

EXECUTIVE SUMMARY

Investing in North Carolina's Future

Fund Schools First

North Carolina's steady climb out of the nation's educational cellar has come to an abrupt halt. Now, due to nearly \$1 billion in state cuts to K-12 education over the last two years, North Carolina has dropped to near the bottom nationally in school funding and teacher pay. While other states prioritized education funding during tough economic times, North Carolina has put its decades-long investment in improving K-12 education at risk. The cuts to public school funding will have negative implications for the state's business climate and threaten our long-term economic competitiveness.

Research shows that every dollar invested in K-12 education yields a minimum \$7 return, which means that the path to North Carolina's prosperity leads -- as it has always led -- through sustained, meaningful investment in public education. Neglect of our public schools through recent budget cuts have already added burden to North Carolina's economic recovery. Additional cuts will cause even greater damage and only prolong the recovery process. The question facing state lawmakers is not a question of capacity, but a question of political will. If sufficient will exists to realign budget priorities and restore its commitment to public education, North Carolina can withstand the present economic storm and hasten its own recovery. If the will to make those decisions is lacking, the damage inflicted already may begin a much longer period of decline.

The link between good schools and good jobs is clear. It is now up to the state's leadership to focus on funding schools first.

NORTH CAROLINA NEAR BOTTOM NATIONALLY IN K-12 FUNDING

After decades of progress, North Carolina now ranks 46th in the nation in spending per pupil, according to NEA's *Rankings of the States 2010 and Estimates of School Statistics 2011*. Preliminary data shows the national average spent per pupil is \$10,826, while reporting a measly \$8,303 as North Carolina's per-pupil expenditure. Even South Carolina spends \$9,616 per student. Education Week's *Quality Counts* report, **even after adjusting for regional cost differences**, places North Carolina 49th out of the 50 states and the District of Columbia in per-pupil expenditures in its January 2011 edition.

NORTH CAROLINA EARNS 'F' IN SCHOOL FUNDING

The *Quality Counts* report issued grades in various categories. North Carolina scored no better than a D+ in the category of school finance, which considers the percentage of a state's taxable resources committed to K-12 education. North Carolina's commitment of only 2.8 percent of its taxable resources to schools is the second lowest in the Southeast: only Tennessee's score is worse. But in the category of school spending, North Carolina earned a solid F, collecting an abysmal 46.1 out of 100 points.

FORTY-YEAR DECLINE IN K-12 SHARE OF STATE BUDGET

In 1970, thanks to statesmen dedicated to growing North Carolina's economy by improving its public school system, state funding for K-12 public schools totaled nearly 53 percent of the General Fund. That figure did not reflect appropriations to community colleges, colleges or universities. But that has changed. In the past decade alone, state funding for community colleges increased by 64 percent and funding for the university system increased by 48 percent, while funding for grades K-12 has increased only 22 percent. In fact, the average annual rate of growth for universities was twice the rate of growth for K-12 schools. For example, the state's per-pupil expenditure in Pre-K-12 schools in 2007-08 increased by 5 percentage points from the previous year, while spending per capita in the university system increased by 10 percent. A year later, the per-pupil rate in Pre-K-12 schools increased by only 1 percent, while per

capita spending for universities went up by nearly 4 percent. As a result, state funding to North Carolina's public education system has now reached levels not seen since World War II.

JOB CUTS DIRECTLY IMPACTED CLASSROOMS AND CHILDREN

Analysis of K-12 job cuts in 2010 shows that 82 percent of all cuts were to positions directly impacting the classroom: almost 5,000 teaching positions, 367 instructional support staff (counselors, media specialists, nurses, etc.), and 2,769 teacher assistants. Non-certified district employees whose work supports student services or school operations were cut as well: cuts to bus drivers, cafeteria workers, custodians, school secretaries and others have more than tripled since 2009-10, totaling 1,278 positions (13.25 percent) in 2010-11. Positions of central office staff, principals and assistant principals have barely changed since 2009-10.

CLASS SIZES BALLOON TO 40 PUPILS: JEOPARDIZES STUDENT ACHIEVEMENT, DISCIPLINE AND SCHOOL SAFETY

As a result of the K-12 job cuts, class sizes have swollen to their highest levels in a decade. Not since the 1990s have pupil counts in lower grades been breached, but educators now are reporting class rosters as high as 40 pupils in many middle and high schools statewide. Such high numbers jeopardize school safety, decrease teacher effectiveness and diminish the time and quality of services afforded to students most "at-risk" of failing. While the General Assembly urged school districts to protect classroom services, especially for students "at-risk," lawmakers only mandated protection of class size regulations in K-3 classrooms.

Research demonstrating the benefits of smaller class sizes on student achievement is abundant. The North Carolina Education Research Council has published findings stating that:

- Gains associated with small classes generally appear when the class size is reduced to fewer than 20 students.
- Gains associated with small classes are stronger for the early grades.
- Gains are stronger for students who come from groups that are traditionally disadvantaged in education - minorities and immigrants.
- Gains from class size reduction in the early grades continue for students in the upper grades. Students are less likely to be retained, more likely to stay in school, and more likely to earn better grades.
- Academic gains are not the only benefit of lowering class size. A recent study published in the American Journal of Public Health revealed that reducing class size in elementary schools may be more cost effective than most public health and medical interventions. This is because students in smaller classes are more likely to graduate from high school, and high school graduates earn more and also enjoy significantly better health than high school dropouts.

NORTH CAROLINA PLUMMETS TO 45TH IN NATIONAL TEACHER SALARY RANKINGS

In 2000-01, thanks to aggressive school improvement policies and funding plans enacted in the 1990s, North Carolina reached the national average in teacher salaries, ranking 21st in the nation -- its highest placement since ranking began in 1947. But legislators' neglect through the economic downturn has taken its toll: North Carolina's placement dropped in 2009-10 to 36th, and has dropped again in 2010-11 to 45th, the worst in 64 years. Causes are obvious. North Carolina's educators have worked under a frozen salary schedule for three consecutive years. During that time, health insurance premiums for educators' dependents have increased by 8.9 percent in each of the past two years, alongside increases in out-of-pocket costs (co-pays and coinsurances) under the State Health Plan, leading to a devastating loss in real income. But educators lost income in other ways: lawmakers have eliminated annual one-time

bonuses for teachers at the top of the salary schedule for the past three years, have eliminated ABC bonus pay for the past two years, and eliminated mentor pay this year. The result leaves North Carolina fifth from the bottom in average teacher salaries among the 50 states and the District of Columbia.

SOUTH CAROLINA NOW TOPS NORTH CAROLINA IN SCHOOL FUNDING AND TEACHER SALARIES

Not only are South Carolina and Virginia beating North Carolina in per-pupil funding, but the same factors that caused North Carolina's rank in average teacher salaries to fall to fifth-from-the-bottom nationally have left it trailing its sister states in the Southeast for the first time in a generation. North Carolina once ranked second only to Georgia among Southeastern states in average teacher salaries; today it ranks tenth in the region, behind South Carolina, and ahead of only Florida and Mississippi. Rankings of starting teachers' salaries leave North Carolina now in eighth place, offering just over \$30,430 annually.

TEACHERS MAINTAIN COMMITMENT TO QUALITY DESPITE HARDSHIPS

Despite the factors that led to failing grades in school finance and state funding, North Carolina's teachers are maintaining their commitment to quality in public schools, as reflected in the same *Quality Counts* report. Teachers earned a 'B' in the ranking, placing them fifth-best when compared among the 12 Southeastern states. The ranking reflects the high standards placed on teachers entering the profession, for both basic skills and subject knowledge. In addition, almost one-third of North Carolina's teachers hold advanced degrees, and the state leads the nation in the number of teachers holding National Board for Professional Teaching Standards certification, where research shows positive impact on student achievement.

CUTS TO PUBLIC EDUCATION THREATEN STATE'S ECONOMIC GROWTH AND DEVELOPMENT

Effects of the economic downturn and lawmakers' neglect of public school funding is bad enough in the short-term. But an extensive study released by the Brookings Institute in 2007 entitled "The Price We Pay: Economic and Social Consequences of Inadequate Education" identifies a host of bad outcomes from inadequate school funding: from decreased student performance and a widening gap between students of different races and economic backgrounds, to increased social costs for criminal justice and corrections, public health and social services. All the while, employment levels and earnings of affected students drop.

The Brookings study demonstrates the opposite effects when K-12 schools are adequately funded: both student achievement and the quality of the state's workforce improve, which attracts greater business investment. Great public schools and a highly educated workforce are among the top factors influencing businesses seeking new facility locations, and strong public schools signal the availability of a highly skilled workforce. With such a workforce comes increased median incomes and increased state revenues from sales and income taxes, and reduced social costs from crime, public health and economic disparity.

Site Selection magazine still ranks North Carolina as a top state in which to do business, drawing special attention to the state's efforts in education and workforce quality. But with indicators in the education profession reflecting a state on the decline, and lawmakers holding fast to a trend of school budget cuts, North Carolina's business climate won't remain so attractive for long.

SOLUTIONS

Every dollar invested in K-12 education yields a minimum \$7 return, which means that the path to North Carolina's prosperity leads -- as it has always led -- through sustained, meaningful investment in public education. Neglect of our public schools through recent budget cuts have already added burden to North Carolina's economic recovery. Additional cuts will cause even greater damage and only prolong the recovery process. NCAE hopes state lawmakers have the political will to realign budget priorities and restore a commitment to public education.

STOP-LOSS MEASURES AND AGGRESSIVE RECRUITMENT ARE NECESSARY

Restoration of public education begins with preventing additional losses and recruiting the best and brightest new teachers to the profession. According to the North Carolina Retirement System, more than 4,300 of the state's most experienced certified teachers are eligible to retire with full benefits. Teacher turnover, added to the shortage of teachers projected for the next decade, presages greater recruitment problems as the Baby Boomer generation retires during the next decade. Lawmakers must consider budget policies that retain our most experienced educators while we identify, recruit and train their successors. At the same time, we must draw the line at additional job-cut proposals; if the proposed 10 percent budget cuts now being considered are implemented, students will lose another 5,000 teachers and 13,259 teacher assistants, further devastating public school classrooms.

BALANCED APPROACH TO CLOSE THE BUDGET GAP

Analysis from the North Carolina Budget and Tax Center shows that the additional proposed cuts correlate strongly to areas of high poverty in the state, exacerbating the worst conditions in areas least capable of rapid recovery. Its brief offers several recommendations, including finding inefficiencies, closing tax loopholes, and prioritizing cuts.

NCAE'S GOALS

The goal of the North Carolina Association of Educators is to help this state's economic recovery by offering the following:

1. working with the General Assembly to prioritize and stop all funding cuts to K-12 education,
2. working to retain and attract great teachers, and
3. continuing the progress in student achievement with our students by investing in K-12 education.