 2018 budget bill extended the two schools’ charters for an additional four years. Barring additional action from the General Assembly, these two schools will continue to operate through the 2022-23 school year.

### WHY REVOKING THE CHARTERS OF VIRTUAL CHARTER SCHOOLS IS IMPORTANT

Virtual charter schools are a failed experiment. Since their creation, North Carolina’s two virtual charter schools, North Carolina Virtual Academy and North Carolina Connections Academy, have been among the worst-performing schools in the state. In their first year of operation, both schools ranked dead last in the state for student growth. In the most recent year, North Carolina Connections Academy once again had the lowest possible growth score, while North Carolina Virtual Academy’s growth score landed in the bottom 4 percent of schools.

The schools are based on a model that has failed spectacularly in several other states, and North Carolina’s laws offer no protections against the failures of other virtual charter schools.<sup>75</sup>

Advocates for these two schools have opposed meaningful accountability or evaluation measures. Worse yet, lawmakers have ignored efforts to strengthen North Carolina’s virtual charter school laws and regulations in the face of intense industry lobbying.

Virtual charters create unnecessary fiscal pressures on traditional public schools because the reduction in funding is greater than the reduction in costs when a student leaves the traditional public school to enroll in a virtual charter.

### RECOMMENDATION

- Revoke the charters of North Carolina’s two virtual charter schools.

### Cost of Revoking the Charters of Virtual Charter Schools

North Carolina would likely realize savings if it revoked the charter of both virtual charter schools. Approximately 30 percent of virtual charter students were previously home schooled.<sup>76</sup> It is unlikely that these students would enroll in traditional public schools if the virtual charter schools were closed. Currently, these schools receive state appropriations of approximately \$15.5 million per year. If both schools closed, **the state would save approximately \$4.6 million** (30 percent of \$15.5 million).

<sup>75</sup> Valerie Strauss, “Study on online charter schools: ‘It is literally as if the kid did not go to school for an entire year’” Washington Post, October 31, 2015, as found at: [https://www.washingtonpost.com/news/answer-sheet/wp/2015/10/31/study-on-online-charter-schools-it-is-literally-as-if-the-kid-did-not-go-to-school-for-an-entire-year/?utm\\_term=.0114d4700584](https://www.washingtonpost.com/news/answer-sheet/wp/2015/10/31/study-on-online-charter-schools-it-is-literally-as-if-the-kid-did-not-go-to-school-for-an-entire-year/?utm_term=.0114d4700584)

<sup>76</sup> North Carolina Department of Public Instruction, “Report to the North Carolina General Assembly: Virtual Public Charter School Pilot Program,” January 16, 2017, as found at: <https://www.ncleg.gov/documents/sites/committees/jleoc/reports%20received/2016%20reports%20received/virtual%20public%20charter%20school%20pilot%20program%2015%2017.pdf>



## 22 Eliminating School Voucher Programs

School vouchers provide state funding to certain families who opt to enroll their children in nonpublic schools or to purchase other educational goods and services. North Carolina has three voucher programs:

**FIGURE 16: North Carolina's Voucher Programs**

Program	Eligibility	Max. Annual Award	FY 17-18 Recipients	FY 18-19 Appropriation
Opportunity Scholarship	Students from low-to moderate-income families	\$4,200	7,371	\$54,840,000
Special Education Grant	Students with disabilities	\$8,000	1,119	\$13,015,000
Personal Education Savings Account	Students with disabilities	\$9,000	N/A*	\$3,000,000

\*First awards being made in FY 2018-19. As of February 12, 2019, there are 277 recipients.

### WHY ELIMINATING SCHOOL VOUCHER PROGRAMS IS IMPORTANT

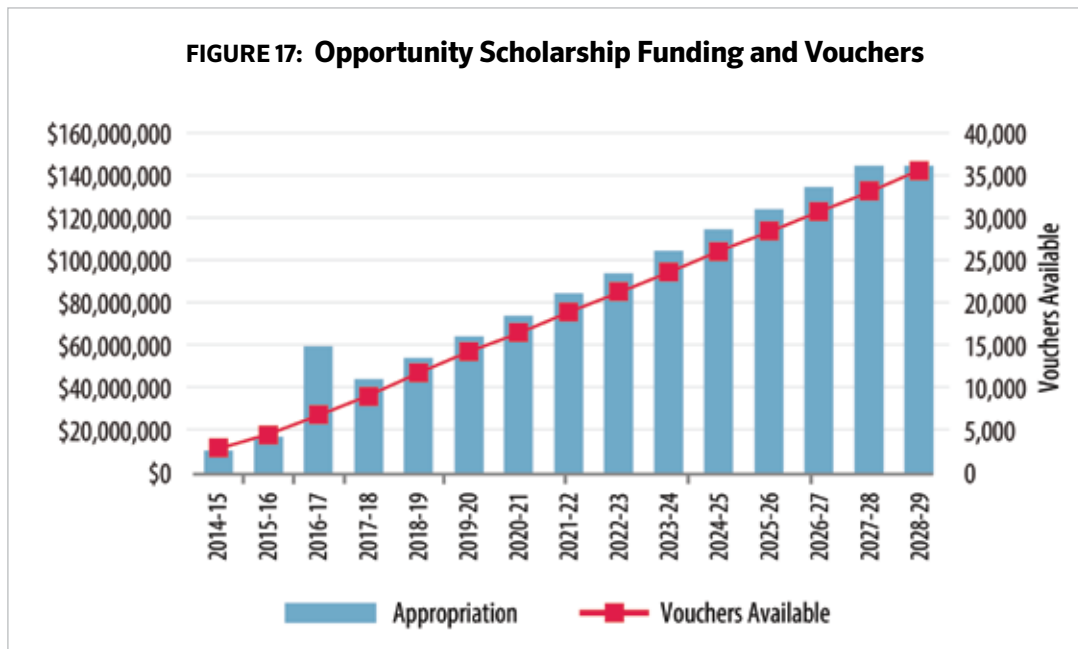
All three voucher programs share three traits that harm the public school system:

1. **Draining money from public schools:** Vouchers create unnecessary fiscal pressures on traditional public schools. When a student accepts a voucher and leaves the traditional public school system, the reduction in funding is greater than the reduction in costs. Vouchers further drain funds by providing vouchers to students who would have attended a private school anyway. Researchers from NC State found that nearly half of all families who applied for, but failed to receive an Opportunity Scholarship voucher, ended up sending their child to a private school anyway. That implies that almost half of voucher appropriations are being wasted by subsidizing private school tuition that people were going to pay anyway.
2. **Erode idea of schools as a public good:** A well-educated society benefits all residents. Education is vital for ensuring a functional democracy and thriving economy. Voucher programs work against this narrative. Vouchers encourage parents to exit the public education system rather than working together as a community to ensure that all children can thrive. Many lawmakers view vouchers and other school choice options as alternatives to adequately funding public schools.
3. **Legalized discrimination:** All three voucher programs permit private schools receiving public funds to discriminate on the basis of religion or sexual identity.

Each individual voucher program has its own unique pitfalls.

- **Opportunity Scholarship:**

- ▣ **Overfunding:** The Opportunity Scholarship was over-funded by approximately \$16.8 million in FY 2017-18, funds that could have otherwise been put to productive use in our public schools. Opportunity Scholarship funding has increased more than demand for the program. It is estimated that the program is overfunded by \$19.3 million in FY 2018-19,<sup>77</sup> with funding slated to continue to grow despite the underwhelming demand for Opportunity Scholarships. The Opportunity Scholarship is the only education program with guaranteed funding increases, with the program's annual appropriations slated to reach \$144.8 million by FY 2027-28.
- ▣ **Fraud:** A key employee of the state's largest recipient of Opportunity Scholarship voucher funds, Trinity Christian School in Fayetteville, embezzled \$400,000, yet he remains gainfully employed by the school.<sup>78</sup> The former headmaster of another Opportunity Scholarship school, coincidentally also called Trinity Christian, pled guilty of embezzling \$238,000 in school funds.<sup>79</sup> Opportunity Scholarship oversight did not discover either case of fraud. Both schools continue to have their operations subsidized by public funds.
- ▣ **Curriculum:** Approximately 77 percent of private schools receiving vouchers are using curricula that do not comply with state standards.<sup>80</sup> Many of the schools rely on religion-based curricula that downplay slavery and claim that humans and dinosaurs lived together.<sup>81</sup>



77 Kris Nordstrom, "Over-funded Opportunity Scholarship vouchers continue to drain resources from underfunded public schools," Progressive Pulse, January 21, 2019, as found at: <http://pulse.ncpolicy-watch.org/2019/01/21/over-funded-opportunity-scholarship-vouchers-continue-to-drain-resources-from-underfunded-public-schools/>

78 Lindsay Wagner, "Out of Bounds: Embezzlement and Basketball at North Carolina's Biggest Voucher School," North Carolina Public School Forum, November 3, 2017, as found at: <https://www.ncforum.org/out-of-bounds-embezzlement-and-basketball-at-north-carolinas-biggest-voucher-school/>

79 WLOS, "Former headmaster of Rutherford County school pleads guilty to embezzlement," October 26, 2018, as found at: <https://wlos.com/news/local/former-headmaster-of-rutherford-county-school-pleads-guilty-to-embezzlement>

80 Bonnie Bechard, "NC Private Schools Receiving Vouchers: A Study of the Curriculum

81 Leslie Postal, Beth Kassab and Annie Martin, "Schools Without Rules: Private schools' curriculum downplays slavery, says humans and dinosaurs lived together," Orlando Sentinel, June 1, 2018, as found at: <https://www.orlandosentinel.com/features/education/school-zone/os-voucher-school-curriculum-20180503-story.html>

- ▣ **Bad Results:** Recent studies of statewide programs similar to North Carolina’s Opportunity Scholarship have consistently shown that vouchers hurt student achievement. Recent studies of voucher programs in Indiana, Louisiana, Ohio, and Washington, D.C., have resulted in declines in voucher student performance.<sup>82</sup> Despite poor results in other states, North Carolina lawmakers continue to resist any efforts to properly evaluate the performance of Opportunity Scholarship students. A Duke University analysis ranked the Opportunity Scholarship dead last in terms of accountability for voucher programs.<sup>83</sup>
- **Special Education Grant:** Like the Opportunity Scholarship program, there is little-to-no information that would allow for an evaluation of the educational outcomes for children accepting a Special Education Grant voucher. There is, however, cause for concern. By accepting vouchers, students lose most of the protections of the federal Individuals with Disabilities Education Act. An analysis of a similar voucher program in Florida found many families returning to public schools after finding that students are not guaranteed the same level of disability services in private schools that they were entitled to in public school.<sup>84</sup>
- **Personal Education Savings Account (PESA):** As with the Special Education Grant students, recipients of PESAs also forego their IDEA rights. Additionally, PESAs expand avenues for fraud. Under North Carolina’s existing voucher programs, funds are sent directly to the private school, or provided to the parent as a documented reimbursement for tuition. Under PESAs, parents receive their funds on a debit card with little statutory oversight of their spending. Monitoring of eligible purchases relies overwhelmingly on self-reporting from parents and an indeterminate number of audits.<sup>85</sup> The law fails to establish a minimum number of accounts to be audited each year. In Arizona’s version of the program, state auditors found over \$700,000 of fraudulent purchases in just one fiscal year. Parents used state-issued debit cards to purchase clothes, beauty supplies, and sports equipment.<sup>86</sup>

## RECOMMENDATION

- **Eliminate the state’s three voucher programs.**

## Cost of Eliminating School Voucher Programs

Eliminating North Carolina’s school voucher programs could **save the state \$35 to \$40 million per year over the upcoming biennium**. Savings would be greater in future years, as state funds that would otherwise sit unused in undersubscribed voucher programs could be re-purposed to support public schools.

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82 Matt Barnum, “Do school vouchers ‘work’? As the debate heats up, here’s what research really says” Chalkbeat, July 12, 2017 updated August 15, 2018, as found at: <https://www.chalkbeat.org/posts/us/2017/07/12/do-school-vouchers-work-as-the-debate-heats-up-heres-what-research-really-says/>

83 Jane R. Wettach, “School Vouchers in North Carolina: The First Three Years,” Children’s Law Clinic, Duke Law School, March 2017, as found at: [https://law.duke.edu/childedlaw/docs/School\\_Vouchers\\_NC.pdf](https://law.duke.edu/childedlaw/docs/School_Vouchers_NC.pdf)

84 Dana Goldstein, “Special Ed School Vouchers May Come With Hidden Costs,” New York Times, April 11, 2017, as found at: <https://www.nytimes.com/2017/04/11/us/school-vouchers-disability.html>

85 Kris Nordstrom, “Senate’s new and poorly-designed voucher program would expand avenues for educational fraud,” Progressive Pulse, April 12, 2017, as found at: <http://pulse.ncpolicywatch.org/2017/04/12/senates-poorly-designed-new-voucher-program-expand-avenues-educational-fraud/>

86 Rob O’Dell and Yvonne Wingett Sanchez, “Parents spent \$700K in school voucher money on beauty supplies, apparel; attempted cash withdrawals,” Arizona Republic, published October 29, 2018, updated October 30, 2018, as found at: <https://www.azcentral.com/story/news/politics/arizona/2018/10/29/misspent-school-voucher-funds-exceed-700-k-little-recovered/1780495002/>

## 23 End Read to Achieve

The Read to Achieve program is an effort to improve early-grades' reading proficiency by holding back students who fail the state's third grade reading test. Read to Achieve was based on an initiative

from Florida that ramped up investment in its Research-Based Reading Allocation to fund \$130 million per year in early reading interventions.

North Carolina's program took a sharply different approach by not providing *any* interventions to help children pass their third-grade reading test. The state only invested in diagnostic reading tests to help teachers identify struggling readers and summer reading camps for

third graders who had already failed the state reading exam.<sup>87</sup> Districts were required to provide additional tutoring and instruction for failing students, but did not receive additional funding to carry out these mandates.

### WHY ENDING READ TO ACHIEVE IS IMPORTANT

Since the adoption of the Read to Achieve program, North Carolina's third-grade reading performance has fallen precipitously, more than any other state test.

Schools have clearly not improved third-grade reading by increasing the frequency of reading tests and ratcheting up the threats of retention. NC State's Friday Institute for Educational Innovation conducted an evaluation confirming that the additional reading help provided to students who had failed their third-grade reading test (i.e., summer reading camps, additional reading instruction) failed to improve their reading performance. The state's meager investment in interventions for struggling readers has not helped.

### RECOMMENDATION

- **Eliminate Read to Achieve's testing and retention requirements. Maintain Read to Achieve's summer reading camps.**

<sup>87</sup> In FY 2015-16, additional funds were provided to begin providing summer reading camps to first and second grade students.

## Cost of Ending Read to Achieve

North Carolina would **save approximately \$30 million per year** by cancelling Read to Achieve, but retaining spending on summer reading camps. The state is spending approximately \$12 million per year on diagnostic reading tests, and providing technical assistance to school districts on how to implement Read to Achieve. Retention of third graders is estimated to cost the state approximately \$18 million per year.<sup>88</sup>

## 24 Eliminate Innovative School District (ISD)/Restore District and School Transformation (DST) Division

Historically, DPI has provided support for low-performing schools via their District and School Transformation (DST) teams. These teams are comprised of experienced educators who work with district and school leadership to identify barriers to student achievement and implement strategies to boost student performance. In the 2014-15 school year, DST worked with 12 low-performing school districts and 118 of the state's lowest-performing schools.

In 2016, legislative leaders embraced a different approach to supporting high-need schools. Under the Innovative School District (ISD) model, schools in the bottom 5 percent on state accountability measures are removed from the control of their local school district and placed under the purview of the ISD, who then contracts with private entities to run the schools. The model is based off a similar program in Tennessee that has failed to boost student performance.<sup>89</sup>



### WHY ELIMINATING THE ISD AND RESTORING THE DST IS IMPORTANT

DST is a proven effort for improving the performance of schools facing substantial barriers to high achievement. After four years of services from DST, 83 percent of the 118 schools served by DST improved their overall performance and no longer fall in the bottom 5 percent of schools. Seventy percent of these schools met or exceeded growth.<sup>90</sup> Schools served by DST improved their graduation rates and achievement at higher rates than in comparison schools. District-level interventions produced statistically significant effects on both school-wide growth and student achievement.<sup>91</sup>

To date, just one school, Southside Ashpole Elementary School in Robeson County, has been transferred to the ISD. The model has faced strong push-back from community leaders in Durham, Guilford, Edgecombe, and Wayne Counties, who opposed having their schools taken over by unproven and unknown private school operators. It is too early to know how the ISD is affecting student performance at Southside Ashpole. The major reforms to date have included calendar flexibility, requiring students to wear uniforms, and turnover of nearly 90 percent of the school's teaching staff.<sup>92</sup>

88 Kristopher Nordstrom, Senate Bill 795 (Third Edition) Legislative Fiscal Note, June 4, 2012, as found at: <https://www.ncleg.gov/Sessions/2011/FiscalNotes/Senate/PDF/SFN0795v3.pdf>

89 Billy Ball, "Vanderbilt education researcher talks the middling numbers of achievement school districts," Progressive Pulse, January 28, 2016, as found at: <http://pulse.ncpolicywatch.org/2016/01/28/vanderbilt-educationresearcher-talks-the-middling-numbers-of-achievementschool-districts/#sthash.X5mZQgN7.dpbs>

90 Dr. Nancy Barbour, "Transforming Lowest Achieving Districts and Schools," Presentation to the House Select Committee on Achievement School District, January 27, 2016, as found at: <https://www.ncleg.gov/documentsites/committees/House2015-174/DPI%20Turnaround.pdf>

91 Gary T. Henry, J. Edward Guthrie, and LaTricia W. Townsend, "Outcomes and Impacts of North Carolina's Initiative to Turn Around the Lowest-Achieving Schools," Consortium for Educational Research and Evaluation – North Carolina, September 2015, as found at: <https://cerenc.org/wp-content/uploads/2015/09/0-FINAL-Final-DST-Report-9-3-15.pdf>

92 Kris Nordstrom, "NC's latest school takeover experiment will deny Goldsboro students the education they deserve," NC Policy Watch, October 19, 2018, as found at: <http://www.ncpolicywatch.com/2018/10/19/ncs-latest-school-takeover-experiment-will-deny-goldsboro-students-the-education-they-deserve/>

Despite the proven, positive impact of DST, legislative leaders have slashed budgets for the program, focusing instead on the unproven ISD model. Recent-year budget cuts eliminated approximately 45 positions from DST, and the office was merged into a new unit. Whereas the state was once providing on-the-ground support and coaching to 12 districts and 118 schools, the unit is now moving towards an unproven regional support team model.

Meanwhile, lawmakers have created a new office overseeing the ISD. The office is currently budgeted at \$400,000 per year to oversee one school. The office's selection of a second school in late 2018 met so much resistance that the legislature over-rode the law requiring a school to be transferred to the ISD.<sup>93</sup>

### RECOMMENDATION

- Eliminate the ISD and restore the 45 positions eliminated from the DST.

### Cost of Eliminating the ISD and Restoring the DST

Eliminating the ISD would save the state \$400,000 annually. Restoring 45 positions eliminated from the DST would cost approximately \$4.5 million, for a **net cost of \$4.1 million**.

## 25 Convene Blue Ribbon Commission on Testing

There is growing bipartisan concern with the role that testing plays in our public school system. Federal, state, and local policymakers all require certain tests to be administered.

The federal government, through the Every Student Succeeds Act (ESSA), requires states to test students in grades 3-8 and once in high school in math and reading. ESSA also requires science tests at least once in each of the following grade spans: 3-6, 6-9, and 10-12. These tests must be used to inform school accountability measures, such as school performance grades, with test results accounting for at least 51 percent of the measure. ESSA requires additional tests for career and technical education courses and language proficiency tests for English language learners.

Federal policymakers are able to enforce these requirements by threatening to withhold federal funding from states that fail to comply. In North Carolina, federal funding tied to ESSA totals approximately \$550 million per year. This equates to approximately 4 percent of annual public school expenditures.

The state-required tests include:

- Diagnostic math tests in grades K-2 to help teachers identify young students struggling with math;
- Diagnostic reading tests in grades K-3 to help teachers identify young students struggling with reading;
- ACT and ACT WorkKeys to provide measurements of college and career readiness;

<sup>93</sup> T. Keung Hui, "NC lawmakers won't force state to take over low-performing school," The News & Observer, December 13, 2018, as found at: <https://www.newsobserver.com/news/politics-government/article223059970.html>

- NC Final Exams are administered in science, social studies, math, and English courses for which there is not a federally-required end-of-grade or end-of-course exam; these exams are used to determine student growth as part of the state’s educator evaluation system.

At the local level, districts often require teachers to administer diagnostic exams to help identify which students are, or are not, on track for successful grade-level achievement.

State lawmakers have chosen to place high stakes on federally-required tests. State Board policy requires that federally-mandated end-of-grade and end-of-course tests account for at least 20 percent of a student’s final grade.<sup>94</sup> The stakes are even higher for eight and nine-year old children in third grade. Under the state’s Read to Achieve initiative, these students will be retained in third grade if they fail to pass their third-grade reading test.

Lawmakers have also placed high stakes on educators. Principal pay is now tied to the growth students exhibit on standardized tests (see: Create Incentives for Principals to Lead High-Need Schools). Teachers in certain subject areas now compete against each other for test-based bonuses (see: Focus Teacher Bonuses on Recruitment and Retention at High-Need Schools). Additionally, schools receive school performance grades that stigmatize schools with high proportions of students from families with low incomes (see: Modify School Performance Grades to End Stigmatization of High-Poverty Schools).

### WHY A BLUE RIBBON COMMISSION ON TESTING IS IMPORTANT

Our national focus on testing began with 2001’s No Child Left Behind (NCLB). Under NCLB, the federal government required all states to test every student annually in grades 3 through 8 and once in high school in math and reading. States were expected to set annual achievement goals so that 100 percent of the students would be proficient by the 2013-14 school year.

Researchers have found that NCLB’s focus on standardized testing was harmful for students. The policy narrowed the scope of public education in three negative ways:

1. NCLB and other test-based accountability regimes narrowed the curriculum by shifting instruction time toward tested subjects (English and math) and away from others.
2. Even within English and math, NCLB caused schools to narrow the focus on test items rather than conceptual understanding and writing skills. As Charlotte teacher Justin Parmenter notes, the pressure created by North Carolina’s focus on standardized testing is “passed on to students in the form of developmentally inappropriate, dull, and repetitive learning activities in which the real goal is not authentic learning but getting the desired score.”<sup>95</sup>
3. NCLB created incentives for teachers to focus on students near the proficiency cut point, reducing achievement of high- and low-achieving students.

<sup>94</sup> State Board of Education Policy TEST-003 “Requirements Regarding End-of-Course Assessments,” May 3, 2018, as found at: <https://simbli.eboardsolutions.com/ePolicy/policy.aspx?PC=TEST-003&Sch=10399&S=10399&C=TEST&RevNo=1.02&T=A&Z=P&St=ADOPTED&PG=6&SN=true>

<sup>95</sup> Justin Parmenter, “NC Superintendent’s testing changes miss the point. The problem is in the stakes.” Notes from the Chalkboard, January 17, 2019, as found at: <http://notesfromthechalkboard.com/2019/01/17/nc-superintendents-testing-changes-miss-the-point-the-problem-is-in-the-stakes/>

NCLB also stigmatized schools facing significant out-of-school barriers to student success. Rather than providing these schools with the resources necessary to help students overcome these barriers, NCLB labeled these schools as failing, and required disruptive school reforms that failed to address underlying community challenges.

The net result is that the focus on standardized tests did nothing to boost test scores while leaving teachers demoralized, particularly those in high-poverty schools.<sup>96</sup>

## RECOMMENDATION

- **North Carolina should convene a blue ribbon commission on school testing. The commission should include representation from relevant stakeholders, including teachers, researchers, parents, and students. The commission should study ways North Carolina could reduce the stakes of our testing regime in order to broaden the curriculum, increase autonomy for educators, and reduce stress levels for students. Additionally, the commission should examine the implications of non-compliance with federal guidelines, weighing the loss of federal funding against the benefits of alternative accountability systems.**

## Cost of a Blue Ribbon Commission on Testing

Generally, **expenses for blue ribbon commissions are less than \$200,000.**

## 26 Restore Local School Calendar Flexibility

North Carolina is one of just three states that set when districts must begin and end their school year.<sup>97</sup> Schools can start no earlier than the Monday closest to August 26 and end no later than the Friday closest to June 11. Within that time frame, districts must provide at least 1,025 hours of instruction, nine teacher work days, several holidays, and planned make-up days for anticipated school weather closures.

These restrictions do not apply to charter schools, year-round schools, and cooperative innovative high schools.

### WHY REMOVING LOCAL SCHOOL CALENDAR RESTRICTIONS IS IMPORTANT

The calendar law unnecessarily creates five problems for school districts:

1. Schools are unable to complete an entire semester prior to the winter holiday break. As a result, schools administer exams for first semester courses a week or more after students last received instruction.
2. Traditional school calendars are not aligned with calendars at local community colleges and universities, hampering students' opportunities to participate in dual enrollment opportunities.

<sup>96</sup> Helen F. Ladd, "No Child Left Behind: A Deeply Flawed Federal Policy," *Journal of Policy Analysis and Management*, January 30, 2017, as found at: <https://onlinelibrary.wiley.com/doi/full/10.1002/pam.21978>

<sup>97</sup> North Carolina General Assembly Program Evaluation Division, "No Modification to North Carolina's School Calendar Law Satisfies Multiple Competing Interests," February 13, 2017, as found at: [https://www.ncleg.net/PED/Reports/documents/SchoolCalendar/School\\_Calendar\\_Report.pdf](https://www.ncleg.net/PED/Reports/documents/SchoolCalendar/School_Calendar_Report.pdf)



3. Because of the hard beginning and end dates, districts that miss instruction days due to adverse weather and natural disasters are unable to provide a full year's worth of instruction without holding school during planned vacation periods and/or on weekends. In many cases, districts are forced to forego days of instruction or add on instruction days after testing has already occurred, particularly in areas of the state that regularly receive significant snowfall.
4. Lack of flexibility and available days limit school districts' ability to provide intensive professional development opportunities for teachers.
5. Districts and schools that serve large populations of low-performing students are unable to address summer learning loss.

Granting calendar flexibility to local school districts will facilitate administration of final exams, expand dual enrollment opportunities, increase the number of high-quality instructional days, and allow districts to provide additional professional development opportunities.

### RECOMMENDATION

- Allow school districts complete flexibility in how they meet the instructional requirement of providing students with at least 185 days or 1,025 hours of instruction per year.

### Cost of Removing Local School Calendar Restrictions

There is **no budgetary cost** associated with providing calendar flexibility to school districts.

## SCHOOL FACILITIES

### 27 Statewide School Construction Bond

The Statewide School Construction Bond would provide every county in North Carolina with funding to supplement local funding for much-needed school capital investments.

The school construction bond bill that was not passed by the General Assembly in the 2017 or 2018 legislative sessions would have provided counties with \$1.9 billion in capital funds. Every county would have received funding under this proposal, but additional amounts would have been provided to low-wealth counties,<sup>98</sup> small counties,<sup>99</sup> and high-growth counties.<sup>100</sup>



#### WHY THE SCHOOL CONSTRUCTION BOND IS IMPORTANT

Research is clear that school building conditions affect student performance. Researchers have

<sup>98</sup> Low wealth counties are those with wealth below the state average, as calculated via the state's low wealth allotment formula.

<sup>99</sup> Counties with fewer than 3,200 students.

<sup>100</sup> Counties qualified as high growth if their enrollment had increased over the previous five years.

documented the impact of indoor air quality, temperature control, and building quality affect student performance.<sup>101</sup> Research also finds the quality of school facilities has large effects on keeping effective teachers in the classroom.<sup>102</sup> Here in North Carolina, school buildings testing positive for lead-poisoned water almost certainly have negative impacts on school performance.<sup>103</sup>

North Carolina's schools have startling capital needs. According to the most recent data source, the Department of Public Instruction's (DPI's) 2015-16 Statewide Facility Needs Survey, North Carolina's public schools faced over \$8.1 billion of school capital needs.<sup>104</sup> Subsequent to that report, the North Carolina General Assembly passed an unfunded mandate for districts to reduce class sizes in grades K-3. There is no statewide estimate of the additional costs created by the class-size mandate, however, several districts have estimated the impact. For example, Charlotte-Mecklenburg schools estimates needing more than 200 additional classrooms to meet the new class-size requirements. This is the equivalent of about five new elementary schools, or about \$20 million worth of mobile units.<sup>105</sup>

Like many educational issues, school capital is one with disparate racial and economic impacts. In North Carolina, there is strong evidence that Black students are more likely to attend dilapidated schools than white students. The average Black student in North Carolina attends a school district with \$2,548 of school refurbishment and equipment needs per student, as compared to white students where the refurbishment and equipment needs are \$2,440 per student. Students in counties with low tax bases<sup>106</sup> face per-student refurbishment and equipment needs of \$4,646, compared to just \$2,382 in high-wealth counties.<sup>107</sup>

## RECOMMENDATION

- **Given the scope of need, the General Assembly should consider a bond for public school construction of at least \$1.9 billion. The bond distribution formula should take into account how capital needs disproportionately affect students of different races. Additionally, the state should further study to see how tax policy is limiting other state efforts to support public school construction.**

## Cost of the Statewide School Construction Bond

A statewide school construction bond would **not require an additional appropriation** from the General Assembly, though a school construction bond would require debt service payments beginning in FY 21-22.

101 Mark Schneider, "Do School Facilities Affect Academic Outcomes?," National Clearinghouse for Educational Facilities, November 2002, as found at: <http://www.ncef.org/pubs/outcomes.pdf>

102 Jack Buckley, Mark Schneider, and Yi Shang, "The Effects of School Facility Quality on Teacher Retention in Urban School Districts," National Clearinghouse for Educational Facilities, February 2004, as found at: <http://www.ncef.org/pubs/teacherretention.pdf>

103 Lisa Sorg, "Three Guilford County schools test high for lead in drinking water; 1,500 students, many of them low-income, affected," N.C. Policy Watch, July 31, 2018, as found at: <http://www.ncpolicy-watch.com/2018/07/31/three-guilford-county-schools-test-high-for-lead-in-drinking-water-1500-students-many-of-them-low-income-affected/>

104 Department of Public Instruction, Statewide Facility Needs Survey 2015-16, as found at: [https://www.schoolclearinghouse.org/otherinf/FacilityNeedsSurvey/2015%20Facility%20Needs%20Survey%20\(SBE\).pdf](https://www.schoolclearinghouse.org/otherinf/FacilityNeedsSurvey/2015%20Facility%20Needs%20Survey%20(SBE).pdf)

105 Justin Parmenter, "The legislature passed a temporary class size fix. But it's still not enough," Charlotte Observer, February 13, 2018, as found at: <https://www.newsobserver.com/opinion/op-ed/article199838889.html>.

106 Counties with wealth that is more than one standard deviation below the state's average wealth, as measured by the state's low wealth allotment formula.

107 Counties with wealth that is more than one standard deviation above the state's average wealth, as measured by the state's low wealth allotment formula. While high-wealth counties might face lower refurbishment and equipment needs, these counties tend to be high-growth counties and therefore face higher than average capital needs for new schools and land acquisition.

## 28 Test for and Remove Lead in All Schools

North Carolina lacks any laws or policies requiring testing of lead in public school buildings or requirements on how to inform parents when lead has been found in a school building. Nor has the state implemented any meaningful lead abatement programs that would remove lead from housing.

About half of all states have developed statewide school drinking water lead testing initiatives. North Carolina has not.<sup>108</sup>

### WHY TESTING FOR AND REMOVING LEAD FROM SCHOOLS IS IMPORTANT

Lead poisoning remains a significant issue for North Carolina's children. Low levels of lead exposure can seriously impair child development, leading to damaged nervous systems, learning disabilities, low IQ scores, and behavioral and emotional problems.<sup>109</sup>

According to the EPA, there is no safe level of lead exposure. The agency recommends a maximum containment level of 0 parts per billion in drinking water. However, the US Food and Drug Administration sets the limit at five parts per billion for bottled water, and the American National Standards Institute sets the limit at 10 parts per billion for certified water filters.<sup>110</sup>

Several North Carolina schools have found lead in their drinking water this year. In July 2018, Guilford County Schools leaders revealed that three Guilford County schools, including two that predominantly enroll children from families with low incomes, tested at or above the EPA standard for lead. Because there are no state laws regarding disclosure, school leaders kept the results hidden for four months.<sup>111</sup> In Charlotte-Mecklenburg Schools, tests of fixtures at 89 of its oldest schools found unsafe levels in 41 of them.<sup>112</sup>

Lead is also a problem in North Carolina's childcare facilities. Researchers from RTI sampled several childcare facilities and estimate that 16 percent of centers have at least one tap with lead levels above 15 parts per billion.<sup>113</sup>

Lead poisoning disproportionately affects students of color and students from families with low incomes. According to the Centers for Disease Control and Prevention, average blood lead levels among Black children aged five and below between 2007 and 2010 were roughly 38 percent higher than they were among white children.<sup>114</sup> These disparities can have big impacts in educational outcomes. One study of lead exposure in Rhode Island found that the state's decline in racial disparities in lead explains between up to three-quarters of the decline in racial disparities in test scores.

108 Angie Cradock, Christina Hecht, Mary Kathryn Poole, Laura Vollmer, Chasmine Flax, Jessica Barrett, "Early Adopters: State Approaches to Testing School Drinking Water for Lead in the United States," Harvard T. H. Chan School of Public Health and Nutrition Policy Institute, University of California, January 2019, as found at: [https://cdn1.sph.harvard.edu/wp-content/uploads/sites/84/2019/01/Early-Adopters\\_State-Approaches-to-Testing-School-Drinking-Water-for-Lead-in-the-United-States\\_2019.pdf](https://cdn1.sph.harvard.edu/wp-content/uploads/sites/84/2019/01/Early-Adopters_State-Approaches-to-Testing-School-Drinking-Water-for-Lead-in-the-United-States_2019.pdf)

109 World Health Organization, "Lead poisoning and health," August 23, 2018, as found at: <https://www.who.int/news-room/fact-sheets/detail/lead-poisoning-and-health>

110 Greg Barnes, "Lawmaker will again attempt to get lead out of water in schools, daycare centers," North Carolina Health News, January 24, 2019, as found at: <https://www.northcarolinahealthnews.org/2019/01/24/lawmaker-will-again-attempt-to-get-lead-out-of-water-in-schools-daycare-centers/>

111 Lisa Sorg, "Guilford schools failed to disclose troubling lead levels for four months," NC Policy Watch, October 12, 2018, as found at: <http://www.ncpolicywatch.com/2018/10/12/guilford-schools-failed-to-disclose-troubling-lead-levels-for-four-months/>

112 Ann Doss Helms, "CMS has now tested 3,000 water fixtures in 89 schools for lead. Here's the tally," Charlotte Observer, December 14, 2018, as found at: <https://www.charlotteobserver.com/news/local/education/article223122005.html>

113 Vikki Crouse, "Ending Lead Exposure at NC Child Care Centers," NC Child, February 6, 2019, as found at: <https://www.ncchild.org/ending-lead-exposure-nc-child-care-centers/?platform=hootsuite>

114 German Lopez, "Lead exposure is a race issue. The crisis in Flint, Michigan, shows why," Vox, January 6, 2016, as found at: <https://www.vox.com/2016/1/6/10724536/flint-michigan-lead-exposure-race>

**RECOMMENDATION**

- Test for lead and remediate identified problems at every public school and childcare facility.

**Cost of Testing for and Removing Lead from Schools**

General Assembly members have previously introduced bills to test for lead in public schools and childcare facilities. While there has been no formal fiscal estimate of the plan, *North Carolina Health News* reports that one of the bill’s original sponsors, former Rep. Mike Hager, estimated that it would cost roughly **\$4 million to \$5 million** to test and remediate the lead in schools and day care centers.<sup>115</sup>

**HIGHER ED PROPOSALS****29 Tuition-Free Community College**

Tuition-free community college programs—often referred to as “promise scholarships”—have gained tremendous attention in recent years. At the state level, three states—Minnesota, Oregon, and Tennessee—have promise scholarship programs in place. Kentucky offers a limited program available to students seeking certificates in five industries with worker shortages. Most of these programs are “last dollar” scholarships, covering the remaining share of tuition and fees after Pell Grants and other financial aid are applied.<sup>116</sup> Each program has its own eligibility criteria. Some apply only to recent graduates, are limited to full-time students, or only apply to certain high-demand certifications.

In 2017, Governor Cooper proposed NC GROW scholarships. Under the Governor’s proposal, recent high school graduates with a GPA of 2.0 or higher could attend any North Carolina Community College without having to pay any tuition or fees.

A few individual North Carolina community colleges are offering their own promise scholarships. Richmond Community College’s RichmondCC Guarantee provides free college tuition and fees to RCC for two years for all Richmond and Scotland County residents who graduate from high school with two or more RCC dual enrollment courses with a GPA of 3.0 or higher. Edgecombe Community College’s EDGE Scholarship will cover up to three years of tuition, books, and fees for students with at least a 2.6 GPA attending at least half time.

** WHY TUITION-FREE COMMUNITY COLLEGE IS IMPORTANT**

North Carolina’s community college tuition once compared quite favorably to other states. Over the past 10 years, however, annual tuition for in-state students—even after adjusting for inflation—is up

<sup>115</sup> Greg Barnes, “Lawmaker will again attempt to get lead out of water in schools, daycare centers,” *North Carolina Health News*, January 24, 2019, as found at: <https://www.northcarolinahealthnews.org/2019/01/24/lawmaker-will-again-attempt-to-get-lead-out-of-water-in-schools-daycare-centers/>

<sup>116</sup> Oregon provides a minimum grant of \$1,000, even if other sources of aid cover the cost of tuition.

over 50 percent.<sup>117</sup> The average North Carolina family must now dedicate 18 percent of their family income to cover the cost of attendance at community colleges, compared to an average of 17 percent in other southern states.<sup>118</sup> Eliminating tuition and fee costs will improve affordability for thousands of students per year.

In Tennessee, approximately 90 percent of high school seniors completed community college scholarship applications in the fall of 2014.<sup>119</sup> In fall 2015, the number of first-time freshmen at Tennessee community colleges grew by 4,300 students, a 24.7 percent increase.<sup>120</sup>

## RECOMMENDATION

- **The Governor’s NC GROW scholarship proposal covered the full cost of community college tuition and mandatory fees. To be eligible, students must would need to have graduated from a North Carolina high school with a 2.0 GPA or higher and apply for financial aid and enroll at a community college within 18 months of graduating from high school.**

## Cost of Tuition-Free Community College

The NC GROW scholarship was estimated to **cost \$30 million per year.**<sup>121</sup>

## 30 Expand NC Promise Tuition Plan to All UNC Campuses

In 2016, legislative leaders created the NC Promise Tuition Plan. NC Promise sets in-state undergraduate tuition at just \$500 per semester for students at UNC Pembroke, Western Carolina University, and Elizabeth City University. Tuition for out-of-state students at these three schools is set at \$2,500 per semester.

The General Assembly is providing these three campuses with \$51 million per year to make up for the decrease in tuition revenue stemming from NC Promise.

### WHY EXPANDING UNC PROMISE TO ALL CAMPUSES IS IMPORTANT

Over the past eight years, North Carolina’s public colleges and universities have gotten substantially more expensive for families. Information from the Southern Regional Education Board shows that cost of attendance and student loan debt for North Carolina students have risen dramatically from 2008 to 2016.<sup>122</sup>

These increases disproportionately create barriers to economic advancement for students of color and students from families with low incomes. For example, families making less than \$30,000 per

117 North Carolina Community College System, “Historical Curriculum Tuition Rates,” as found at: [https://www.nccommunitycolleges.edu/sites/default/files/basic-pages/finance-operations/historical\\_curriculum\\_tuition\\_rate\\_summary.pdf](https://www.nccommunitycolleges.edu/sites/default/files/basic-pages/finance-operations/historical_curriculum_tuition_rate_summary.pdf)

118 Southern Region Education Board, “North Carolina College Affordability Profile 2018,” November 2018, as found at: [https://www.sreb.org/sites/main/files/file-attachments/2018\\_state\\_afford\\_profile\\_nc\\_final.pdf](https://www.sreb.org/sites/main/files/file-attachments/2018_state_afford_profile_nc_final.pdf)

119 Adam Tamburin, “College enrollment jumps under TN Promise,” *The Tennessean*, September 12, 2015, as found at: <https://www.tennessean.com/story/news/education/2015/09/11/college-enrollment-jumps-under-tn-promise/72096194/>

120 The College System of Tennessee, “First TN Promise class had higher graduation rate and number of students who earned college credential,” May 10, 2018, as found at: <https://www.tbr.edu/news/first-tn-promise-class-had-higher-graduation-rate-and-number-students-who-earned-college>

121 North Carolina Office of State Budget and Management, “Governor Cooper’s Budget Recommendations FY 2018-19,” as found at: [https://files.nc.gov/ncosbm/documents/files/Rec2018-19\\_Education.pdf](https://files.nc.gov/ncosbm/documents/files/Rec2018-19_Education.pdf)

122 Southern Regional Education Board, “North Carolina College Affordability Profile 2018,” November 2018, as found at: <https://www.sreb.org/publication/north-carolina>

year would have to devote 46 percent of family income to attend a top-tier UNC school, even after accounting for financial aid, compared to just 11 percent of family income for families earning over \$110,000 per year.

**FIGURE 19: The High Cost of College**

Percentage of Average Family Income Required to Attend College Full Time		
	07-08	15-16
Public Four-Year Category 1	13.0%	24.8%
Special Education Grant	15.0%	25.1%

NC Promise has shown that dramatic decreases in tuition costs can substantially boost enrollment. Enrollment at UNC Pembroke, Western Carolina University, and Elizabeth

City State University has increased 14, 6, and 19 percent, respectively. Importantly, all of the schools are witnessing an increase in “readmits”—students who had previously dropped out of college.<sup>123</sup>

However, there are side-effects of lowering tuition costs at just three select campuses. NC Promise is negatively affecting schools located near the three NC Promise campuses, driving down new enrollments. At Fayetteville State University, first-time freshmen enrollment fell 8 percent. Enrollment has also been negatively impacted at UNC-Asheville.<sup>124</sup>

## RECOMMENDATION

- **The three NC Promise schools are nearing capacity to admit more students. Making college affordable for all North Carolina students would require expanding NC Promise’s low in-state tuition costs to every one of the 17 campuses in the UNC System. Of course, many of the non-NC Promise campuses have little difficulty attracting out-of-state students. As a result, this proposal considers only expanding NC Promise’s guarantee of \$500 per-semester tuition to in-state students.**

## Cost of Expanding UNC Promise to All Campuses

Expanding NC Promise’s \$500 per-semester tuition guarantee to in-state students would **cost approximately \$530 million per year**. Recommendation would reduce annual tuition payments by about \$3,750 for 141,000 in-state undergraduate students per year. State leaders would need to appropriate this dollar amount to UNC campuses to ensure that the quality of education is not reduced due to lower tuition revenue.

123 Adam Harris, “Why Many College Dropouts Are Returning to School in North Carolina,” The Atlantic, October 25, 2018, as found at: <https://www.theatlantic.com/education/archive/2018/10/north-carolina-solution-student-debt-crisis/573892/>

124 UNC Board of Governors Committee on Public Affairs Board Materials, November 8, 2018, as found at: [https://www.northcarolina.edu/apps/bog/index.php?mode=browse\\_premeeeting&mid=7068&code=bog](https://www.northcarolina.edu/apps/bog/index.php?mode=browse_premeeeting&mid=7068&code=bog)



## Effective and Equitable:

*Creating a Shared Vision for North Carolina Schools*

By Kris Nordstrom, Policy Analyst

919/856-3195

kris@ncjustice.org



**[www.ncjustice.org](http://www.ncjustice.org)**

[contact@ncjustice.org](mailto:contact@ncjustice.org)

Phone: (919) 856-2570

Fax: (919) 856-2175

*Physical Address:* 224 S. Dawson Street, Raleigh, NC 27601

*Mailing Address:* PO Box 28068, Raleigh, NC 27611

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