

The Public School Forum's Friday Report

PDF versions can be found at www.ncforum.org

Volume 11, Issue 26

December 23, 2008

 *Happy Holidays From the Staff* 
at the Public School Forum

The *Friday Report* will resume publication on January 9, 2009. The Forum offices will close December 23 at 12:00 pm and reopen on January 5 at 8:30 am.

Have a safe holiday season and a Happy New Year!

The Forum's Ten to Watch 2009

Issue One: Change is Coming to Washington

When President George Bush came into office in 2001 he brought with him the people he relied most heavily on in Texas when he was Governor. To head up the U.S. Department of Education (DOE) he tapped Rod Paige, Superintendent of Schools in Houston, Texas, whose school system was one of the success stories touted during Bush's years as Governor of Texas. When Paige stepped down, Bush replaced him with Margaret Spellings, a trusted Bush advisor also from Texas. The centerpiece of Bush's eight year administration was No Child Left Behind, an initiative that for the first time in the nation's history has made the federal government the "driver" of local education. Whether the federal government continues on its current educational course will depend on not only President-Elect Obama but on his choice of leadership for the Department of Education. President Obama and his educational advisors will not lack for educational challenges as they assume office. In addition to determining the fate of No Child Left Behind, the new President and Congress will determine whether the country moves closer to establishing national standards and a national accountability system. And, as always, funding issues will loom large, especially those tied to No Child Left Behind and more support for special needs students. While these issues are of vital importance to educators educational issues are not going to be at the forefront. In all probability, dealing with the state of the economy, the wars in Iraq and Afghanistan and health care are going to be front and center in the early months of the new Administration.

Issue Two: Change is Also Coming to Raleigh

At the state level, the election of a new Governor is equally important for education. While throughout the last century, gubernatorial leadership has largely determined the course of K-12 education, in recent years, control over education has increasingly been concentrated in the Governor's Office. Governor's priority programs have received the lion's share of new funding and more-and-more educational decisions are being made in the Governor's Office. After eight years of the Easley Administration large questions loom on the horizon. Will Easley programs such as More at Four and Learn and Earn, as examples, continue to be top educational priorities? Who will Governor-Elect Perdue choose to be her Education Advisor? Will there be a change in State Board leadership or in the Deputy State Superintendent's office (see Issue Five)? Will education funding as a percentage of the state budget continue to decline? Can the newly elected Governor honor her pledge to not "let North Carolina eat its seed corn" (i.e. school funding) as she and the General Assembly wrestle with what appears to be a deepening deficit in state revenue (see next issue)?

Issue Three: It's the Economy Stupid

While both the President and the Governor of North Carolina assume office with an educational agenda, both might find that budget woes trump educational aspirations. At the Federal level, the issuing of hundreds of billions of dollars in the financial bail out program make chances for any meaningful infusion of new federal dollars for education as likely as a hurricane in the Sahara Desert. This will make the debate over reauthorization of No Child Left Behind more contentious than it already is (see next issue). The deficit situation may not be as grave at the state level, but revenue forecasters see trouble ahead. In October, Governor Easley ordered a 2% cut in state spending for all governmental agencies including Community Colleges and UNC; in November some agencies reduction targets were increased to 5%. Only K-12 schools were spared cuts in the first round of reductions. State revenues were already running behind projections before the worldwide economic convulsion gripped stock markets from Tokyo to London. The failure of Wachovia Bank is going to send economic ripples that will reach the State Treasury. Thousands of Wachovia investors in Winston Salem and Charlotte will be writing large losses off of their income taxes in April and it is likely that Charlotte will experience severe job losses once the Wachovia buyout is completed. Add to that the credit contraction and loss of consumer confidence and North Carolina's state budget makers in the General Assembly, like their counterparts in Congress, are likely to face one of the toughest budget balancing challenges in the state's history. Election campaign promises aside, for both the new President and the new Governor their first term in office is likely to be a test of economic damage control, not an opportunity to launch new initiatives.

Issue Four: To NCLB or Not to NCLB? That is the Question

When No Child Left Behind (NCLB) was enacted, it was scheduled to come up for reauthorization five years later, giving lawmakers an opportunity to change the bill as needed. That reauthorization should have occurred during the just-ended Session of Congress. However, it didn't. Just as reactions have changed toward NCLB at the state and local levels after five years, so have they changed in Congress. Members of the House and Senate who were ardent supporters of NCLB five years ago have, in some cases, become outspoken critics of the bill. Others who initially opposed the bill now are in support of it.

Issue Four (cont'd.)

At the heart of the controversy are three issues. First, the large increase in federal funding that was envisioned to help states meet NCLB standards did not materialize. Federal funding increased, but not nearly to the extent originally proposed. Given the national government's economic position, it is hard to imagine substantial increases in federal funding in this period of war and economic meltdown. Second, it has become painfully evident that the goal of having all young people at or above proficiency by 2014 is not realistic. Holding special education students and non-English speakers to the same standards as other young people was unrealistic and the outcome is that good schools are facing NCLB consequences as a result of small groups of students not meeting NCLB standards. Third, NCLB presumes that all schools are created equal and gives no credit to schools that are showing measurable progress but still lag behind schools with parents whose incomes and education levels are above average. Additionally, from an ideological point of view, conservatives feel NCLB has been an intrusion of the federal government into what is a states' rights issue – education. The only certainty around reauthorization of NCLB is that changes will be made in the legislation. The initial debate will center on changes versus abandoning NCLB altogether. The likely outcome is a compromise that results in some much-needed changes in the legislation.

Issue Five: DPI & State Board Under the Microscope

In recent years there have been increasingly negative perceptions of the governance structure of the state's public schools, the State Board of Education and the Department of Public Instruction. The perceptions have been fanned by decisions around the state's accountability program and growing credibility issues related to the ABC's accountability standards. In recent months, for instance, the public learned that 82% of North Carolina's 2400-plus schools would qualify for financial rewards for meeting state testing targets, yet only 39% met their No Child Left Behind accountability standards. In November the first testing results from the revised reading tests were made public and while the State Board had warned that there would be dramatic drops in reading performance as a result of higher standards, the drops were more dramatic than many anticipated. By the end of the 2008 Session of the General Assembly, whether legislators were concerned, upset or skeptical, they were in a consensus that the governance and performance of the State Board of Education and the Department of Public Instruction needed to be put under a microscope and enacted a law directing the General Assembly's new Program Evaluation Division to conduct a thorough review of the public education system. The Program Evaluation Division awarded the evaluation contract to Evergreen Consultants Inc., a Florida-based consulting firm that has conducted similar studies of state agencies in other states. A team of consultants that included two former State Superintendents began conducting dozens of interviews and focus groups in October and their preliminary report is due in December and their final conclusions will be transmitted to the General Assembly in January. The report is very likely to put a variety of issues on the front burner for the upcoming 2009 Session of the General Assembly. Tops among them will be the question of how to resolve the "who is in charge" question that comes from today's governance structure. Close behind will be scrutiny of staffing levels in the department. It has fluctuated from over 1,200 employees in the nineties to roughly half of that today. Whatever the result of the study the state's public school system is going to be heavily scrutinized in 2009.

Issue Six: Expect a More Proactive General Assembly

In the last two Sessions of the General Assembly, leaders in both the Senate and House began to independently address educational issues. House members conducted hearings across the State in an attempt to pinpoint the causes and possible solutions to the state's high dropout rates. Senate leaders, at the same time, conducted focus group-like sessions with school superintendents, principals, non-profit organizations and others, in a search for strategies that could more effectively improve performance in rural and small school systems. The result of their search for solutions led to an ambitious state grant program focused on reduction of dropout rates and to the Collaborative Project, a five-county initiative focused on rural, low-wealth schools. After eight years of being asked to focus narrowly on More at Four and high school reform, watch for a continuation of proactive educational leadership in both houses. Mounting concerns about dropout rates remaining among the nation's highest and student performance appearing to have slowed, have led legislators to seek new and broader improvement strategies. It is unlikely, especially in the first year of a new Governor's administration, that this trend will be reversed in 2009.

Issue Seven: The Legislative/Judicial Standoff Will Continue

In 2008 the Supreme Court upheld a lower court ruling that found that the State owed public schools over \$700 million of fines and forfeitures revenue that should have gone to schools, but instead went to other areas of government. After the Supreme Court ruling was announced, the case went back to Judge Manning, who made the original ruling, and he detailed how much was due to the public schools. The General Assembly, however, has turned a blind eye to the ruling, creating a legislative/judicial standoff that continues today. In simple terms, the courts can issue rulings saying the State owes public schools money; however, the court does not have the power to make the State pay what it owes. Will this issue be addressed in the 2009 Session? It appears unlikely. Even if the State's treasury was overflowing with excess revenue, legislators appear to have dug in and are bristling at what they see as "the courts trying to tell them what to do." With the State treasury running dry and projected budget deficits mounting, it is even less likely that the General Assembly will address the issue in the coming year.

Issue Eight: Enrollment Growth Could Ease

This year's slower-than-expected increase in student enrollment in fast-growing counties such as Wake, Mecklenburg, Union and Johnson could be a prelude to deeper slow downs in the coming year. Unless the economy turns around faster than expected, the torrid enrollment growth rates in K-12 schools, could drop substantially below the twenty-thousand-plus-a-year of the past decade. Lower enrollment growth rates, of course, are a small consolation prize if the economic situation worsens, potentially causing more extreme budgetary belt tightening. However, slower enrollment growth would ease new construction demands as well as teacher shortages. If one looks even harder for a silver lining in the economic clouds overhead, it is quite possible that teachers and principals considering retirement will decide to work another year after watching IRA's and investments fall as steeply as most have in past months.

Issue Nine: Drop Out Issue Remains a Priority

While many issues will compete for priority status in 2009, three factors will keep drop out issues at or close to the top of 2009's priority rankings. First, as previously noted, House and Senate members have made the issue a General Assembly priority (see Issue Six) and have created a \$15 million grant program to address the issue. Second, the State Chamber has also made the issue one of their top educational priorities, even devoting much of their Annual Meeting agenda to the issue. Last, the fall out from the economic downturn will drive home the connection between education and jobs as the demand for unskilled labor declines even more. North Carolina's Workforce Commission has established a Valuing Education Task Force charged with devising a statewide campaign that will reinforce the connection between a well-educated North Carolina workforce and the economic wellbeing of the State in the year ahead.

Issue Ten: School Construction Woes Will Deepen

For two years the Education: Everybody's Business Coalition has attempted unsuccessfully to generate support for a statewide bond initiative that would ease the State's \$10 billion backlog of school construction needs. However, the current Administration took the position that school construction is a local issue and the leadership of the General Assembly shifted its focus largely to the UNC System and issued \$850 million of bond revenue through Certificates of Participation (COP's) which do not require voter approval. Those decisions left County Commissioners and School Boards facing large school construction decisions. As with so many other issues in this year's "Ten to Watch" list, the economic downturn has made the \$10 billion backlog an even larger problem. Counties are already slowing down on issuing bonds for school construction as credit has tightened and to generate bond sales it is necessary to offer higher interest. Now that the State has assumed an even higher debt load through the use of Certificates of Participation and is faced with mounting deficit projections, the likelihood of a state bond referendum for school construction any time soon is very slim, leaving counties with more and more difficult choices in the year ahead.

The *Friday Report* is published weekly by the Public School Forum of NC and is distributed to Forum Board members, legislators active in education policy, the press, and Forum subscribers. Archived editions can be found at www.ncforum.org/doc .