Study Group 8

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Study Group 8

THE THINGS THAT MATTER

Public School Forum Study Group 8

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Guiding Principles for Strengthening
the System of Funding North Carolina's Public Schools

The Public
School Forum's
Eighth Major
Study Group

introduction

For over five years, a challenge to the constitutionality of North Carolina's system of funding schools has been working its way through the court system. It appears that the case will finally be heard sometime during the coming year, as a result of a North Carolina Supreme Court ruling that the challenge has merit.

Ironically, the suit has been brought by some of the state's poorest and smallest school systems and by some of the state's largest and wealthiest school systems. Both contend that today's system of funding schools does not serve them well.

With large and small, and rich and poor school systems contending that the system is "broken," the Forum has concluded it is time to re-examine the way that schools are funded. Eight years ago, the Forum launched a similar examination of school funding; but at that time, the focus of the study was on fairness. The Forum examined equity issues in an attempt to create a system that would make educational opportunities for young people living in low-wealth and small school systems more nearly equal to those of their peers living in urban and high-wealth areas. The result of that study was the creation of a supplemental fund for low-wealth and small schools, a fund that has grown to over $86 million per year.

This examination differs markedly from the 1990 study. In the last three decades, dozens of states have been confronted with legal challenges similar to the one faced in North Carolina. Over time, judicial opinions and thinking regarding school finance has changed dramatically. Court cases in the sixties and seventies tended to hinge narrowly on the question of equity – how much was being spent on students in rich and poor districts and could, or should, states narrow the gap? In the eighties, the focus of court cases shifted to questions surrounding adequacy – were states providing an adequate floor, or base, of funding to ensure all young people an opportunity for learning? Today, the question has evolved to a much more difficult level. Does state funding ensure that all young people have a "sound basic education?"

At first blush, the question is deceptively simple. On closer consideration, however, it forces one to answer a question that few schools, much less states, have answered. What should a young person know and be able to do at the end of 13 years of public schooling? What is a "sound basic education?" What is the proper balance between academics and preparation for a world of work? How much has technology altered our definition of a "sound basic education?"

With those questions as a backdrop, the Forum has opted to study North Carolina's system of school funding in a much different way than it did in the early nineties. The Forum Study Group was charged with answering this question: How could North Carolina better align its current system of financing schools with the goal of creating a system of high-performing schools?

The Forum's contention is that the outcome of the constitutional challenge to the current system of funding is immaterial. Regardless of the outcome of the court case, today's system can and should be improved.

What follows is offered in that context. This report will, in some cases, offer very specific recommendations on strengthening today's system. In other cases, it will offer principles that it has concluded are basic to building a better system.

The Forum believes that the school funding principles that follow will prove to be especially important in the coming years. Two and one half years from now, what is termed "social promotion" (promoting young people who have not mastered skills required in their grade level to the next grade level) will end. Beginning in the spring of 2001, young people who have not passed several requirements, including the basic competency test given in tenth grade and re-administered in subsequent years to those failing the first time, will not graduate from high school.

With the very real prospect of tens of thousands of young people being held back from promotion to the next grade level or denied a high school diploma, the related questions of how much is spent on schools and how that money is spent have never been more important to North Carolina.

This report is offered to policymakers in the hope that it will not take a court order to motivate the state to improve its school funding policies – policies that school systems, whether rich or poor, small or large, believe are in need of improvement.

The Public School Forum School Finance Study Group believes that the following 10 guiding principles will align school spending with the goal of creating a system of high-performing schools. The Forum further believes that such an alignment is essential as the state moves into an era of grave consequences for young people who have fallen behind.

executive summary

The 10 guiding principles for aligning school spending with the goal of creating a system of high-performing schools are as follows.

Principle One

In addressing the issues of school finance, it is necessary to recognize that money matters. The old adage "you get what you pay for" applies to schools as well as to consumerism.

Principle Two

A framework for aligning school spending to the goals of high performance requires investing first in those things that research has found to matter.

Principle Three

School funding formulas must recognize that, economically (and therefore educationally) speaking, all children are not created equal.

- General per pupil allocations should differentiate between students who live in poverty and those who do not.
- "One-size-fits-all" funding policies for exceptional children should be replaced with weighted funding formulas based on the specific needs of children and artificial spending "caps" should be removed.

Principle Four

It is time for the state to reassess what is a "sound basic education," or what matters.

- The state should reassess the assumptions contained in the thirteen-year-old Basic Education Plan which determines what is basic, what matters, and what is funded.
- State paradigms regarding the "basics" and what was historically considered vocational education must be part of that reassessment.
- The state needs to overhaul policies in the exceptional children's program, as well as policies for young people whose primary language is not English.

Principle Five

School funding policies must squarely address the time limitations imposed by today's school calendar.

- Additional funding for students from disadvantaged homes should be earmarked to ensure that students who need additional time receive it.
- The state should work toward extending teacher contracts for a significant portion of the teacher workforce, if not for all of it.

Principle Six

Funding policies must recognize the centrality of teaching. Good teaching matters.

- State personnel policies should recognize that laws of supply and demand work against the goals of high performance, especially in low-performing schools and in subject areas like mathematics and science.
- Teacher salaries should be differentiated based on supply and demand and comparable pay in the private sector or in other areas of government, especially in critical shortage areas like mathematics, science, foreign languages, and exceptional children's programs.
- The state should study how similar states have responded to recruiting problems in low-wealth, low-performing and rural schools and establish policies to make critical shortage schools more competitive.
- In collaboration with the UNC system, private institutions of higher education and the Community College system, the Department of Public Instruction should revise essential teacher development training programs and devise a statewide delivery mechanism and incentives that will motivate teachers to sharpen basic skills.

Principle Seven

Limited, one-time school facility savings, or "efficiencies," resulting from building large schools should be secondary to the research-validated educational benefits of investing in smaller schools.

Principle Eight

The school funding roles and responsibilities of state and local governments should be redefined.

- The state should launch a reassessment of the appropriate funding roles of state and local governments. Such a reassessment should begin with a determination of what expenditures are needed to fund a "sound basic education" program by state government and what costs should appropriately fall to local governments.
- Such a reassessment should also clarify the roles and responsibilities of locally-elected officials, with a particular eye toward determining whether local school board members should be given, and held accountable for, independent taxing authority.

Principle Nine

Strong, focused, goals-oriented, responsible leadership matters most of all.

- The state should redouble its efforts to build the capacity of local school leaders by ensuring that they have the tools, training, and the models they need to succeed in an era of high consequences.

Principle Ten

A framework for aligning school spending to the goal of high-performing schools cannot be built on "Robin Hood" policies or on policies that establish "average" funding as a goal. The framework must be built on the presumption that high-performing schools matter, and that to create them, it will take investment policies that meet both "fairness" and "common sense" tests. It will take policies that meet the high performance needs of all schools, rich and poor, urban and rural.

Can North Carolina align its public school financing system with creating a system of high-performing schools?

money matters

One of the longest-running and most divisive school finance debates swirls around the question of whether spending correlates to the quality of education. In some respects, it is a counter-intuitive argument, defying the old adage that "one gets what one pays for."

The Wealthy Spend on Education

The nation's wealthiest and most influential families have quietly, for generations, been willing to spend enormous amounts of money, today in excess of $100,000, for four years of education in preparatory schools like Choate, Andover, Exeter, Hotchkiss, St. Paul's, Milton Academy and Roxbury Latin. Describing these schools in "The Ultimate Guide to Private Schools," author Jon Marcus writes:

"If there is an American aristocracy, these are its finishing schools. They include the oldest and wealthiest prep schools in the country and some of the best in the world… They have graduated presidents and princes, authors and actors, from Calvin Coolidge to Uma Thurman, George Bush to Letitia Baldridge… And seldom has it been more difficult to join the club… The number of applicants is growing even faster than the number of school age children."

Why are parents willing to spend over $100,000 for these schools? Could it be that the average class size of 12 in these schools holds some appeal? Could it be the smallness of the schools themselves – on average less than 200 students? Could it be motivating to parents that a prep school like Andover has campus museums of art and archaeology, an observatory, three gyms, a bird sanctuary, two swimming pools, 25 tennis courts? Or might Exeter's two indoor hockey rinks, 12 squash courts, and the largest secondary school library in the United States be strong selling points to prospective consumers? Beyond amenities, could it be that the record these schools have of preparing their graduates to successfully gain admission to the nation's most demanding and prestigious colleges is what has kept their rosters full for generations?

Marcus' guide to private schools notes that "Andover spends $35,380 educating a single student for one year, augmenting tuition with gift and endowment income. That compares to less than $7,000 per student per year spent by a typical Boston-area suburban public school." It is in stark contrast to the $5,150 currently being spent on a student in a typical North Carolina school.

Closer to home, when Cary Academy, a new private non-residential school sponsored by SAS Institute, an international software company, opened its doors this fall, it had no difficulty filling its rosters. For a new school with no track record, there was a waiting line of parents willing to spend $8,750-$9,200 for tuition and an additional new family fee of $1,000, an activity fee of $200, textbook costs ranging from $200-$275 and a lunch program cost of $625, bringing the total to over $10,500.

The promise of a technology-infused curriculum, master teachers drawn from public and private schools and colleges, low class sizes, and a well-rounded extra-curricular program were enough to motivate some of the Research Triangle's wealthiest and most-educated parents to choose Cary Academy. They were not alone. Elsewhere in North Carolina, costs for non-residential schooling are comparable (see chart this page).

Costs for Schooling
per pupil expenditures

Charlotte Latin School	$6,995-$10,420 (+ fees)
Durham Academy	$6,550-$9,625 (+ fees)
Greensboro Day School	$6,654-$10,191 (+ fees)

INSTRUCTIONAL EXPENDITURES, 1997

NC School of Science & Math	$6,534 (approx.)
NC School of the Arts	$12-13,000 (est.)

INSTRUCTIONAL & RESIDENTIAL EXPENDITURES* 1998

NC School of Science & Math	$20,272
NC School of the Arts	$19,001

* Both schools' total budgeted costs include residential life services, administrative costs, physical plant operations and other miscellaneous costs. NCSSM also includes education outreach, and distance learning that serves other public schools. NCSA also includes community programs, summer school and the costs for running the college program.

Leaving comparisons of public and private schools aside, it is worth noting that when North Carolina set out to create two public "flagship" or model high schools, it recognized that "money matters." North Carolina's School of Science and Mathematics and the North Carolina School of the Arts have become models for states across the country. Year-after-year, the School of Science and Mathematics is one of the nation's top three performers in the area of science. Again, expenditures per pupil at these schools is high.

These numbers, however, are deceiving. Both of North Carolina's flagship schools, are residential and require the state to assume housing and food costs that normal public schools do not shoulder. If one takes the total budget appropriations for both schools and divides them by their student population, the investment is far higher (see chart this page).

The Spending Gap Between NC Public Schools and Other States

When comparing expenditures on public schools in North Carolina against that of other states, one finds yet another spending gap. Student performance in North Carolina and the entire southeastern region has historically lagged behind the rest of the country. All of the states in the Southeast, North Carolina included, have historically spent far less than the national average expenditure per pupil. In the latest national spending comparisons available (1995-96), North Carolina ranked 41st, $1,236 below national per pupil spending averages.

This amount ($1,236 below a national per pupil average) may sound insignificant. However, for a classroom of 26 students, it represents $32,136. For an elementary school with 600 students, it represents $741,600. For a high school of 1,200, it represents $1,483,200. For the average North Carolina school system, it represents $12,813,612. Those are not insignificant dollars.

For Low-Performing Schools, Money Mattered

One last testament to the fact that money matters can be found in the experience of the state's lowest performing schools – the schools that were assigned five, full-time state officials from the state's office of school assistance. The 15 schools assigned assistance teams had registered the lowest scores in the state on 1996-97's ABCs tests.

Only one year later, these same schools had registered some of the most dramatic test score gains in the state – in fact, fully 13 of the 15 went from "low-performing" to exemplary because they had exceeded their student performance goals by more than 10%. What happened in one year to explain those gains?

For starters, the schools had the advantage of five, full-time state officials. Those officials worked to develop new curriculum strategies; they carefully evaluated teacher and principal performance; they taught demonstration lessons and introduced new teaching methods.

Beyond that, most of the school systems in which low-performing schools were located invested heavily in the schools. They made more funding available for material and supplies; they invested in staff development. Some, like Poe Elementary in Wake County, retained Sylvan Learning, a for-profit firm specializing in remediation, to work with young people after school. That investment totaled $2,700 per student for the 60 low-performing students who received Sylvan's services.

Does the Investment Make a Difference?

Did the investment of human resources, dollars, and staff development make a difference?

Teachers in 13 of 15 of the state's lowest performing schools went from being stigmatized as "low-performers" to receiving $1,500 bonuses from the state because they exceeded their expected goals by 10% in one year's time.

Does money matter? Dollars translate into higher or lower class sizes, and rooms with or without technology. They also translate into the capacity to attract and retain qualified personnel.

Does money matter? North Carolina's expenditure level per pupil lags behind that of states across the country. It pales by comparison to that of highly regarded private schools within North Carolina. It is but a fraction of what the state invests in its two flagship public high schools. It is disheartening when compared to the expenditures of the nation's oldest and most respected prep schools.

A guiding principle for policymakers examining school finance might well be: "You get what you pay for." Under-investing in schools is not the way to achieve high performance.

You Get What You Pay For.

Guiding Principle ONE

Aligning school finance to the goal of creating a high-performing system of schools must begin with the recognition that money matters.

Around the Nation:
Where the Money Comes from

	% from Local	% from State	% from Federal	Total Avg. Revenue per Pupil
NJ	56	40	4	$10,825
NY	55	39	6	10,323
AK	24	64	13	10,078
CT	57	39	4	9,499
PA	53	42	6	8,693
DE	27	65	8	8,245
VT	65	30	5	8,237
RI	55	41	4	8,191
MA	59	36	5	8,087
MI	36	58	7	8,086
WI	52	44	4	8,082
MN	44	52	5	7,662
WV	34	59	8	7,631
MD	55	40	6	7,434
HI	2	90	8	7,418
NH	90	7	3	7,138
IN	43	52	5	7,135
WY	45	49	7	7,114
KS	37	57	5	7,104
IL	61	30	9	7,071
WA	24	69	6	6,942
FL	43	50	7	6,927
U.S. Avg	45	48	7	6,853
ME	46	48	7	6,738
D.C.	85	N/A	15	6,703
NM	15	74	11	6,588
GA	41	53	7	6,467
OR	36	57	7	6,394
OH	52	42	6	6,352
CO	50	44	6	6,296
KY	24	67	9	6,288
MT	40	50	10	6,260
IA	45	50	5	6,252
MO	56	37	7	6,220
TX	48	44	9	6,137
NV	61	34	5	6,126
VA	58	36	5	6,075
SC	45	46	9	6,037
NE	57	38	4	5,765
CA	34	57	9	5,714
SD	64	26	10	5,673
NC	25	67	9	5,617
AZ	49	42	9	5,532
ND	47	43	11	5,524
LA	33	54	13	5,272
OK	28	64	9	5,180
AR	26	65	9	5,160
TN	41	50	9	4,915
ID	31	61	8	4,892
AL	19	71	10	4,810
MS	29	56	15	4,680
UT	35	58	6	4,499

Source: NEA, 1995-96 Comparison

Guiding Principle ONE
money matters

how money is spent matters more

Although the Forum School Finance Study Group believes that money matters, it is quick to add that how money is spent matters more than how much is spent. More money spent unwisely is no more a solution to high performance than is the current under-investing in education.

Investments that Make a Difference

What kind of investments make a difference? Fortunately, this question has been researched exhaustively, and states can be guided by findings based on data over time.

The National School Boards Association did a synthesis of research findings and offered guidance to school board members attempting to prioritize spending in a document called "What Works: Researchers Tell What Schools Must Do to Improve Student Achievement" (American School Board Journal, April 1998):

- Start early (early education programs such as Smart Start).
- Focus on reading and math (the focus of ABCs testing at the elementary and middle school level).
- Utilize trained tutors (extra, individualized instruction for remedial students to decrease odds of long-term failure).
- Invest in teachers (hire qualified personnel, provide high quality staff development, and incentives for high performance).
- Shrink the size of classes and schools (such as with elite prep schools that average 12 per class and fewer than 200 per school).
- Increase the amount of time spent learning (U.S. schools have the shortest school year in the industrial world and a shorter school day than many other countries. U.S. students spend approximately 180 days a year in school; the majority of students in our economic competitor nations spend an annual average of 207 days in school; German and Japanese students can be found in public schools over 240 days a year).
- Set goals and assess progress (proven to increase chances to achieve).
- Support teacher development (with a caveat – support if development is aligned with the needs of classroom teachers).

ECS List of Best Investments

The Education Commission of the States (ECS), a national organization with an outstanding track record on research and development issues related to public education, compiled a similar synthesis of research findings on expenditures and divided them into "A," "B" and "C" categories. The following summary of the ECS findings comes from "The ABCs of Investing in Student Performance," published by the ECS in November, 1996.

Heading the ECS list of best investments were "A" category initiatives. "A" policies and programs were those that have been rigorously evaluated over time and can be proven to make a positive contribution to student performance. Examples of "A" category policies and programs include:

Challenging Courses & Curriculum
Students don't learn what they don't study. Research finds that students who are challenged to take advanced coursework, especially in areas like mathematics, achieve far more than those who do not. This finding, of course, translates into higher expectations for all students, not just those presumed to be on a college-bound track.

Introduce Reading in the Early Years
For students who do not begin to read early, too many never make the transition from learning to read to reading to learn. Because reading is the basic foundation block upon which learning takes place, its importance can not be overstated.

Early Childhood Education
Study after study finds that programs such as Head Start and Smart Start dramatically improve the chances that young people will be ready to learn upon entering school. There is, however, a caveat. If at-risk youngsters do not have additional, individualized learning opportunities when they enter school, the gains can dissipate over time.

Smaller Schools
Evidence is mounting that small schools, those with 300 to 900 students, might be the answer to many of education's ills. Research, dating back 30 years, finds smaller schools improve test scores and grades, especially for low-income and minority students. Small schools have better attendance, less vandalism and violence, and lower drop-out rates. Student attitudes toward learning also improve.

Intervention
The earlier learning problems are identified and addressed, the higher the probability of student success. One-on-one work with students needing remediation is the most likely road to improvement.

The ECS's category "B" programs and policies are less certain to make a measurable difference. They are either relatively new and/or not widely used. Or, they have been inadequately evaluated. Or, the evidence that they contribute to student performance is inconsistent or contradictory. Examples of "B" strategies include:

Smaller Classes
Even though policymakers continue to invest massive amounts of money in lowering class sizes, the research on the effectiveness and efficiency of reducing class size remains inconclusive. For policymakers, reducing class size is a visible, concrete initiative. Teachers and parents proclaim what they believe is obvious – fewer students in a class make it easier to teach and learn. Research findings, however, are less conclusive, unless class size drops to 15-18 students or less.

Teacher Professional Development
There may not be a better example of an area where spending more translates into fewer gains than professional development – not because professional development is not needed, but because the quality of so much staff development is so poor. Few schools have a sequential approach to staff development that is geared to the changing needs of a teacher over time. Too much staff development is focused on things that have little, if any, measurable impact on the classroom (team building, how to make site based decisions, etc).

Other areas in the "B" category include:
- Teacher certification and licensing
- Programs integrating education with health and social services
- Children and family-focused programs
- Restructured schools
- Content and performance standards

Guiding Principle TWO

Aligning school spending to the goals of high performance requires investing first in those things that research has found to matter.

In ECS's rating system, category "C" initiatives share all or most of the following characteristics: they are fairly new and popular; they are largely unevaluated, and only anecdotal evidence exists that they contribute to increased student performance.
- Performance-based pay for teachers
- Public school choice programs
- School-based management (more about process and power than about basic improvements in the classroom)
- School-to-work initiatives (relatively new, little research, small numbers of students involved)
- Using technology to improve teaching and learning (technology use still evolving, inconclusive data)

Many Initiatives that Matter Don't Cost Money

It is important to note that a number of the initiatives and practices that research finds most likely to make a difference do not cost money – they are operational issues; they go to the heart of how schools operate.

Examples of no cost and/or low cost initiatives that matter:
- Holding students to higher standards and expectations
- Making curriculum more challenging
- Having a clear focus and assessing progress frequently
- Intervening early with children who have learning problems
- Focusing on mathematics and reading in the early grades

For those who contend that money is not the sole answer, this list of practices that result in higher student performance could and should be their mantra. For schools that do not follow the practices listed above, more money is unlikely to matter much, if at all.

Many Initiatives that Matter Do Cost Money

On the other hand, a number of the items identified as those that matter most do require funding. Specifically:

Early Childhood Education
As policymakers in North Carolina know all too well, programs like Smart Start carry a price, but the investment will go up as more children are served.

Investments that Matter to Student Achievement

"A" INVESTMENTS proven to make a difference	"B" INVESTMENTS less certain to make a difference	"C" Investments largely unevaluated
Challenging Courses/Curriculum	Smaller Classes	Performance-Based Pay for Teachers
Introducing Reading in Early Years	Teacher Professional Development	Public School Choice Programs
Early Childhood Education	Teacher Certification and Licensing	School-Based Management
Smaller Schools	Programs Integrating Education with Health & Social Services	School-to-Work Initiatives
Intervention	Children & Family-Focused Programs	Using Technology to Improve Teaching & Learning
	Restructured Schools	
	Content & Performance Standards	

Source: Education Commission of the States, "The ABCs of Investing in Student Performance," November 1996

Trained Tutors and Early Intervention
Tied to early education are elementary programs geared to early identification of youngsters with learning problems and intervention through trained tutors and individualized programs. These programs also carry a big price tag: personnel to provide tutoring, training for tutors, and testing and diagnostic services for young people with learning problems.

Staff Development
ECS's caution regarding staff development is very important. Poor quality training programs, half-day training programs with no subsequent follow-up and programs that focus on process skills, not teaching skills, are unlikely to make a difference in student performance. High quality programs, however, can make a difference. But, staff development also carries a price tag. Over and above funding for trainers and consultants, staff development requires time, and time equals personnel dollars.

More Time for Instruction
Whether additional time is found before or after the school day, on Saturday morning or in the summer months, additional time equals additional personnel dollars, higher utility bills and, in some cases, higher transportation costs. It is these dollars, however, that long-term research says could matter a great deal. Research finds what common sense would suggest: the more one is taught, the more one is likely to learn.

Small Schools
The "comprehensive school facility model" that has held sway for years was largely based on "efficiency." The larger the school, the argument went, the more it could offer. A growing body of research is finding that education may have been sacrificed for efficiency. It should be noted that research on why parents are enrolling students in private and charter schools in record numbers finds that parents want small schools in which children have a name and a face. Yet, in systems across North Carolina "bigness" or "comprehensiveness" holds sway because "small" costs more than "big." Small schools translate into more principals, more cafeteria workers and the like. Small schools, however, are found to be more effective schools, schools less likely to suffer vandalism and violence, and schools in which students learn at higher levels.

Findings within North Carolina

In addition to looking at what national research says about what matters, the Study Group looked within North Carolina for lessons – lessons that could be drawn from low- and high-performing schools, as measured by results on the ABCs tests.

When looking at schools that have registered solid ABCs gains or when looking at lessons that could be learned from the observations of assistance teams working in low-performing schools, there is a haunting similarity to the findings of national research. The following strategies appear to be the most successful.

- Clear goals and high expectations
- Time used differently and better
- Intervention with students who have learning problems, especially at-risk youngsters most likely to fall behind
- Staff development focused on instruction, not process

money spent on need matters most

Economically – and therefore, educationally – all children are not created equal. When young children enter kindergarten they bring with them a range of learning inequalities that staggers the imagination. Some have IQs that would make them candidates for MENSA, an organization whose membership is confined to those with an IQ in the top two percent of the population. On the other hand, the learning potential of some is so low that they may never hope to read or function at more than a fifth grade level.

Some walk into kindergarten already reading; others have rarely heard an adult read from a book, much less coach them on their ABCs. While some will go home eagerly clutching their first homework book, others will cringe at the thought of entering a house filled with shouting and anger – the book is a mere afterthought compared with what they will find when they open the door.

One Size Doesn't Fit All

For the most part, school funding policies in North Carolina are blind to those differences. Instead, the overwhelming majority of school dollars presume that one size fits all when it comes to education, a presumption that ignores the differences that matter most.

That presumption may be the Achilles' heel of North Carolina's current system of funding schools. North Carolina, like much of the Southeast, has a far higher number of young people living in economically disadvantaged homes. Based on the most commonly used measure of poverty, nearly 40% of North Carolina's young people qualify for free and reduced federal lunch programs, programs created to support the nutrition of youngsters coming from low-income homes. Across the country, most states have only about 31% of young people qualifying for federal lunch programs (see chart this page).

That same free and reduced lunch measure has historically been the most powerful predictor of student success, whether the standard is SAT performance or performance on the ABCs tests produced by North Carolina. Schools with high numbers of students eligible for free and reduced lunch programs almost certainly will score far lower than those with high numbers of students coming from middle-class homes.

What does research tell us about these students who are eligible for free and reduced lunch? They tend to receive less help from adults at home, not because the adults are less caring, but because they are likely to have low education levels. They tend to be exposed to far less reading material or technology because their parents can't afford it or don't know its value. They tend to have far fewer learning opportunities out of school – opportunities like piano lessons, private tutoring from groups like Sylvan Learning, summer camps, children's book clubs – again because of the costs. Their parents tend to be less frequently involved in their schooling because they are making ends meet with two jobs, are confronted with transportation problems, or had negative school experiences themselves.

These students are most likely to benefit from early education programs. They are the primary beneficiaries of early intervention and individualized tutoring and support programs. They are the neediest when it comes to additional instructional time over and above the normal school day.

State Finance Policies Must Reflect Need

That is what research tells us about a group that represents two out of every five children attending North Carolina's public schools. It is not, however, what state finance policies reflect. Federal dollars, commonly called Title I dollars, are the only dollars earmarked for children in need. State funding, representing nearly 70% of all school funding, does not make distinctions between children living in poverty, and statistically likely to fail, and other children. In sharp contrast to what research tells us, state finance policies treat all children essentially the same.

Funding policies that presume all children are created equal from an educational point of view will not serve the state well in the years ahead. Instead, they could lead to tens of thousands of disadvantaged young people not being promoted from one grade to the next or, worse yet, being denied a high school diploma.

Beginning in school year 2000-2001, the State Board of Education intends to end the practice of what is called "social promotion," letting youngsters who have not mastered skills required in one grade level to move on to the next grade level. It is being recommended that young people in grades 3, 5

Need Affects Performance

	Estimated % Students on Free/Red. Lunch*	NAEP Performance % at/above Basic Level		
		Science	Math-4th	Math-8th
DC	68%	19%	20%	20%
MS	56	39	42	36
LA	53	40	44	38
NM	42	49	51	51
SC	42	45	48	48
AL	42	47	48	45
KY	41	58	60	56
GA	40	49	53	51
NY	40	57	64	61
NC	40	56	64	56
AR	39	55	54	52
TX	39	55	69	59
WV	38	56	63	54
FL	36	51	55	54
AZ	35	55	57	57
TN	34	53	58	53
CA	33	47	46	51
HI	31	42	53	51
Natl Avg**	31	60	62	61
MO	30	64	66	64
DE	28	51	54	55
NE	27	71	70	76
VA	26	59	62	58
OR	26	68	65	67
PA	25		68	
NJ	25		68	
ND	25	78	75	77
MD	25	55	59	57
WA	25	61	67	67
ME	25	78	75	77
IA	24	71	74	78
MT	24	77	71	75
RI	24	59	61	60
WY	24	71	64	68
MA	23	69	71	68
MI	23	65	68	67
AK	23	65	65	68
WI	22	73	74	75
CO	22	68	67	67
IN	22	65	72	68
MN	22	72	76	75
CT	22	68	75	70
UT	21	70	69	70
VT	21	70	67	72
NV	20		57	

NOTE: Figures are rounded to nearest whole number.

* NC students participating in Free and Reduced Lunch from NC DPI; other state estimates of Free and Reduced Lunch from the Food Research and Action Center

** Not all states participate in the National Assessment of Educational Progress, and thus are not included in list or average.

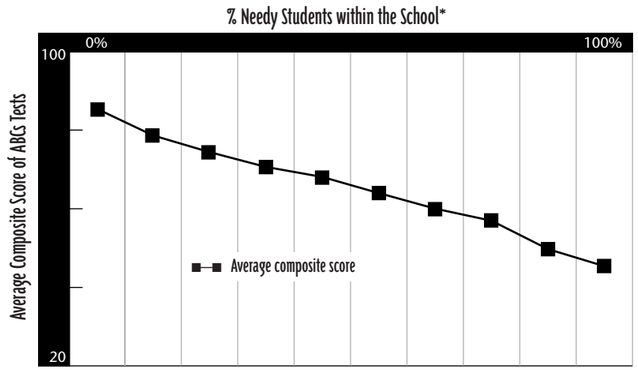
Income Affects Performance
SAT Scores in NC

Family Income	Verbal*	Math*	Total*
< $10,000	418	418	836
$10-20,000	441	444	885
$20-30,000	465	464	929
$30-40,000	481	480	961
$40-50,000	491	492	983
$50-60,000	500	500	1000
$60-70,000	508	510	1018
$70-80,000	510	517	1027
$80-100,000	526	534	1060

* All scores are averages

Source: College Board, 1998

Need Affects Performance: As Need Increases, Test Scores Decrease



Source: % needy (free and reduced lunch data) and performance composite scores, NC DPI. Statistical analysis: Public School Forum of NC

In the 1997-978 school year, students in 1,719 K-8 public schools in NC were tested. Of those schools, 1,599 schools were included in this analysis. Alternative schools and schools not reporting free and reduced lunch were excluded. The composite score above represent the percentage of students scoring at or above grade level. The strong correlation between high performance and the number of needy children served is startlingly apparent. As the percentage of needy students increases, the composite test score falls.

Note: ABC results are based on End-of-Grade testing in reading and mathematics (grades 3-8) and writing (grades 4 and 7). The performance composite test score is calculated based on all data related to the percentage of students scoring at, or above, grade level.

*Percents have been rounded up to nearest whole number.

One Size Does Not Fit All

and 8 must pass end-of-grade tests in basic areas such as reading and mathematics before they can move on to grades 4, 6 and 9. At the high school level, beginning in 2000-2001, young people must have passed several requirements, including the tenth grade basic competency test, before they can receive a diploma.

This shift in state policy, although a commendable step toward establishing meaningful standards, could have a profound impact on the nearly 40% of North Carolina's school population who live in disadvantaged homes. On the other hand, if state policymakers acknowledged that these students need additional learning assistance, funding policies could anticipate the consequences of massive failure rates and make appropriate adjustments now.

Weighted Funding

The most logical adjustment would have money following need. In the case of the almost 40% of North Carolina students coming from disadvantaged homes, that could translate into funding policies that "weighted" funding for children who almost certainly will need more individual attention and time if they are to succeed.

As the chart on pages 12-13 illustrates, such a funding change would target money directly to schools and school systems based on how many disadvantaged young people they serve. A system such as Halifax County – a county in which 84% of the young people qualify for free and reduced lunch – would be the prime beneficiary of such a policy change. Conversely, the Chapel Hill-Carrboro schools which have only 17% of their students living in disadvantaged homes would benefit the least. Unlike "need blind" funding policies, weighted funding for disadvantaged students would have money follow need.

If such a weighted funding strategy were to be adopted, the state could ensure that remediation and enrichment programs were in place before students face the consequences of a cessation of social promotion. Returning to guiding principle two, how the state invests its dollars is as important as how many dollars are invested.

In this example, if the state were to require that schools create programs focused on those students most at risk of falling behind or being denied a high school diploma, a weighted funding strategy could dramatically increase the probability of lessening an otherwise predictable, and massive, failure rate.

Funding the Exceptional Child

There is yet another category of needy young people that present an equally vexing funding problem – that category includes the 249,828 young people who have been identified as requiring exceptional children's services.

The legal definition of "exceptional" is broad. In North Carolina, it ranges from students identified as being "hearing impaired" to "orthopedically impaired," from "multi-handicapped" students to students who are identified as "learning disabled." Whatever the label – there are 16 different categories of exceptional children's needs – schools are confronted with nearly 250,000 children who require something over and above that which is needed by "normal" children.

How do our funding policies accommodate those differences? Poorly. For openers, state policies put a "cap" or "lid" on the number of exceptional children who will receive funding for exceptional children's programs. According to state policy, funding for no more than 12.5% of the student population will be provided, regardless of the number of children eligible to receive such services.

Further, the funding provided for students identified as having special needs is the same, regardless of their needs. For each child identified as requiring special services a school system receives $2,346.29, regardless of whether the child has a minor learning disability requiring limited attention or whether the child is wheel-chair bound and requires full-time nursing care.

Not surprisingly, those funding policies, again a reflection of "one-size-fits-all" (no county shall exceed more than 12.5%), defy reality. Fifty-nine counties were at their "maximum quota" in 1997-98. Almost one-half of the school systems, 58 to be exact, have more than 12.5% requiring service. For example, Wake County had 13% identified as requiring exceptional children's services. For those counties, the choice is to violate federal and state law by not identifying all exceptional children or not providing the appropriate level of services (running the risk of substantial loss if a case comes to court), or to provide the services using local dollars. Wake, as an example, helps fund exceptional children's programs with $8.2 million from local funds (1997-98). Ironically, over 50% of North Carolina's school systems reported the number of identified exceptional children being at exactly the 12.5% cap.

Florida's Weighted Funding for Exceptional Children

Funding Level	Funding per Child
1	$4,070
2	$6,288
3	$9,976
4	$12,446
5	$20,820

The level of services each child receives is determined by the Individualized Education Plan and takes into account a matrix of services including curriculum, behavior, health care, language, and independent living needs. The level of services will range from services to children suffering from a learning disorder to those suffering from multiple disabilities.

In comparison, the funding level for all exceptional children in NC is $2,346.29 per identified child (up to 12.5% of the district's student population) in addition to the usual and customary state funds provided per student for the school system.

Source: Financial Management Section, Florida Department of Education, 10/16/98

Florida: A Leader in Weighted Funding

Many states have recognized that "one-size-fits-all" funding policies simply do not work in the real world of public education. Florida has been a leader in the Southeast and in the nation by creating a "weighted funding scale" that provides funds based on need.

Schools in Florida do not receive the same allocation for a student suffering a mild learning disability as they would for a wheel-chair bound student needing full-time nursing care; instead, they could potentially receive $4,070 for one and up to $20,820 for another (see chart this page).

Funding for Academically Gifted

In similar fashion, North Carolina's funding policies presume one size will fit all when it comes to Academically Gifted (AG) programs – programs which can only be entered if a student is tested and found to be well above average in learning potential.

Today's policies say that a school system will receive Academically Gifted funding for no more than four percent of the school population, regardless of the number of children found to be eligible for AG courses. Such policies ignore the fact that some fortunate systems, such as Chapel Hill-Carrboro, are drawing students from areas populated by the Research Triangle and university families who are among the most educated in the country. Not surprisingly, Chapel Hill-Carrboro and many other school systems have far more than four percent of their student population testing AG eligible. Again, if they are to be served, it is local money that will make up the difference.

In Summary

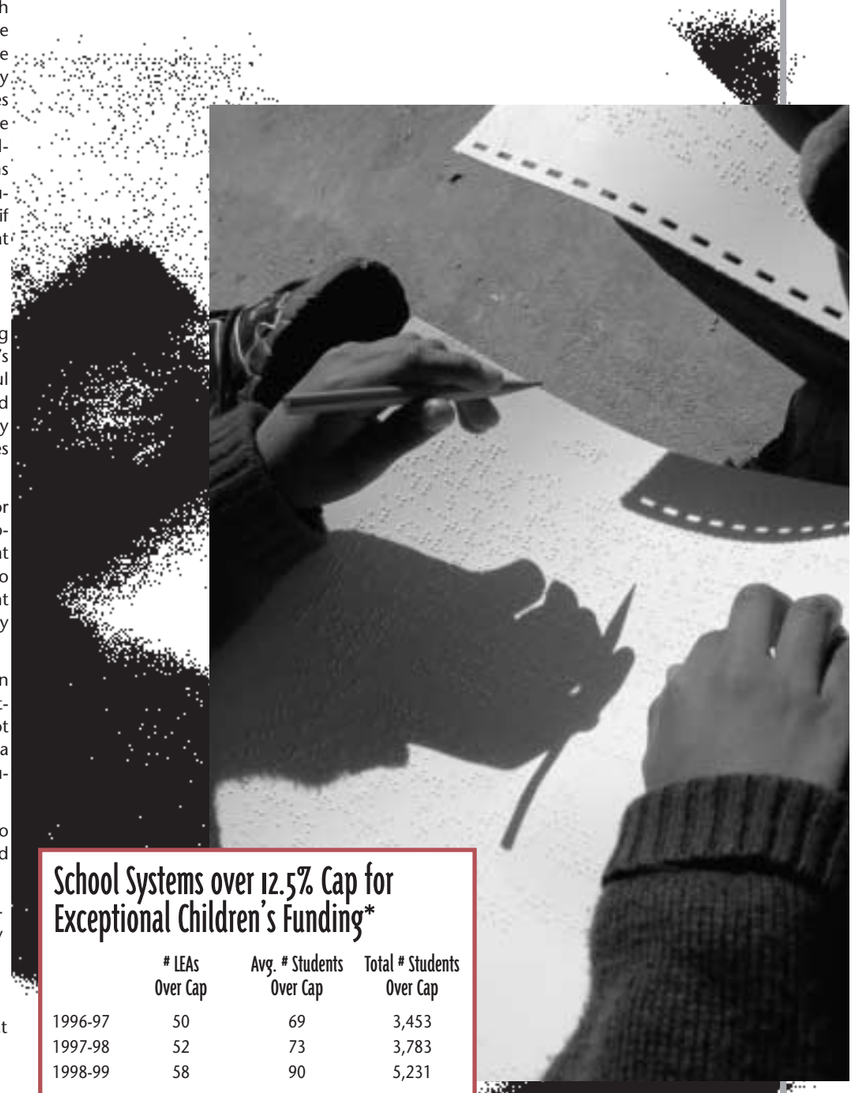
In the case of children diagnosed as requiring exceptional children's programs, Florida's weighted approach provides a useful roadmap. The state could devise a weighted funding scale that would ensure that money followed need far more closely than it does today.

With that, limitations or caps on funding for students requiring exceptional children's programs make no more sense than those that fail to recognize some counties are likely to have more than four percent of their student population qualify for the Academically Gifted programming.

"One-size-fits-all" funding policies built on the presumption that all children were created equal when it comes to education do not stand up to a real world test, especially in a state where nearly 40% of its 1.2 million students come from low income homes.

A framework for aligning school funding to the goals of high-performing schools would have money follow need.

- General per pupil allocations would differentiate between students living in poverty and those who do not.
- "One-size-fits-all" exceptional children's policies would be replaced with weighted funding formulas which would ensure that appropriate dollars follow special needs. At the same time, artificial spending "caps" would be removed and needs would be funded at appropriate levels.



School Systems over 12.5% Cap for Exceptional Children's Funding*

	# LEAs Over Cap	Avg. # Students Over Cap	Total # Students Over Cap
1996-97	50	69	3,453
1997-98	52	73	3,783
1998-99	58	90	5,231

• There are 117 public school systems in North Carolina.

NOTE: It is important to note that NO LEA is below the cap.

Source: Exceptional Children, DPI

Economically, and therefore, educationally, all children are not created equal.

One Size Does Not Fit All

An Example of Weighted Funding

AVERAGE STATE FUNDING PER PUPIL	$3,554
POSSIBLE WEIGHTED FUNDING PER PUPIL *	$4,265
DIFFERENCE IN FUNDING PER PUPIL	$711

* Represents weighted funding of 1.2 for those students eligible for free and reduced lunch.

The example above is expanded at the right to reflect how weighted funding would affect each school district in North Carolina.The cost model to the right is also based upon a weighted funding of 1.2. The most recent average state funding figures available from DPI are from 1996-97.

Guiding Principle THREE

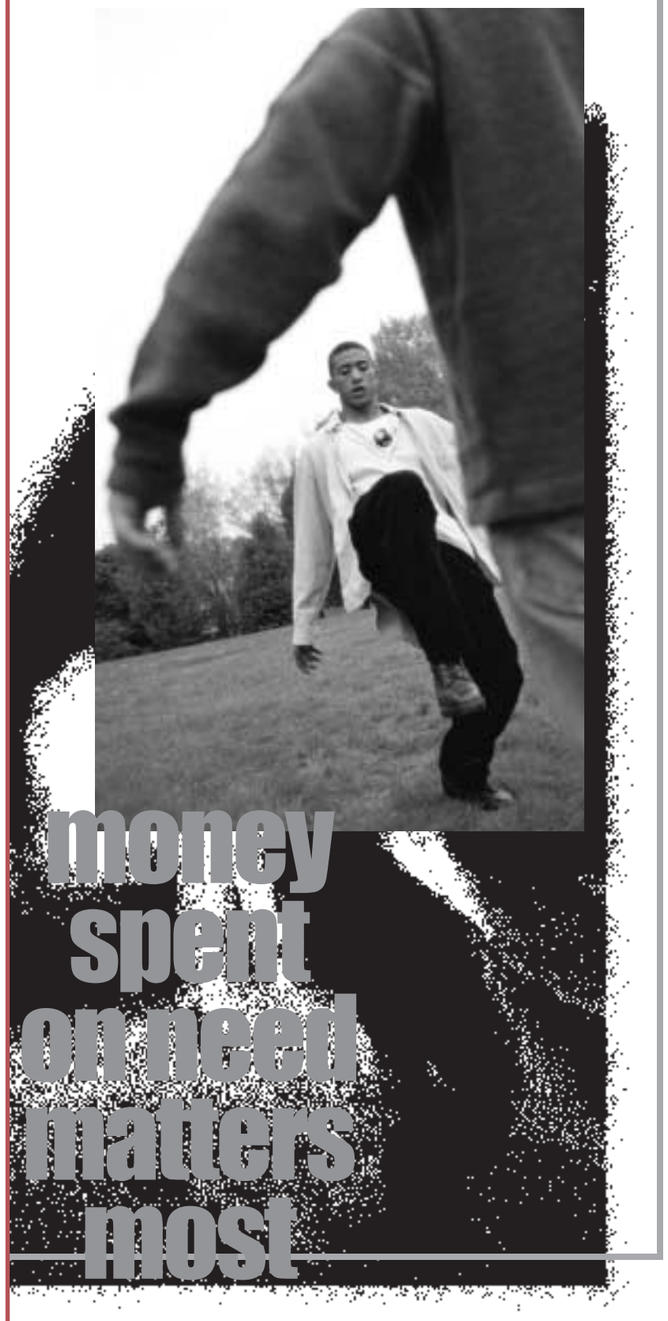
Aligning school funding to the goals of high-performing schools would have money follow need.

Weighted Funding for At-Risk Students: A Cost Model

School System	No. of Students	% on Free/Red. Lunch	Total Extra Funding (1.2)	Extra Funding per Student
Halifax Co.	6,517	84%	$3,866,259	$593
Hertford Co.	4,332	80	2,475,856	572
Bertie Co.	3,907	79	2,199,339	563
Weldon City	1,196	79	671,744	562
Northampton Co.	4,012	78	2,233,459	557
Robeson Co.	24,137	73	12,481,640	517
Jones Co.	1,635	69	801,828	490
Warren Co.	3,314	69	1,612,896	487
Tyrrell Co.	781	67	370,348	474
Columbus Co.	7,418	67	3,516,525	474
Lexington Co.	3,074	65	1,425,945	464
Hyde Co.	697	64	317,745	456
Washington Co.	2,731	64	1,238,994	454
Perquimans Co.	1,947	64	882,152	453
Anson Co.	4,562	63	2,042,954	448
Thomasville City	2,365	62	1,049,200	444
Hoke Co.	5,971	62	2,623,710	439
Vance Co.	7,877	62	3,451,128	438
Edgecombe Co.	7,954	62	3,476,718	437
Scotland Co.	7,242	61	3,120,588	431
Greene Co.	3,026	60	1,283,066	424
Bladen Co.	5,842	59	2,428,229	416
Sampson Co.	7,481	58	3,070,829	410
Swain Co.	1,544	57	629,093	407
Whiteville City	2,840	57	1,147,296	404
Martin Co.	5,081	57	2,052,195	404
Richmond Co.	8,246	57	3,328,153	404
Wilson Co.	11,603	56	4,593,448	396
Clinton City	2,513	56	991,622	395
Pasquotank Co.	6,213	55	2,436,049	392
Chowan Co.	2,603	54	1,007,260	387
Duplin Co.	8,396	53	3,180,298	379
Cumberland Co.	50,530	51	18,457,671	365
Gates Co.	2,002	51	720,081	360
Nash-Rocky Mount	17,709	51	6,359,175	359
Montgomery Co.	4,335	51	1,555,318	359
Avery Co.	2,526	50	903,478	358
Beaufort Co.	7,482	50	2,653,566	355
Mitchell Co.	2,357	49	816,755	347
Lenoir Co.	10,290	48	3,530,031	343
Wayne Co.	19,255	48	6,571,716	341
Cherokee Co.	3,573	48	1,216,958	341
Pamlico Co.	1,836	48	624,118	340
Harnett Co.	15,079	48	5,101,699	338
Ashe Co.	3,340	47	1,124,549	337
Shelby City	3,744	47	1,257,476	336
Pender Co.	6,091	47	2,037,267	334
Graham Co.	1,239	46	406,600	328
Franklin Co.	7,126	46	2,315,206	325
Craven Co.	15,110	45	4,865,700	322
Madison Co.	2,536	45	811,779	320
Brunswick Co.	9,776	45	3,105,660	318
Kannapolis City	4,025	45	1,272,404	316
Asheville City	4,241	44	1,329,982	314
Pitt Co.	19,372	44	6,064,176	313
Hickory City	4,409	44	1,374,765	312
Granville Co.	7,752	43	2,342,929	302
Caswell Co.	3,553	41	1,034,272	291
Onslow Co.	21,108	41	6,099,007	289
Alleghany Co.	1,460	41	$421,528	289
Person Co.	5,766	40	1,644,884	285
Lee Co.	8,584	40	2,446,711	285
Rutherford Co.	10,295	40	2,932,215	285
Durham Public Schools	29,136	40	8,227,973	282
Yancey Co.	2,446	40	688,093	281
Moore Co.	10,588	39	2,919,420	276
Macon Co.	4,018	39	1,107,489	276
Guilford Co.	60,002	39	16,531,295	276
Caldwell Co.	11,908	38	3,197,358	269
Roanoke Rapids City	3,172	38	850,875	268
Charlotte-Mecklenburg	95,651	38	25,642,842	268
Jackson Co.	3,647	38	971,718	266
Asheboro City	4,215	37	1,111,754	264
Kings Mountain City	4,351	36	1,125,260	259
Burke Co.	13,922	36	3,596,850	258
Newton-Conover	2,773	36	715,816	258
Clay Co.	1,289	36	331,251	257
Wilkes Co.	9,888	36	2,498,603	253
Johnston Co.	18,350	35	4,620,460	252
Carteret Co.	8,433	35	2,106,930	250
Rockingham Co.	14,584	35	3,619,597	248
Alamance Co.	19,402	35	4,809,543	248
Winston-Salem/Forsyth	41,945	35	10,275,903	245
New Hanover Co.	21,619	34	5,282,963	244
Rowan-Salisbury	19,659	34	4,760,495	242
Haywood Co.	7,600	33	1,776,389	234
Gaston Co.	29,496	33	6,882,353	233
Currituck Co.	3,004	33	695,912	232
Cleveland Co.	8,963	33	2,073,520	231
Iredell-Statesville	15,101	32	3,440,466	228
Surry Co.	8,016	32	1,815,485	226
Chatham Co.	6,695	32	1,505,559	225
Polk Co.	2,260	31	503,986	223
Mount Airy City	2,004	31	446,408	223
Union Co.	19,593	31	4,348,208	222
McDowell Co.	6,146	31	1,348,463	219
Camden Co.	1,213	30	261,589	216
Henderson Co.	11,310	30	2,433,916	215
Stanly Co.	9,788	30	2,084,183	213
Lincoln Co.	9,994	29	2,053,617	205
Buncombe Co.	24,862	28	4,897,688	197
Transylvania Co.	3,996	27	778,370	195
Randolph Co.	16,097	27	3,063,720	190
Yadkin Co.	5,612	27	1,058,441	189
Stokes Co.	7,018	26	1,310,789	187
Watauga Co.	4,845	26	893,526	184
Alexander Co.	5,220	25	932,622	177
Dare Co.	4,484	25	783,346	175
Orange Co.	6,040	25	1,054,887	175
Mooresville City	3,586	24	604,925	169
Catawba Co.	14,840	23	2,400,507	162
Cabarrus Co.	17,119	22	2,718,963	159
Wake Co.	87,950	22	13,928,199	158
Davie Co.	5,304	21	792,587	149
Davidson Co.	18,343	19	2,524,904	138
Elkin City	1,055	18	135,770	129
Chapel Hill-Carrboro City	8,197	17	982,381	120
Total Extra Funding/Avg. Extra/Student			**$342,928,409**	**$313**

Note: This is an example only. The local impact of weighted funding for at-risk students would decrease or increase depending on the funding ratio.

Source: NC DPI, data is based on the December 1997 Free/Reduced Lunch Count. Note: figures are rounded to the nearest whole number.



GUIDING PRINCIPLE FOUR

the definition of "basic" matters

4

Guiding Principle FOUR

Aligning school spending policies to the goal of creating a system of high-performing schools must begin with a reassessment of what is a "sound basic education," of what matters.

In 1984, the North Carolina General Assembly was presented the Basic Education Program – a program acclaimed at the time for being one of the farthest reaching, progressive educational measures in the state's history. Enacted in 1985, the Basic Education Program, commonly called the BEP, was a minimum foundation plan intended to establish a common basic education foundation in every school in North Carolina. The plan envisioned over $800 million of new resources being pumped into the educational system over a multi-year period.

Unfortunately, because of an economic down turn and changes in political priorities, the BEP was never fully-funded. However, even if it had been fully-funded, today it would be subject to criticism because of an evolving definition of what is "basic."

Defining "Basic " in the 90's

When the plan was being drawn up, for instance, technology usage was just beginning in the private workplace, much less in schools. The Internet was largely unknown outside of the scientific, research, and defense communities. Few could have predicted a day when access to and dependence on technology would become as American as apple pie.

However, the drive for high standards had not yet begun. In 1983, the political and educational community wanted to lift North Carolina out of the test score basement. Aspirations were limited to not wanting to be 50th on SAT scores. People had yet to begin talking about "world class" educational standards.

Public accountability plans that would put a spotlight on student achievement were not introduced until 1989 when the School Improvement and Accountability Act was passed. Again, the drive to close the gap between high- and low-performing schools had not begun. Few were talking about the need to have all children, not just those going to college, take challenging, advanced coursework.

Thus, the definition of "basic" was different in 1983 from what it is today. Advanced courses in mathematics and science were not considered "basic" in the BEP. Nor were advanced language courses funded under the BEP. Technology classes, now considered basic in the ABCs, were yet to be introduced in most schools in 1983; nor were they included as part of the Basic Education Program.

In *Leandro v. the State of North Carolina*, the Supreme Court in 1997 ruled that the legal challenge to the constitutionality of today's funding system had merit and deserved to be heard. For the first time in the state's history, the Court declared that every child has a right to a "sound basic education" and the Court defined the minimal constitutional requirement of that right. Its four-point definition makes frequent reference to preparing young people for the work world.

The *Leandro* Decision Defines "Basic"
July 24, 1997

"We conclude that Article I, Section 15 and Article IX, Section 2 of the North Carolina Constitution combine to guarantee every child of this state an opportunity to receive a "sound basic education" in our public schools. For purposes of our Constitution, a "sound basic education" is one that will provide the student with at least:

- Sufficient ability to read, write, and speak the English language and a sufficient knowledge of fundamental mathematics and physical science to enable the student to function in a complex and rapidly changing society
- Sufficient fundamental knowledge of geography, history, and basic economic and political systems to enable the student to make informed choices with regard to issues that affect the student personally or affect the student's community, state, and nation
- Sufficient academic and vocational skills to enable the student to successfully engage in post-secondary education or vocational training
- Sufficient academic and vocational skills to enable the student to compete on an equal basis with others in further formal education or gainful employment in contemporary society.

In 1983, modern workforce preparation programs were in their infancy. Cosmetology was the most popular vocational education course offered in high schools. Today, through programs like North Carolina's JobReady program, traditional vocational programs have been completely revamped. School systems are establishing career centers, a foreign concept to most in 1983. Schools are offering many courses which did not exist in 1983, such as technical course work leading to certificates in computer networking and repair.

In the 1990s other schools began offering new formal job apprenticeships through cooperative arrangements with local businesses. Not surprisingly, the BEP is silent on workforce preparation, not considered a "basic" in the early eighties.

Also largely missing in 1983 was reference to Spanish-speaking or Asian-speaking young people. Today, North Carolina schools are serving over 25,000 students who are growing up in homes where English is not the primary language. With good reason, funding for non-English speaking students was not a BEP "basic." Today it is.

New Basics Lead to Fourth Guiding Principle

These examples of "new basics" – funding for advanced courses in areas like science and mathematics, technology, workforce preparation and limited English proficiency – lead to the fourth guiding principle: A framework for aligning school spending policies to the goal of creating a system of high-performing schools must begin with a reassessment of what is a "sound basic education," of what matters.

- The correlation between high performance and challenging, advanced coursework dictates a reassessment of state funding policies that currently require local government to shoulder costs related to advanced mathematics, language and science courses.
- Increasing demand for and sophistication in workforce preparation necessitate a redesign of state paradigms regarding the "basics" and what was historically considered vocational education.
- Changing demographics bring with them changing needs. The state needs to overhaul policies related to special populations, especially for young people whose primary language is not English.

GUIDING PRINCIPLE FIVE

time matters

Virtually any research on investments that matter places additional time for learning near the top of the list. Common sense would suggest, and research validates, that the more time one spends on learning, the more one learns. It is ironic that it took the threat of school takeovers and principal and teacher dismissals to prod some schools in North Carolina into applying this common sense strategy. In most of the low-performing schools that registered dramatic gains over last year's ABCs testing results, time is now being used differently and better.

Using Time Better

Many schools are offering before- and after-school tutoring to students who are falling behind in basic areas such as reading and mathematics. Some are offering Saturday morning classes, a practice that is common for all children in some countries, such as Japan.

Some schools are expanding summer school offerings while others are finding ways to individualize instruction and offer tutoring to students during the school day. Some are even employing private tutoring services like Sylvan Learning to give students the additional learning help that they need.

Time matters and, as some schools are finding, time translates into higher student achievement. Many schools are also finding creative ways to use time differently – both during the school day and by using staff differently. Title I teachers, for instance, could be scheduled to arrive at school two hours after students and remain for an additional two hours in the afternoon. "Flex-time," common within the private sector, is an example of how schools could creatively find ways to deliver more instruction within the bounds of existing resources.

For North Carolina, time may hold the key to unlocking higher performance levels. As noted earlier, research finds that students who live in disadvantaged homes are the most likely to benefit from additional instructional time, regardless of where or how that time is found.

More Time for Staff Development and Classroom Planning

There is another important side to the time issue. Few dispute the growing need for quality staff development and for additional time for teachers to sharpen their instructional plans and prepare for their classes. Time, or the lack of it, is one of the major barriers to either staff development or improved classroom planning. Research finds that staff development tacked onto the end of a full day of teaching, or staff development which is a "one-shot" event not reinforced by subsequent follow-up, does not matter much, if at all.

The General Assembly recognized the need for additional time for teachers to work and to train when they passed a vacation day "buy back" bill that makes it possible for schools to convert current vacation days into staff development and planning days. The General Assembly also made changes to the school calendar, allowing for more flexibility in the length of the school day and school year. These changes will help, but they will not completely solve the problem.

Guiding Principle Five: Acknowledging that Time Matters

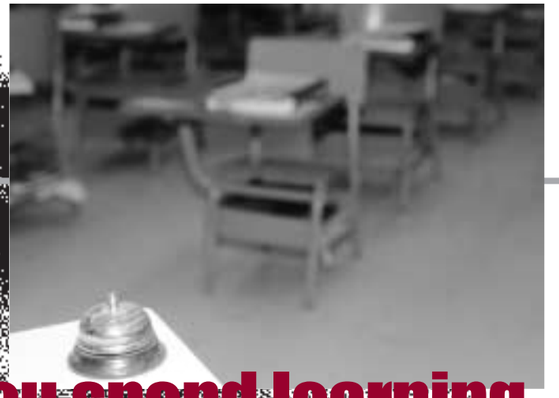
Time for instruction matters, especially for students who need the most help. Time for teachers matters, especially time spent on quality staff development focused on teaching better. The recognition that time matters leads to guiding principle five: A framework for a system of school funding aligned with the goals of high-performing schools must enable schools to overcome the time limitations imposed by today's school calendar.

- Additional funding for students from disadvantaged homes should be earmarked in such a way that the students who need additional instructional time the most receive it.
- The state should work toward extending teacher contracts for a significant portion of the teacher workforce, if not for the entire teacher workforce. A portion of that time should be devoted to providing more instructional time for all students; the balance of it should be devoted to providing staff development and planning time for teachers. If, for instance, teacher contracts were extended for an additional month (to 11 months instead of today's 10 months), it would be possible to extend student instruction from today's 180 days to 190 days while providing 10 additional days for teacher training and planning.

5

Guiding Principle FIVE

Aligning school funding with the goals of high-performing schools must enable schools to overcome the time limitations imposed by today's school calendar.



The more time you spend learning, the more you learn.

teaching matters

Disturbing research has been issued within the last year that finds that the negative consequences of exposing young people to poor teaching are more dire and long-lasting than had been expected. A child exposed to two consecutive years of inferior teaching can be set back for a lifetime of learning.

Anyone who has attended school knows intuitively that teaching matters. Some people have been fortunate enough to have had at least one teacher who made a profound impact. That teacher may have planted the seed that led one to attend college or instilled the love of a subject that led to a career choice. Conversely, too many people have had just the opposite experience – a teacher who dampened enthusiasm for learning or, worse yet, smothered ambitions.

What people intuitively know – that teaching matters – is reinforced by a growing body of research. The same research also finds that good teachers are least likely to be found in schools that face the greatest challenges. Isolated rural schools located in low-wealth counties, offering few amenities have a Herculean challenge when it comes to teacher recruitment and retention. Inner city schools, especially those located in unsafe neighborhoods, face similar challenges.

Severe Teacher Shortages in Selected Areas

Because of the number of teachers needed to staff the classrooms of North Carolina – 76,815 in all – the personnel challenges facing the state are huge. In the simplest terms, it is first a question of supply and demand: North Carolina, like most states, has severe shortages of teachers in selected areas. Most pressing are exceptional children's programs, mathematics, science, media, and teachers for limited English-proficient students.

Geographic Teacher Shortages

North Carolina also has geographic shortages, especially in low-wealth, rural areas lacking in quality of life factors such as housing options, shopping and entertainment opportunities, and proximity to colleges offering graduate programs. Large urban areas with high proportions of "at-risk" students also face serious teacher shortages. Geographic shortages are especially acute in northeastern North Carolina, where teachers willing to drive across the state line to the Virginia Beach/Norfolk area can immediately earn thousands of dollars more than they would in North Carolina. The same situation exists in the Charlotte area which must compete with higher paying districts in South Carolina.

Need and Reward: A Negative Correlation

There is a negative correlation between need and reward. Communities with the greatest proportion of students coming from disadvantaged homes are frequently the communities that offer the lowest teacher salary supplements. Subsequently, the schools that need outstanding teachers are not competitive with more advantaged communities.

One Salary Schedule Doesn't Fit All

The state's salary schedule, like most of its funding policies, presumes one salary schedule fits all teachers. Competition for college graduates, especially in areas like mathematics and science is keen. To ask a math or science major to move into a job starting in the low twenties with little salary light at the end of the tunnel is to give the word "sacrifice" new definition. To ask a technology specialist to turn his or her back on thousands of highly-paid technology positions within the private sector to embrace a career in education is to give the word "sacrifice" even further definition. Because current teacher salary policies turn a deaf ear to the laws of supply and demand, young people are victimized by the lack of qualified teachers in hard-to-fill areas.

Currently, there are few incentives for teachers willing to acquire additional skills needed in a high-performance school.

Guiding Principle Six: Recognizing the Centrality of Teaching

A framework for a system of funding aligned with the goal of high-performing schools must acknowledge the centrality of teaching. Good teaching matters most of all.

- State personnel policies should recognize that laws of supply and demand make it virtually impossible for education to create a pool of qualified teaching personnel in all areas under today's "one-size-fits-all" policies.
- Salary schedules should be differentiated based on need and comparable pay in the private sector or in other areas of government. At a minimum, differentiate salary schedules in selective areas like mathematics, science, exceptional children, foreign languages, media services and technology, and determine whether higher salaries would lead to an increase in teacher supply within those areas.
- Study how similar states have responded to recruiting problems in low-wealth and rural areas and establish policies that would make critical shortage schools more competitive. For example, Mississippi recently established such a program and is now offering qualified teachers a $1,000 relocation bonus if they teach in critical need areas like the Mississippi Delta; further, the state will provide $3,000 for a recruited teacher to use toward the purchase of a home or condominium if the teacher makes a three-year commitment to remain in the school system.
- Recognize and act on the need for recruiting adults with alternative, but high-quality, teacher preparation programs.
- In collaboration with the UNC system, private institutions of higher education, and the Community College system, the Department of Public Instruction should devise "skill sets," sequential staff development programs focused exclusively on strategies to teach basic course work more effectively. It should then devise delivery systems that would make the programs easily accessible through a combination of long-distance technology, collaboration with public and private colleges and universities and community colleges and on-site programs. Once the skill sets and delivery mechanism are in place, the state should create incentives that would serve as a motivator that would lead to large numbers of teachers acquiring skills related to the goals of high performance. Such programs should be included in pre-service college programs as well as for existing teachers.
- A concerted effort should be made by the State Board of Education, the UNC Board of Governors, and private institutions of higher education to assure that prospective teachers trained in the state's colleges and universities can pass the North Carolina licensure tests.
- The State Board of Education, in collaboration with the UNC Board of Governors and private institutions of higher education, should conceptualize high quality teaching as a developmental process, from recruitment to retirement, and align existing local and state programs and resources to support advancement throughout teachers' careers.

Guiding Principle SIX

Aligning school funding with the goal of high-performing schools must acknowledge that good teaching matters most of all.

size matters

Throughout this document, reference to smaller schools has appeared. It appeared first in the context of the country's most respected prep schools which serve, on average, less than 200 students. The second and third references to small schools appeared in both the National School Boards Association recommendations contained in "What Works" and in the Educational Commission of the State's "ABCs of Investing in Student Performance." The fourth reference to small schools came in the context of polling data on what motivates parents to enroll their children in private or charter schools. Parents want smaller schools, schools in which children have a face and name.

- Research on school violence and vandalism finds small schools a better place to be.
- Research on educational outcomes finds small schools tend to reach higher performance levels.
- Research on customer satisfaction, in this case parents, finds that parents value smallness.

Building the Wrong Size Schools

Yet, most school systems across North Carolina continue to build schools that customers don't want – schools that research says are too large. It is reminiscent of General Motors making cars larger and less fuel efficient in the seventies at the same time Japanese automakers carved out an enormous market share – a share that remains lost today.

The analogy of General Motors building a product that consumers didn't want would have been largely meaningless prior to charter schools. With the advent of charter school competition to traditional public schools, however, the issue of smallness is no longer an abstract issue. It is not surprising that the highest number of charter schools can be found in Wake County, a county in which school enrollment is soaring as a result of growth and a philosophy of building large schools in the name of efficiency.

Having said that, counties like Wake are also facing unprecedented growth – Wake is adding 4,000-5,000 students per year, more than many small school systems enroll altogether. For systems to shift their building facility philosophies overnight is obviously impractical, especially for those that are pressed to find enough classroom space to house swelling student populations.

A Need for Reassessment

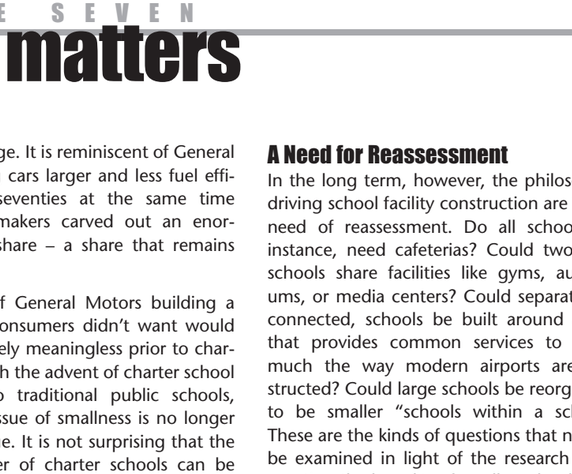
In the long term, however, the philosophies driving school facility construction are in dire need of reassessment. Do all schools, for instance, need cafeterias? Could two small schools share facilities like gyms, auditoriums, or media centers? Could separate, but connected, schools be built around a hub that provides common services to all, in much the way modern airports are constructed? Could large schools be reorganized to be smaller "schools within a school?" These are the kinds of questions that need to be examined in light of the research documenting the benefits of smaller schools.

Guiding Principle Seven: Acknowledging the Benefits of "Small"

"Efficiency" and the "comprehensive high school" philosophy have been the two factors driving the move toward large schools. In the face of a growing body of knowledge, the Study Group offers guiding principle seven: A framework for aligning school spending to the goal of high-performing schools would place one-time school facility savings, or "efficiencies" second to the research-validated benefits of investing in smaller schools.

Guiding Principle SEVEN

Aligning school spending to the goal of high-performing schools would place one-time school facility savings, or "efficiencies" second to the research-validated benefits of investing in smaller schools.



smaller is better

GUIDING PRINCIPLE EIGHT

defining responsibility matters

The relationship of one governing body to another is frequently strained, whether it is the relationship of the General Assembly to the State Board of Education; or, the relationship of the General Assembly and State Board of Education to local county commissioners or locally-elected school board members. New directives issued at the state level frequently lead to charges of "unfunded mandates" by locally elected officials charged with carrying them out.

A Need to Re-examine Roles of State and Local Government

At the local level, more and more communities have recently witnessed finger pointing and accusations between county commissioners and school board members locked in a stalemate over school funding issues related to school facilities and programs. Part of the tension that exists could be prevented if the state were to conduct a serious reassessment of roles and responsibilities. Over time, the roles and responsibilities of state and local government in the school funding arena become blurred or ill-defined.

The technology phenomenon is once again a useful example of the need to re-examine roles in funding schools. The state's policies now presume that local government will shoulder the responsibility for upkeep of buildings – in short, pay the utilities, keep the lights burning, make sure the water is running, while the state assumes the educational program costs – teacher salaries, textbooks and the like.

What is the monthly phone line charge for Internet usage? Is it a utility bill or an educational expense? Similarly, is the technician who keeps computer networks working a maintenance bill (locally funded) or an educational expense (state funded)? Are computers, like textbooks, an educational cost (state funded), or are they akin to a telephone (locally funded)?

At the moment, they are both. The state has provided technology funding to schools, albeit, erratically and inadequately. It has been up to local school systems, PTAs and private donations to outfit most schools with technology. Some state-funded teachers and teacher assistants are serving as de facto computer technicians; however, in most school systems, locally funded computer technicians are on-call when computers crash.

The construction of school buildings has historically been a local responsibility, but the recent passage of a $1.8 billion bond for school facilities has blurred that responsibility because the state will shoulder the repayment of those bonds.

As noted earlier, because the Basic Education Plan's definition of a "basic education" does not encompass coursework that most would consider "basic" today, most counties are shouldering program costs that should fall to the state.

In recent decades, there has not been a thorough reassessment of the shared roles and responsibilities of local school systems and the state. In that time, much has changed, and issues are resolved on a case-by-case basis, not through a process of reflection in which the entire issue of funding is put under a microscope.

Who Should Be Responsible: County Commissions or School Boards?

As if this were not enough, roles and responsibilities – not to mention accountability – are further blurred because county commissioners, not school board members, determine how much money is spent on local public schools. North Carolina is in the distinct minority of states in which locally elected school board members do not have the authority to increase or decrease taxing levels and determine how much local money will be spent on schools.

In most states, school boards have authority to increase local revenue, usually through local real estate taxes. In North Carolina, school boards can only petition county commissioners who have total authority over locally generated revenue. Predictably, this leads to "finger pointing" and accusations on both sides. County commissioners find themselves villainized for being "enemies of public schools;" however, school board members do not have to stand accountable for local school taxation rates – county commissioners do.

Guiding Principle Eight: A Call for Definition of Roles

A school finance system aligned with the goals of high performance would insist on having roles and responsibilities of state and local government clearly defined.

- The state should launch a reassessment of the appropriate funding roles of state and local government. Such a reassessment would begin with a determination of which expenditures are appropriately basic program costs and which appropriately fall to local government. Ideally, it would end with a reaffirmation that school funding is a shared state and county responsibility; however, one with clear roles and responsibilities.
- Such a reassessment should also weigh the value of clarifying roles and responsibilities of locally elected officials with a particular eye toward determining whether local school board members should be given, and held accountable for, independent taxing authority.

Guiding Principle EIGHT

Aligning school spending with the goal of high performance would require having roles and responsibilities of state and local government clearly defined.

GUIDING PRINCIPLE NINE

leadership matters

Guiding Principle NINE

The state must assume shared leadership in ensuring that local school administrators have the tools, training, and models needed to succeed in this era of high-stakes consequences.

In offering these guiding principles, the Public School Forum is mindful that money, regardless of how much or how well intentioned it is, will not make the student performance difference without strong, focused, goal-oriented, responsible school leadership.

Study after study documents the impact a strong principal can have on a school building. Conversely, a weak or autocratic principal can demoralize even the most successful school faculty in a matter of months. In similar fashion, front-office administrators who have the vision to imagine what additional resources can do, can translate additional state dollars into programs that make a difference for young people. Administrators, on the other hand, who lack vision can pour new resources into new school buildings in which teaching continues to be delivered in old, and ineffective, ways.

For the state, differences in the quality of local leadership creates a never-ending dilemma when providing additional resources. In many districts, additional money will be spent effectively and with results. In some, it will make little, if any, impact. Knowing that, the state must find a balance between honoring its commitment to return control to the local level and attempting to ensure that additional dollars make the desired impact on student performance.

Building Strong Local Leadership

There is a middle ground between sending resources with "strings attached" and sending it with no direction at all. The state has already begun offering training programs for principals and administrators in low-performing schools and in those facing the greatest student challenges. Such training needs to intensify.

The state is also focusing its energies into identifying best and promising practices that give school leaders a roadmap for success. These "best practices" need to be widely disseminated to all school leaders, and they need to go beyond traditional instructional programs and include best practices in parental involvement, in working with local and state agencies dealing with problems related to families, and in making additional instructional time available to young people who need it the most – all practices that research finds make a difference, especially to young people from disadvantaged homes.

Guiding Principle Nine: A Call for Shared Leadership Responsibility

The state must assume shared leadership responsibility in ensuring that local school administrators have the tools, the training, and the models they need to succeed in this era of high-stakes consequences. It is not a time for the state to return to top-down, micro-management of schools. Rather, it is a time to focus on building the capacity of schools, school administrators, and communities across North Carolina; it is a time for the state to assume its own accountability by focusing on capacity building programs for school leaders.

Guiding Principle NINE

leadership matters

GUIDING PRINCIPLE TEN

fairness & common sense matter

Scores of political careers have died on the sword of school finance debates. As most elected officials will tell you, taxes and schools matter; to voters they matter a great deal. When dealing with one's pocketbook or children or, worse yet, both, policymakers are touching two of the most sensitive areas in the political arena.

Finding a Way to Balance the Needs of All

Any overhaul of today's system of funding schools must find a way to balance the unique needs of the two North Carolinas – the North Carolina that is vibrant and growing and the North Carolina that is living in times of quiet, economic desperation.

That task requires satisfying a sense of fairness in both communities. Although most in high-wealth communities agree that "something should be done" to help less advantaged communities, there is a point beyond which policymakers cannot go without sparking a backlash. An overhaul of today's finance system must find a way to balance fairly the needs of rapidly growing urban centers and those of isolated, shrinking rural areas.

Failing the Fairness and Common Sense Test

Another element that must be part of any finance reform is common sense. Policymakers in several states have fallen prey to plans that seemed to offer quick solutions to school funding issues. In some states, like Kansas, policymakers have enacted what have come to be called "Robin Hood" plans, plans that "take from the rich and give to the poor." In less inflammatory terms, they essentially have redistributed state funds by giving less to high-wealth districts, thus freeing up funds for low-wealth schools.

While that approach is elegant in its simplicity, it is sure to spark a revolt in affluent communities – not coincidentally, communities that contribute to and vote in campaigns in large numbers, and communities that typically have schools that perform at high levels. By taking resources away from communities that have made large investments in schools, policymakers have failed both the "fairness" and "common sense" test. Does it make sense to punish communities that invest in schools? People living in them are sure to say "No." Does it make sense to weaken high-performing schools and bring everyone more to an average somewhere in the middle? Few believe that.

The second approach that has sparked similar outrage is to put a "cap," or limit, on school spending in high-wealth counties in order to let low-wealth counties "catch up." This approach, like Robin Hood plans, also fails the fairness and common sense tests.

National polls conducted by the real estate industry find that the quality of schools tops the list of factors leading to home purchases by parents of school-aged children. Those willing to live in high-tax, high-cost neighborhoods moved with a purpose – they wanted good schools for their children. Remember the adage "You get what you pay for?"

To say that high-spending communities must put their schools "on hold" while other schools catch up is to punish communities that invest in high performance. Worse, to send a message that the state's goal is "average" sends a low-performance message, failing the common sense test.

Guiding Principle Ten: Addressing a Twofold Challenge

The challenge then is twofold. How does one straddle the very different needs of low-wealth and high-wealth communities and schools? Tied to that, how does one do it in such a way that it passes the tests of fairness and common sense?

A framework for aligning school spending to the goal of high-performing schools cannot be built on "Robin Hood" policies or on policies that would create "average" funding as a goal. The framework must be built on the presumption that if high-performing schools matter, it will take investment policies that meet both a "fairness" and a "common sense" test. It will take policies that meet the high-performance goals of all schools, rich and poor, urban and rural.

10
Guiding Principle TEN

Aligning school spending with the goal of high-performing schools must be built on investment policies that meet both a "fairness" and a "common sense" test.

Meeting high-performance goals for rich, poor, urban & rural

summary

Focusing less on how much is spent (dollar for dollar equity in spending) and focusing instead on student need and the goals of high performance may be the best, and possibly only, way for policymakers to find a way out of the thicket of school finance reform.

Discarding "one-size-fits-all" funding policies would benefit all schools, rich and poor, urban and rural, alike. While low-wealth school systems typically have a high proportion of their young people living in disadvantaged homes, high-wealth urban areas have pockets of disadvantaged students in inner-city areas that encompass thousands of students. Weighted funding policies that acknowledge that it requires more resources to successfully educate disadvantaged children would benefit both types of systems. Both rich and poor school systems would benefit from revamping today's method of financing exceptional children's programs for students diagnosed with learning problems.

Both would benefit from revised personnel policies that recognize the laws of supply and demand. In addition, both would benefit from a redefinition of what is basic. For rich districts expansion of the definition of a "sound basic education" would mean freeing up millions of dollars of local funds; for poor districts it would mean offering many advanced courses for the first time.

For the state, however, such changes means one other thing. These guiding principles are not for the faint of heart. They are principles that should force the state to ask the only question that matters:

"What kind of education system does the state want to provide for its young people, and is it willing to invest in high-performing schools that are second to none?"

While no one can dispute that dollars spent today could, in some cases, be better spent, it is futile to suggest that enough has been invested to give North Carolina genuinely high-performing schools. Unfunded advanced math and science courses alone could prevent North Carolina from climbing up the SAT ladder. Also, well paying private-sector high technology jobs will remain unfilled in urban centers and North Carolina will lose new jobs if technology and technology-related personnel are not added to the list of funded program basics.

Perhaps what matters most in this discussion of state funding policies is the sobering realization that the number of children coming from disadvantaged homes is unlikely to go below the national average until the state's schools can make up for the learning advantages 483,872 (Dec. 1997 figures) of North Carolina's young people lack. That matters.

It matters to 483,872 young people, many of whom are the products of families that have become caught in a vicious and unrelenting pattern of under-education and under-employment. It matters to those of us whose future welfare is directly tied to those same 483,872 young people eventually having the capacity to contribute to an economy healthy enough to support its elderly. It matters to anyone who cares. It matters to the future of North Carolina.

It is important to note that school funding is about far more than test scores; it is about healthy communities. Schools are the building blocks for communities, the foundation for local economies, the major determiner of whether a community's citizens are prepared to make a contribution to the future or be a drain on community resources.

In the final analysis, school funding is unlike other governmental funding questions. It is about the future. It is about the aspirations of a state. It is about the highest hopes one has for people realizing a better tomorrow.

School funding matters. As much as anything in government, school funding is about what people want their state to be, about what a state wishes for tomorrow. If a state aspires only for "adequate" schools, it can have them with little effort. If it aspires for "high-performing" schools, commitment, sacrifice, and a strong will are necessary.

In an ideal world, something that matters as much as education would not be left to a court decision that hinges upon the constitutional law. It would, instead, be settled by the will of the people as they act through their elected officials. It would reflect the fondest hopes that North Carolinians hold for their state and its young people. It would be settled by voluntary action, not by court decree.

To the Public School Forum, action guided by research is what matters. As the state ventures into an era of student accountability, will its funding policies be aligned with its goals of high-performing schools or will thousands of young people risk being held behind because the system has failed them? To the Forum, these are the things that matter.

Is the state willing to invest in high-performing schools that are second to none?

a postscript...

A study of school financing policies should not leave the impression that solving the problems of education is a job that can be done by educators working alone in the public schools of North Carolina. If only it were that simple.

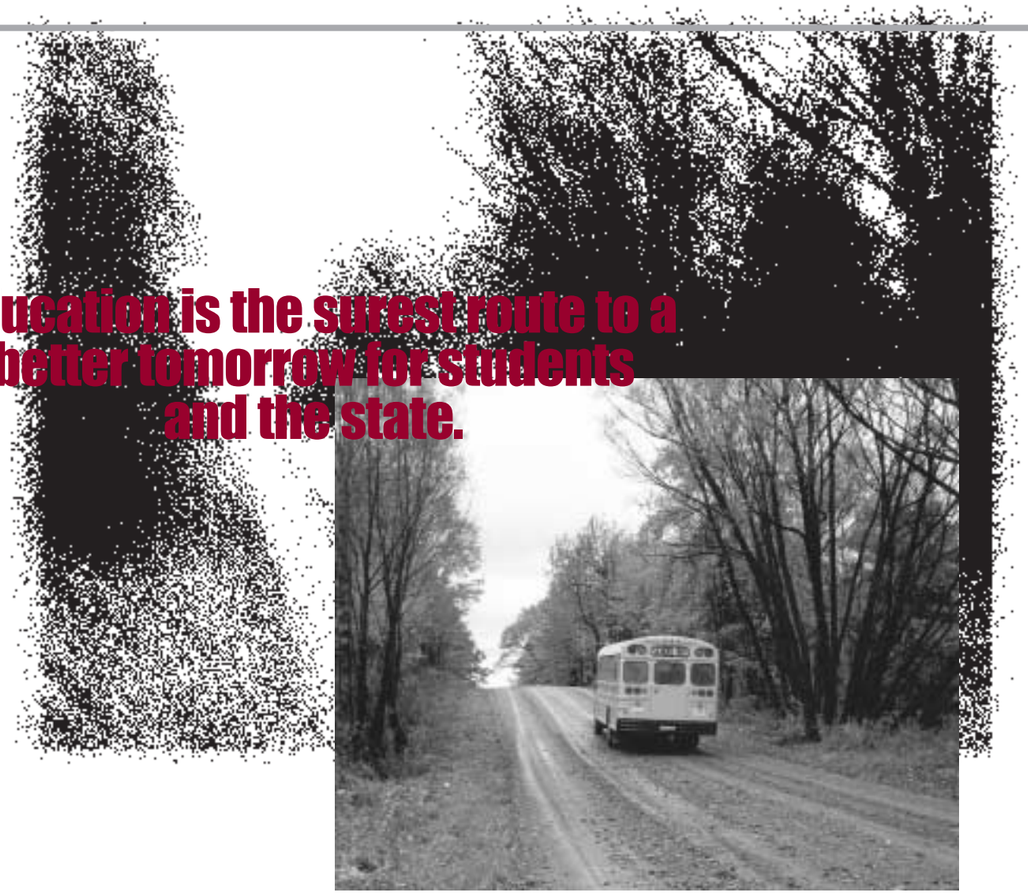
The job of ensuring that the state's 1.2 million public school-aged young people receive the kind of education that they should have extends far beyond the educational community. There must be a groundswell of support from the business community, parents, and the public at-large if new investments are to be made in school improvement.

For long term educational improvement to become a reality, communities across North Carolina must have higher hopes and aspirations for their young people. They must embrace as a principle the belief that education is the surest route to a better tomorrow for students and for the communities in which they live.

To address the root problems confronting the nearly one-half million young people living in disadvantaged circumstances, state, county and city social service agencies, educators, law enforcement departments and others must be bound together in a united campaign to address family well being, not simply educational symptoms.

The goal of high academic performance will not be met if those working within the walls of schools work alone. At the state level, our elected leaders, policymakers, business people, reporters and editorialists, must forge the will to put in place policies and resources that make it possible to move ahead. Community leaders, elected officials, chambers of commerce, parent organizations, civic groups, community activists and others must band together to build the capacity of communities to support the goals of high educational performance.

In the final analysis, school improvement in North Carolina is a huge undertaking – an undertaking that must matter to all of us.



Education is the surest route to a better tomorrow for students and the state.

glossary

ABCs
The ABCs program tests young people in grades 3-8 and high school. In elementary and middle school grades, the state tests assess student performance only in the "basics" (reading, writing, and mathematics and computer literacy). High school tests are administered in more areas; and the ABCs program takes into account other items like drop-out rates, and passing rates on the high school competency test.

A key feature of the plan is the "growth" model. Schools are judged on whether they show continuous improvement, not on how well they compare to other schools. Scores are calculated for each of the state's 2,000+ schools and today's annual school report cards give the public student performance data for each school building.

Teachers and other certified personnel in schools that can demonstrate substantial gains in student improvement are eligible for financial awards if test scores exceed the school's growth target by 10% or more. Schools in which 90% or more of the young people demonstrate that they are proficient (i.e., up to expected grade level performance) are also eligible for rewards. Where test scores slip backwards five percent or more, the school is designated a "low-performing" school. No financial rewards are granted to those schools, and the lowest of the low-performing schools are assigned assistance teams which will work full-time in the schools to bring about measurable improvement. In those schools, principals may be removed and individual teachers tested to gauge whether they possess basic educational skills. Individual teachers may be evaluated to determine if they need training in particular areas.

ADM
Average Daily Membership (ADM) is a count of the number of students in school.

BEP
The Basic Education Plan, enacted in 1985 as the centerpiece of the state's public school reform effort, sought to establish an educational "floor" of resources and access to coursework for school systems and students. While the BEP described the curriculum and specifics that should be offered in K-12, it did not provide funding for electives (though it recommended them). It also specified what personnel costs were to be paid by the state.

DPI
The North Carolina Department of Public Instruction (DPI) is the state's education agency.

Free and Reduced Lunch
Free and Reduced Lunch is a federal nutrition program offered to children whose families are below, at, or near the poverty line. The children who participate are able to receive free or reduced-price school lunches. The percent of children on free or reduced lunch is commonly used as a poverty count.

Leandro Decision
In what is now known as the *Leandro* decision, the state Supreme Court in July 1997 ruled that the state's Constitution does not guarantee a right to equal education opportunities in every school district. However, in its ruling, the court shifted the focus of the question "is the state providing equal education opportunities" to "is it providing each student with a sound basic education." The court itself defined what type of education students are entitled to (see page 14). The *Leandro* decision has set the stage for a trial to determine whether North Carolina's education system is providing a "sound basic education" to children in all districts.

LEA
The Local Education Agency (LEA) is the term used in North Carolina for a school district.

Low-Wealth/Small County Funding
In an effort to address the wealth disparities between North Carolina's counties, the 1991 General Assembly enacted supplemental funding for low-wealth and small school systems. Supplemental funding is provided to school systems with fewer than 3,150 students and those whose ability to generate revenue per student is below the state average. Since 1991, the supplemental fund for low-wealth and small schools has grown to over $86 million per year.

Study Group 8 Members

Chair MR. GERRY HANCOCK Everett, Gaskins, Hancock & Stevens

Committee A
Education Personnel

Co-chairs

DR. GENE CAUSBY* Consultant
THE HON. WALTER "DUB" DICKSON* NC House
MS. PAT SHORE RJ Reynolds Tobacco Company

MS. SANDY ANGLEMYER Rocky Mount Chamber
MR. JIM BARBER* NC DPI
MS. KERRY BESSEY* Nortel
MR. TOM BRADSHAW* Salomon Smith Barney
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SUPT. ANN DENLINGER Durham County Schools
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MR. LLOYD THROWER* TAPAP
MS. VIVIAN TURNER* RJ Reynolds Tobacco Company
MR. JACK WATTS* NCSBA
MR. TOM WILLIAMS* NC Business Committee for Education

Committee B
Characteristics of High-performing Schools

Co-chairs

MS. LYNDA MCCULLOCH* Governor's Office
MS. LEIGH MCNAIRY* Lenoir Co. Board of Education
DR. MIKE WARD* State Supt. of Public Instruction

THE HON. GENE ARNOLD* NC House
MS. SANDRA P. BABB* Consultant
MS. SANDY CARMANY* NC PTA
MR. RON CLARK Beaufort Co. Schools
DR. CHARLES COBLE* UNC-Admin
MR. MONTY COGGINS 1996 NC Teacher of the Year
DR. C.C. CRAIG* General Baptist Convention
MS. GAIL DAUGHTRY Public School Forum of NC
MR. CHARLES HEATHERLY NC Dept. of State Treasurer
DR. SAM HOUSTON* UNC-CH Center for School Leadership Development
MR. DAVID LANE* BellSouth
THE HON. BILL MARTIN* NC Senate
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MS. JO ANN NORRIS Public School Forum of NC
MR. MARVIN PITTMAN* NC DPI
MS. BOBBY ROBINSON* Winston-Salem Forsyth Co. Schools
THE HON. CAROLYN RUSSELL* NC House
MR. WILLIAM A. SHORE* Glaxo Wellcome Foundation
THE HON. FERN SHUBERT* NC House
MS. SARAH STEWART American Federation of Teachers/NC
MS. JUDY WHITE Office of Education Reform
THE HON. LESLIE WINNER* NC Senate

Committee C
Lessons Learned from Other States

Co-chairs

MS. BARBARA ALLEN* Consultant
THE HON. HOWARD LEE* NC Senate
MS. BEVERLY SMITH* Retired

MR. RONALD AYCOCK* Exec. Director, NCACC
DR. JANE CARRIGAN UNC-Charlotte
DR. JAMES F. CAUSBY Johnston Co. Schools
THE HON. BETSY COCHRANE* NC Senate
DR. ED DUNLAP* NCSBA
THE HON. JOHN GARWOOD* NC Senate
MS. GLADYS GRAVES Public School Forum of NC
DR. JOHN R. GRIFFIN* Retired Supt.
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