Making Strategic Choices to Become First in America

An Examination of the Unfinished Business of School Improvement in North Carolina

The Results of the Public School Forum's Study Group IX

NORTH CAROLINA

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Introduction

The Revenue Shortfall

After nearly two decades of steady investments in education, North Carolina has been singled out by national groups for leading the nation in making measurable improvements in its schools. That recognition has laid the ground for state policymakers to embrace a goal promoted by outgoing Governor Jim Hunt: to make North Carolina the nation's top educational state, to be first in American education by 2010.

Today, barely two months after the Hunt administration turned over the reins of government to the Easley administration, a sudden economic downturn threatens to bring North Carolina's school improvement efforts to an abrupt halt.

Elected candidates for state office have largely abandoned discussions of sweeping new educational initiatives. Instead, their focus has turned to coping with a revenue shortfall that is growing at a rapid, and unexpected, pace.

In little more than a month, the size of the economic shortfall confronting the state has grown from an estimated $200 million to a number now expected to be between $700 and $800 million dollars. The Governor first called for state hiring freezes, curtailed travel and froze unexpended program funds. Since then, the Governor has used his emergency powers and has employed more extreme cost-cutting measures including halting contributions to state employee pension funds.

What Happened?

A National Economic Slowdown

Four factors are at the heart of today's dilemma. First and foremost, North Carolina and a growing number of states across the country are feeling the impact of a national economic slowdown. After an unprecedented decade-long period of growth, the country's economy is slowing; and state revenue collections are among the first to feel the downturn – especially states, like North Carolina, that are heavily dependent on manufacturing and sales tax revenue.

New Spending Initiatives Plus Tax Cuts

Second, in the last decade, North Carolina's state budget has grown at a rate of 11% per year and now totals over $14 billion. In education alone, two initiatives, the Excellent Schools Act and Smart Start, have added $1.69 billion per year to the state's budget. In the same time period, tax cuts totaling over $1.4 billion annually have been enacted. The combination of tax cuts and new spending initiatives have made the state dependent on a steadily growing economy; additionally, they have made the state vulnerable to the slightest economic downturn.

Bond Indebtedness

Third, during the nineties, North Carolina's booming economy was mirrored by an explosion in the state's population. The state's population grew from 6.6 million in 1990 to 8 million by 2000. Predictably, that growth in population resulted in dramatic growth in the number of North Carolinians attending public schools and colleges. Through much of the nineties, 20,000 additional young people per year were added to the rolls of the state's public schools. That growth led the state to pass the largest bond referendums in state history for school construction – $1.8 billion in the mid-nineties for public schools and $3.1 billion in 2000 for community colleges and universities. As a result, payments on bond indebtedness will grow from $200 million per year to over $600 million per year in the next four to six years.

Paying for Judgements Against the State & Flood Relief

Last, two unpredictable factors occurred that have proved to be the proverbial straws that broke the camel's back. Three large lawsuits filed against the state of North Carolina were settled in favor of the plaintiffs, resulting in the state's having to pay over $1 billion in judgments. Finally, Hurricane Floyd and the flooding that followed devastated large areas of Eastern North Carolina and resulted in lawmakers' appropriating over $800 million in emergency flood relief.

The result of these four factors is a short and longer-term budget dilemma. The state's revenue collections will not cover the cost of this year's state budget. Worse, short of a miraculous economic turnaround, the budget crisis will extend beyond this fiscal year into the years ahead.

The Potential Impact on Education

The fiscal crisis now facing the state could not have come at a more critical juncture in the state's drive to be first in education in America. Consider the following:

- For the first time in the state's history, beginning this spring, students who cannot pass fifth grade end-of-grade tests in elementary school will not be promoted.

- Based on previous years of testing results, that change in policy will result in thousands of students failing to meet the more rigorous standards. Based on the same testing results, the bulk of those children will be students coming from families living below the poverty line, many of whom are minorities.
- Next spring, the new policies will be extended to students in 3rd and 8th grades; and, once again, the higher standards will be felt most acutely by low-income, at-risk students.
- Two years after that, the state is scheduled to introduce "exit exams" in high schools, exams that will in large measure determine whether students are graduated from high school.
- As the date for the new promotion policies nears, a growing number of minority and child advocacy organizations are calling for a slowdown in implementation of the new standards. They are claiming that the state has not put sufficient resources into remediation programs that will be required once the higher standards go into effect.
- The state is confronted with a growing shortage of qualified teachers – especially in rural areas and in low-performing schools. At a time when the state's most at-risk students desperately need the state's most qualified teachers, they are least likely to have them.
- Finally, judgment in the Hoke County (formerly Leandro) lawsuit against the state has large potential financial obligations. While the ruling against the state will almost certainly be appealed, the potential for sweeping, and expensive, changes in the way the state funds schools is high.

All of these factors have contributed to creating a climate of urgency around the need to sustain and deepen the state's drive for better schools. Newly-installed Governor Easley made education the centerpiece of his campaign and has come into office pledging to dramatically reduce class size at the elementary level and to create state-funded education for four-year-olds. In the State Senate and House candidate after candidate campaigned on platforms calling for sustaining the drive for higher education standards and reaching the goal of first in America.

Although the 2000 election was less than four months ago, the potential of a financial crisis was barely raised during the campaign. Rosy budget forecasts gave candidates and the electorate every reason to presume that the state's economy would continue to expand as it had during the nineties.

Within weeks of the election, however, inklings of a budget problem began to emerge; and shortly after newly-elected lawmakers were installed, it became clear that the economic downturn was going to be faster and deeper than any had imagined.

Where the Rubber Meets the Road

The expression "where the rubber meets the road" aptly captures where lawmakers find themselves in terms of the state's drive to be first in American education. The 2001 session of the General Assembly has choices to make – choices that may well determine whether the state stays the course on school improvement or whether the drive to school improvement skids off track.

What follows is the result of a six-month examination of school improvement in North Carolina. It has been undertaken by the 60-person Board of the Public School Forum and others invited to participate in the study. It is an examination of where the state is in its drive to be first in America. More importantly, it is an effort to lay out new directions the state needs to follow if it is going to reach its goal of being first in education in America.

When the study began, there was an expectation that it could lay the groundwork for a major, multi-year initiative similar to the Excellent Schools Act – an initiative that could move North Carolina's schools much closer to the goal of leading the nation. While the current budget situation alters the likelihood of the state's initiating major new programs, two premises undergird the recommendations that follow:

Premise One
The Drive for Higher Standards Must be Sustained

For the last two years, North Carolina's drive for better schools has been the envy of states nationwide. Along with Texas, North Carolina is recognized for having made the most gains. North Carolina is the nation's leader in terms of the number of teachers gaining national board certification. Each year since the creation of the ABCs accountability program, more and more of the state's young people are at or above grade level on the state's testing program; and, for the first time, North Carolina's young people are at or above national averages on the National Assessment of Educational Performance.

That said, North Carolina, like most states, has a history of beginning major educational initiatives only to abandon them

before they could come to fruition. Sustaining the drive for higher standards, especially in a year that bridges new gubernatorial administrations, would be notable in the best of times. Sustaining the drive in the worst of economic times is a much harder test. The Forum Study Group does not believe it to be an exaggeration to say that 2001 will be the year that the drive for higher standards passes or fails its hardest test depending on decisions made in the 2001 Session of the General Assembly.

Premise Two
A Strategic Use of School Improvement Dollars a Must

If there is a silver lining around the budget cloud that overshadows the 2001 Session of the General Assembly, it may be that the state will need to be far more strategic in its use of new school improvement dollars. If the economic slowdown precludes sweeping new initiatives, how can the state use limited resources to do the most measurable good?

As the Forum Study Group examined issues and options, it was much influenced by *Improving Student Achievement*, a RAND Corporation study of investments in school improvement. In short, the RAND study found that many major school improvement initiatives were not strategic. Instead of basing new initiatives on the findings of research on school improvement, states tend to invest the same dollars in all students, regardless of need. Instead of using teacher salary dollars strategically, states by and large fund lock-step salary schedules that do not account for differences between communities when it comes to attracting and retaining teachers.

Conclusions Reached

In the options that follow, the Forum Study Group has attempted to look at new investments that would use state resources more strategically by focusing them where they can make the most impact on students who most need additional support. In previous studies, the Forum supported, in principle, many of the ideas that are being set forth.

In making its current recommendations, however, the Forum's Study Group is advocating a more strategic use of state funding. Strategic in the sense that recommendations presume that, in a time of economic adversity, North Carolina must maximize the use of its resources. What follows is an outgrowth of an evolution in the thinking of courts, policymakers in and out of North Carolina, respected national think tanks and research institutions as well as the Public School Forum Study Group.

It reflects a different way of conceptualizing school finance:

- It presumes that precious resources are invested based on market research and that expenditures are made that hold the greatest promise for return.
- It presumes that policymakers differentiate between the needs of schools and young people when making decisions.
- It presumes that funding initiatives are prioritized through a process of hard choices and weighing the potential cost benefits of investing decisions.

The Forum Study Group, in examining the unfinished business of school reform, is mindful that, especially in 2001, policymakers cannot address all of the state's education needs at one time. This will be a period of hard and, in some cases, painful choices.

What follows then is not a prescription, but a series of choices, a menu of investment strategies that could yield educational gains for North Carolina. The menu offers the four strategies that research indicates will give policymakers the greatest return on their tax dollars. The four strategies are:

Strategy One: Make teaching a year-round job and move toward a 200-day school year, the longest in the nation.

Strategy Two: Develop incentives that will attract and keep qualified teachers in low-performing schools.

Strategy Three: Reduce class size sufficiently to make a measurable difference in the critical K-3 years.

Strategy Four: Make investments first in schools with high concentrations of at-risk young people.

1 Strategy One

Move to a 200-day school year with teaching as a year-round job.

Strategy One addresses two issues that the Study Group believes to be essential ingredients if the state is to move to a higher level of student performance.

First, give North Carolina young people the most days of instruction of any state in the nation by 2007 by extending the instructional year from today's 180 days to 200.

Second, make teaching a year-round job by adding additional days of instruction and additional days for planning and staff development.

A Longer School Year

The arguments for extending both the student instructional calendar and the teacher contractual requirements are well known. States across the country, including North Carolina, offer fewer instructional days than do any other industrialized countries in the world. School years for other industrial nations average 207 days. Prime economic competitors, such as China, Japan and Germany, require young people to attend school over 240 days per year.

Regardless of how much ground can be made up in the classroom, it is extremely unlikely that American young people will be competitive on international exams when they are provided far fewer days and yearly equivalents of education than their peers in other countries.

More days = mastery of basics and enrichment

The move to a longer school year offers schools the possibility to address the needs of at-risk students and other students at the same time. Research finds that at-risk young people are the primary beneficiaries of additional time for instruction. This move would enable schools to provide at-risk youngsters more focus on mastering basic skills. At the same time, additional days of instruction would enable schools to provide other students more time for enrichment or electives.

More time for staff development and planning

As for the impact on the teaching profession, extending teacher contracts from today's ten-month basis to a year-round basis not only would create the potential of adding valuable days of instruction for students but would address

Adding Days to Make Teaching Year-Round

	Beginning Teachers & Mentors No. Added / Cost	Other Teachers & Instructional Support Personnel No. Added / Cost	TOTAL COST	
Year 1	3,994 / $19,853,151		$19,853,151	Year 1
Year 2	7,988 / $39,706,301	68,984 / $114,709,545	$154,415,847	Year 2
Year 3	11,982 / $59,559,452	64,990 / $108,068,130	$167,627,582	Year 3
Year 4	15,976 / $79,412,602	60,996 / $101,426,715	$180,839,317	Year 4
Year 5	19,970 / $99,265,753	57,002 / $94,785,300	$194,051,053	Year 5

The costs incurred in order to make teaching a year-round profession are listed above. The figures presume adding five days of instruction and four days of staff development for a total of nine days each year for years 2-5.

Beginning Teachers & Mentors This category is based upon 2,663 teachers and 1,331 mentors using a 1:2 ratio. Mentors are calculated based upon 13-15 years of experience. Salaries are based upon the 2000-01 salary schedule. Each cohort of beginning teachers and mentors will have 36 additional days of employment.

Other Teachers & Instructional Support Personnel This category is calculated by subtracting all beginning teachers and mentors from the total of the 76,972 state-funded positions in 1999-2000 (eg Year 2: 76,972 minus 7,998 beginning teachers and mentors equals 68,984 other teachers and instructional support personnel.) This category is based upon the 1999-2000 teacher average base salary of $195.02 per day, including the current benefits, for all vocational and nonvocational teachers. Because the cost of the hospitalization benefit does not increase with additional days, the total cost for additional days of employment is $184.77 per day.

Total Cost Per Year Total cost per year combines the cost of adding 36 days each year for beginning teachers and mentors and adding nine days per year for other teachers and instructional support personnel in years 2-5.

Annual salary increases are not included.

Estimates are based upon information from DPI, Financial and Business Services.

the time limitations of today's teacher contracts – limitations that are felt in areas such as time for staff development, time for planning, and time for analyzing teaching practices.

Key elements of the plan

The proposed plan to extend the school year would be phased in over five years. Key elements include:

- The first year moves all beginning teachers and their mentors to a 12-month contract basis immediately, thus providing new employees the time to work with their mentors and to adjust to the demands of teaching.
- The subsequent years phase in additional time over a four-year period. This phase-in provides time for teachers, parents and students to adapt to the longer school year.
- The entire cost of the proposed phase-in is only slightly more than the four-year cost of the Excellent Schools Act. Like the Excellent Schools Act, it would have the impact of making teaching a far more economically attractive job. Unlike the Excellent Schools Act, it would give North Carolina's students more days of instruction than their peers across the country.

✔ RECOMMENDATION

Phase-In a Longer School Year.

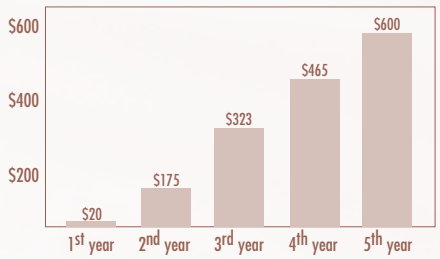
In first year of the five-year phase-in, first-year teachers and their mentors would be given twelve-month contracts. Over the next four years, additional days of instruction and additional workdays would be added to the calendar with the following results:

Year 1
- 12-month contracts for the approximately 4,000 beginning teachers and their mentors

Year 2
- 12-month contracts for the approximately 4,000 beginning teachers and their mentors
- 5 additional days of instruction (to total 185 days)
- 4 days of staff development/planning (to total 24 days)

Year 3
- 12-month contracts for the approximately 4,000 beginning teachers and their mentors
- 5 additional days of instruction (to total 190 days)
- 4 days of staff development/planning (to total 28 days)

New Money Needed to Add 20 Days of Instruction And Make Teaching Year-Round



The proposal would add 20 additional days of instruction and 16 additional days of staff development and planning. Teacher salary costs are based upon the 2000-01 salary schedule for beginning teachers and mentors; and the 1999-2000 average salary of teachers and vocational education teachers. The additional cost for adding a day of instruction includes assistant principals, teacher assistants, clerical support, and an estimate of transportation costs. The number of teachers is based upon all state-funded positions. The proposal would give all beginning teachers and their mentors year-round contracts. Mentor salaries are estimated using a 13-15 year average, and the proposal assumes there would be one mentor for every two teachers.

Annual salary increases are not included.

Estimates are based upon information from DPI, Financial and Business Services. Costs in millions.

"Truth in Lending"

Local Costs

The chart above represents costs that would fall on the state of North Carolina. Not illustrated are additional costs that would fall on local government if the school year and teacher contract year were extended. The foremost of these costs would be for locally employed school personnel who are now employed on ten-month contracts. That cost would fall heaviest on large school systems that employ hundreds of locally-funded teachers, instructional support personnel and others.

Additionally, costs relating to maintaining buildings, costs assumed by county government, would increase if schools were kept open an additional 20 days per year.

While these costs are not illustrated above, they would have to be taken into consideration as the state moves to the longest school year in the nation.

Year 4
- 12-month contracts for the approximately 4,000 beginning teachers and their mentors
- 5 additional days of instruction (to total 195 days)
- 4 days of staff development/planning (to total 32 days)

Year 5
- 12-month contracts for the approximately 4,000 beginning teachers and their mentors
- 5 additional days of instruction (to total 200 days)
- 4 days of staff development/planning (to total 36 days)

At the end of five-years, North Carolina would be the first, and potentially only, state in the country to have made three changes that have been debated for decades. First, it would have made teaching a year-round job. Second, it would have created the longest instructional year in the United States. Third, it would have provided 16 additional days for teacher planning and staff development.

✔ RECOMMENDATION

Grant Local Flexibility.

Many schools are currently registering solid school improvement gains because they are offering at-risk programs before school, after school, on Saturday and over the summer months. It may well be that schools will opt to continue such programs, even when additional days of instruction are added to the school calendar.

By granting local flexibility with the use of time, schools could have some employees working additional hours per day/week and gain the benefit of the extended calendar. Teachers working in after-school remediation programs, for instance, could "bank" hours worked against their annual total and "cash them in" as vacation days when schools are not in session.

Later recommendations would make it even easier for school systems to consider flexible staffing options common in the private sector – especially job sharing and flex time (see recommendations in Strategy Two).

Costs to Add 20 Additional Days of Instruction & Make Teaching Year-Round

	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Teachers & Mentors	$19,853,151	$39,706,301	$59,559,452	$79,412,602	$99,265,753
Add'l Teachers & Instructional Support Personnel		$114,709,545	$114,709,545 $108,068,130	$114,709,545 $108,068,130 $101,426,715	$114,709,545 $108,068,130 $101,426,715 $94,785,300
Other Costs Needed to Add 5 Instructional Days		$20,371,670	$20,371,670 $20,371,670	$20,371,670 $20,371,670 $20,371,670	$20,371,670 $20,371,670 $20,371,670 $20,371,670
Total Annual Costs	**$19,853,151**	**$174,787,517**	**$323,080,467**	**$464,732,003**	**$599,742,123**

Beginning teachers and mentors are based upon the 2000-01 salary schedule. The model is based upon the 2,633 teacher and 1,331 mentor state-funded positions (total of 3,994 positions) in 1999-2000. Each year an additional cohort of 3,994 beginning teachers and mentors are given year-round contracts. Additional teacher salary costs are based upon the 1999-2000 average of teachers and vocational education teachers.
"Other Costs Needed" include assistant principals, teachers assistants, clerical support, and an estimate of transportation costs. Annual salary increases are not included in the costs above. Estimates are based upon information from DPI, Financial and Business Services.
The total cost over the five-year period is $1,582,195,260.

2 Strategy Two

Create incentives to attract & keep qualified teachers in low-performing schools.

Recent research, especially "value-added" studies from Tennessee, is confirming what most people intuitively believe to be true. Specifically, the studies are finding that there are measurable differences between the effects of teachers on student learning and that those differences can give students a lifetime advantage or disadvantage in terms of their ability to learn.

Teacher Shortage & Quality

Two factors have thrust the issues of teacher supply and demand and quality to the front burner of public attention.

There is a growing teacher shortage.

The first factor is the growing shortage of teachers. In North Carolina such shortages were once confined to very narrow subject areas like mathematics and science or to the state's most isolated rural counties. Today, teaching jobs in areas like elementary education remain unfilled, even in populous areas near urban centers.

Teacher quality is lacking in low-performing schools.

The second factor is the growing awareness that young people who need the best teachers the state can offer are the least likely to have them. The state's lowest-performing schools are frequently staffed by the state's most inexperienced or least qualified teachers. Worse, in many chronically low-performing schools there is a pattern of high turnover among teachers and principals.

Addressing the Issue of Why Teachers Stop Teaching

The Forum's Study Group IX took up the host of issues related to teachers and teaching and examined what the State Department of Public Instruction, national organizations such as the Commission on Teaching and America's Future, groups like the Public School Forum and others have learned about teacher retention.

The Study Group focused the bulk of its work on areas that lend themselves to public policy solutions. Some of the factors leading teachers to leave the profession are ultimately resolvable only at the local school level – especially those issues revolving around working conditions, teacher assignment patterns and school leadership.

Heading the list of changes that would make teaching a more attractive career is the recommendation to make teaching a full-time profession by extending teacher contracts to twelve months (see Strategy One). Other changes would contribute to both attracting and retaining quality teachers.

✔ RECOMMENDATION

Make Teacher Salaries More Comparable to Positions in Other Occupations.

Teaching remains the only area of employment in which all teachers, regardless of the subject they teach, are placed on the same salary schedule built around longevity (*i.e.,* the number of years one has taught) and degrees earned. In most other areas of public or private employment, pay scales reflect differences between fields based not only on preparation required, but supply and demand and local or regional wage comparability. State and federal governments, for instance, have hundreds of job classifications, each with differing pay schedules or ranges. Within universities, faculty salaries between departments vary dramatically. Wages at university medical colleges, for instance, are much higher than those paid to faculty in an English department. That is not the case in public school teaching.

The one-size-fits-all teacher salary schedule based on longevity and degrees earned is blind to the laws of supply and demand. For the state to attract teachers in hard-to-fill

positions, especially in mathematics, science and special education, the state needs to be more strategic in its application of salary dollars. However, the state currently lacks solid data on wage comparability between teachers and other jobs that require similar educational preparation.

Establish a study commission to study wage comparability.

The 2001 Session of the General Assembly should establish a Study Commission charged with overseeing a wage comparability study for hard-to-fill teaching positions, especially in areas such as mathematics, science and special education. The study should contrast beginning salaries and career earnings expectations for college graduates in teaching and in the public sector. The projected cost of the study is $150,000.

✔ RECOMMENDATION

Establish Day Care Services for the Children of Teachers.

If the state could dramatically cut teacher attrition rates, the teacher shortage would largely be resolved. To do that, education needs to learn lessons from occupations, like nursing, that are introducing new benefits and incentives to keep employees on the job. One highly successful retention strategy being employed by hospitals attempting to boost retention rates for nurses is making no-cost or low-cost day care available for the children of nurses. Day care is also becoming a more common fringe benefit offered by large corporations attempting to increase retention rates.

Authorize schools to convert some of their existing teacher assistant positions to staff day care centers.

To encourage local school systems to provide low- or no-cost child care for the children of teachers, the General Assembly should authorize local schools to convert up to 15% of their existing teacher assistant positions to staff day care centers. Local systems would be responsible for providing and outfitting appropriate space for the day care centers, and the state would continue to cover the costs of teacher assistants assigned to the centers. There would be no new costs for the state in implementing this proposal, and it would be a voluntary option for local schools.

✔ RECOMMENDATION

Offer Full Fringe Benefits & Retirement Credit for Part-Time Teachers.

The largest untapped pool of qualified teachers resides within the borders of North Carolina. That pool is largely made up of female teachers who left the profession to raise children. The state should create incentives that would entice teachers from the inactive pool of teachers into part-time work. Creating incentives for part-time teachers could reactivate inactive teachers, especially in hard-to-fill positions like math and science.

North Carolina's neighboring state South Carolina last year put into effect a program designed to attract qualified teachers from the large pool of inactive teachers by offering full fringe benefits and proportional retirement credit for those who would return to part-time teaching, especially in hard-to-fill subject areas and/or in geographic areas experiencing teacher shortages. Given the size of the inactive teaching pool in North Carolina, the state should create similar incentives.

Recommended incentives

- Offer full medical and fringe benefit coverage plus proportional retirement credit to inactive teachers who would return and teach on a half-time or greater basis.
- In the first year of this effort to attract inactive teachers back into service, make funding available for up to 1,000 half-time positions. The state could consider a system that would give hiring preferences to low-performing schools and/or schools in geographic areas experiencing acute teacher shortages; or, it could make the option available to all schools on a first-come-first-served basis to test the strength of the incentive.
- Retirement credit would be granted on a proportional basis. Subsequently, a teacher teaching a half load would receive retirement credit for half of one year; a teacher teaching a two-thirds load would receive two-thirds of a year's credit, and so on.

The cost of 1,000 half-time teachers would equal the cost of 500 full-time teachers; thus, the only additional cost to the state would be the cost of medical and fringe benefits for 500 of the half-time teachers. Currently, benefits equal 21% of salary, including medical insurance, social security and

retirement. Thus, the additional cost to the state would, on average, be $5,154 per half-time employee for full medical and fringe benefits times 500 for a total cost of $2,577,000.

✔ RECOMMENDATION

Expand the Pool of Available Teachers.

Even incentives to attract inactive teachers back into active service will not solve the teacher shortage problem. The state needs to institute large-scale programs that have the potential of expanding the pool of teachers available to local school systems. One promising program that is operating in a limited number of counties provides incentives to encourage individuals to pursue education that results in their being certified to teach. The state should expand this program.

Encourage individuals to pursue teacher certification.

State and local school systems are already successfully experimenting with programs that encourage teacher assistants and other non-classified school personnel to pursue teacher certification, especially in hard-to-fill jobs. To accelerate that process and expand the pool of qualified teachers, the state should pay full salary and fringe benefits for up to 500 teacher assistants or other non-classified school personnel per year who could complete required college course work leading to a certificate in up to two years of full-time studies. During that period of up to two years, the state would assume the full cost of tuition, fees and books.

Local school systems would participate in this program on a voluntary basis. While there would be no cost to the local systems to participate in the program, during the time teacher assistants or other non-classified school employees were engaged in full-time college studies leading to a certificate, their positions would not be filled with additional state funding. The state, however, would maintain the full cost of their salaries and fringe benefits.

It is presumed that local school systems would enter into an agreement with participating teacher assistants or non-classified employees that they would return to the system and teach for a specified period of time after successfully completing their college requirements.

Upon successful completion of a certificate program, the state would resume funding teaching assistant or non-classified positions vacant during the time employees were engaged in acquiring their degree. Thus, there would be no additional salary and fringe benefit costs for the state.

The state would, however, assume the full cost of tuition, fees and books during a period of up to two years, while teacher assistants or non-classified employees pursued their teaching licenses. Currently, at public universities, that cost, on average, is $2,500 per year – not including room and board. The cost for subsidizing up to 500 teacher assistants and non-classified employee's tuition, fees and books would be $1,250,000.

✔ RECOMMENDATION

Create Incentives to Attract Qualified Educators to Low-Performing Schools.

If the state wants to ensure that at-risk young people are taught by caring, qualified teachers, incentives must be created that will attract and keep qualified and motivated principals and teachers in the state's lowest-performing schools. From the state's experience in sending five-person assistance teams into the state's lowest-performing schools, it is clear that a team can make an immediate and positive impact on student performance, even in the state's lowest-performing schools. However, the state is finding that the impact following the withdrawal of the assistance teams is often short-lived. The following recommendation would provide the state a way to attract and keep teams of qualified teachers in low-performing schools for a multi-year period, during which their goal would be to create an infrastructure

and focus on performance that would live on after some or all of the team members have left the building.

Create an incentive package to attract teams of teachers to low-performing schools.

Create an incentive package designed to attract teams comprised of a school principal and four teachers to the state's lowest-performing public schools. The incentive package would consist of three components:

- A signing bonus and a housing allowance modeled after a program recently introduced in Mississippi. Specifically, teachers agreeing to make a four-year commitment to work in low-performing schools receive a $1,000 signing bonus and an additional $3,000 toward the purchase of housing in or near the school district in which they agree to teach. Principals receive a $2,000 signing bonus and an additional $4,000 housing subsidy. In both cases, the housing subsidy is contingent on completing a four-year work obligation in the school. If an individual leaves before the end of the four-year period, he/she is obligated to repay the state for the amount of the housing subsidy.
- Moving costs for teachers and principals are covered to a maximum of $1,500.
- Teachers and principals who commit to work in one of the state's lowest-performing schools are given a four-year deferred compensation package worth $5,000 per year for teachers and $8,000 per year for principals. The full amount of the deferred compensation package – $20,000 plus accrued interest for teachers and $32,000 plus accrued interest for principals – are paid in a lump sum at the completion of four years of work in a low-performing building.

The additional cost of attracting a team to a low-performing school, including moving expenses, signing bonuses, housing allowances and deferred compensation payments, would be $57,500 per team for the first year of the four-year program and $28,000 per year for the second, third and fourth years.

Experiment and assess the team incentive approach in five schools.

It is recommended that the state experiment with this approach in up to five of the lowest-performing elementary schools in North Carolina. Local school systems would voluntarily request teams; however, they would have to agree that the team principal would be empowered to lead the school over the four-year period. The total cost for such an experiment in five of the state's lowest-performing schools would be $287,000 in the first year and $140,000 per year in the second, third and fourth years.

At the end of the third year of the experiment, the state should assess the impact of the teams on both student performance and staff retention within the buildings. If the experiment is paying dividends in the low-performing schools, the state should consider dramatically expanding the experiment to other low-performing schools, including middle schools.

✔ RECOMMENDATION

Borrow Recruiting Strategies from Other States.

South Carolina is not the only southeastern state that has put in place programs designed to attract teachers back into the profession or into low-performing and/or isolated, rural schools. Mississippi has established a state-funded incentive program designed to attract teachers into low-performing schools and/or into school systems, typically rural, that are experiencing acute teacher shortages. The program empowers administrators in low-performing or acute shortage schools to offer a $1,000 signing bonus to teachers; and they can offer an additional $3,000 housing subsidy toward the purchase of a house, townhouse, condo or other form of permanent housing. Teachers accepting the $3,000 housing subsidy sign a binding obligation to teach in the school for a minimum of three years or accept the financial obligation of repaying the subsidy in the event they do not remain for the full three-year period.

Create an incentive program modeled after Mississippi's.

The state should create an incentive program modeled after that in place in Mississippi and offer similar incentives to up to 500 teachers per year willing to work in one of the state's 100 lowest-performing schools, as designated by the State Department of Public Instruction. The annual cost to the state would be $2 million dollars per year. The cost effectiveness of the program should be assessed at the end of a three-year period, and the program should be expanded if it has proved effective in attracting and retaining teachers to low-performing and rural schools.

3 Strategy Three

Implement strategic approaches to class size reduction.

While North Carolina has invested in class size reduction, especially in the mid-eighties, as a result of the Basic Education Plan, typical class size averages remain far above those that research says are necessary to make a measurable difference in learning. Studies have shed a great deal of information on class size reductions; specifically:

- At-risk and minority students benefit the most from class size reductions.
- Few, if any, gains are derived from class size reductions that do not take class size down to at least a range of one teacher per 15-17 students.
- The largest gains from class size reduction initiatives are realized in the critical primary years, specifically, kindergarten to third grade.

✔ RECOMMENDATION

Apply What Research Says about Class Size Reduction Programs.

- Aim class size reduction at the early elementary years – kindergarten through third grade.
- Phase it into schools based on the percentage of young people who qualify for free and reduced price lunch programs.
- Take class size down to one teacher per 17 students.

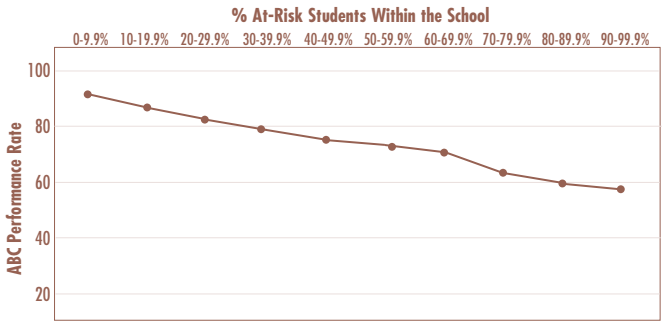
In short, the following phase-in plan would focus state resources first where they are needed the most – in school buildings serving high concentrations of young people who are most at risk. By beginning the phase-in of meaningful class size reductions in schools with over 80% of students qualifying for free and reduced price lunch programs, students in those schools will have had the benefit of low class sizes years before class sizes are lowered in schools with more affluent children, who research finds will register fewer gains than their at-risk counterparts as a result of class size reduction.

To bring class sizes down to one teacher per 17 students, it is necessary to reduce the average class size by roughly five students per class. While published ratios of teachers to students in K-3 are one to 21, that average includes art, music and other teachers not assigned a class. A truer average of classroom teachers to students is one to 23 and many elementary classes exceed that number.

How this recommendation correlates to ABCs performance rates.

It should be noted that the proposed phase-in of this class size reduction corresponds to ABCs performance rates. In schools with 80% or more students eligible for free and reduced price lunches, fewer than 55% of the students are at or above grade level, based on composite ABCs test scores. Thus, by beginning the class-size reduction phase-in with schools serving high percentages of free and reduced

ABC Performance Summary



The strong relationship between high performance and the number of at-risk children served is apparent. As the number of at-risk students increases, the composite test scores fall.

% At-Risk Students Within the School 1999-2000 free and reduced price lunch participation
ABCs Performance Rates uses 1999-2000 ABCs Performance Composites

1999-2000 data is based upon 1,605 K-8 schools. Schools not reporting free and reduced price lunch data were excluded. Data from DPI, Financial and Business Services and Accountability Services

lunch children, the proposed plan would invest first in schools with the greatest needs as well as the lowest student performance rates.

The proposed phase-in is a classic model of what the Forum is defining as strategic thinking in this area of budget making:

- It focuses precious state dollars first on those who need them most.
- It relies on the findings of research to guide the implementation program.
- It takes class size down to a level at which it should make a measurable difference.

Even if the phase-in of lower class sizes were curtailed or slowed because of a downturn in the state's economy, the benefits of class size reduction would be in place for students who should gain the most.

✔ RECOMMENDATION

Lower Phase-In Costs By Cutting Existing Costs.

As the Study Group wrestled with the economic feasibility of a class size reduction initiative that would make a measurable difference, it also relied on recent research findings, especially those from the RAND Corporation, which recently released its findings on investments that make a measurable difference on school improvement.

One of the RAND Corporation findings was that adding full-time teacher assistants to classrooms made, at best, a marginal difference in student achievement. For a state like North Carolina, which was a leader in funding full-time teacher assistants in kindergarten through third grade, those findings are disconcerting.

As the Study Group looked at the data, it became evident that if class size were reduced to one teacher per 17 students, a significant part of the cost could be offset if, through attrition, teacher assistant positions were eliminated as class size reductions were made.

Strategic Class Size Reduction Model

Teacher Phase-In

% At-Risk	K-3 Students	# Schools	Current Teachers	Reduced Class Size Teachers	New Teachers Needed	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
80-100	35,012	120	1,522	2,060	537	$24,312,476	$24,312,476	$24,312,476	$24,312,476	$24,312,476	$24,312,476	$24,312,476	$24,312,476	
70-79.9	38,900	116	1,691	2,288	597		$27,012,319	$27,012,319	$27,012,319	$27,012,319	$27,012,319	$27,012,319	$27,012,319	
60-69.9	42,339	135	1,841	2,491	650			$29,400,375	$29,400,375	$29,400,375	$29,400,375	$29,400,375	$29,400,375	
50-59.9	60,589	189	2,634	3,564	930				$42,073,250	$42,073,250	$42,073,250	$42,073,250	$42,073,250	
40-49.9	76,658	218	3,333	4,509	1,176					$53,231,629	$53,231,629	$53,231,629	$53,231,629	
30-39.9	72,630	206	3,158	4,272	1,115						$50,434,569	$50,434,569	$50,434,569	
20-29.9	59,820	156	2,601	3,519	918							$41,539,253	$41,539,253	
0-19.9	42,102	88	1,831	2,477	646								$29,235,801	
Subtotal	**428,050**	**1,228**	**18,611**	**25,221**	**6,569**	**$24,312,476**	**$51,324,795**	**$80,725,170**	**$122,798,420**	**$176,030,049**	**$226,464,618**	**$268,003,871**	**$297,239,672**	**$1,246,899,069**
T.A. Phase Out							$3,161,879	$9,357,266	$18,450,371	$31,625,144	$49,755,738	$71,731,653	$99,629,043	$283,711,094
Adj. Cost						**$24,312,476**	**$48,162,917**	**$71,367,904**	**$104,348,049**	**$144,404,904**	**$176,708,880**	**$196,272,217**	**$197,610,629**	**$963,187,976**

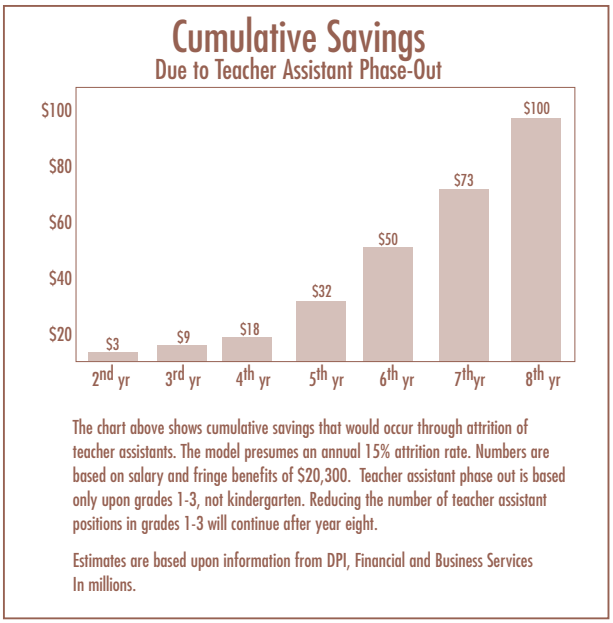
% At-Risk based upon 1999-2000 free and reduced price lunch participation
K-3 Students based upon 1999-2000 data
# of Schools number of schools containing the percentage of at-risk students indicated
Current Teachers based upon a 1:23 teacher allotment
Reduced Class Size Teachers based upon a 1:17 teacher allotment
New Teachers Teachers the number of new teachers needed to reduce class size to 1:17
T.A. Phase Out assumes a 15% attrition rate

Teachers salary is based upon the 2000-01 allotment of $45,252 (including salary and fringe benefits.) Teacher assistant salary is based upon the 2000-01 allotment of $20,300 (including salary and fringe benefits). Teacher assistants will be maintained in kindergarten.

The numbers above do not reflect annual salary increases.
Estimates are based upon information from DPI, Financial and Business Services

Specifically, in a building that would be eligible for class size reductions in the first year of the initiative, teaching assistant positions would be frozen and vacancies would not be replaced as assistant slots opened up because of retirement or other reasons. Statewide, the turnover rate of attrition for teacher assistants is 15%.

Almost $300 million of the annual cost of the proposed class size reduction program would be offset by corresponding savings through attrition of teacher assistants over time.



The chart above shows cumulative savings that would occur through attrition of teacher assistants. The model presumes an annual 15% attrition rate. Numbers are based on salary and fringe benefits of $20,300. Teacher assistant phase out is based only upon grades 1-3, not kindergarten. Reducing the number of teacher assistant positions in grades 1-3 will continue after year eight.

Estimates are based upon information from DPI, Financial and Business Services
In millions.

✔ RECOMMENDATION

Think More Strategically About Teacher Assistant Positions.

There are currently 21,387 full-time teaching assistant positions funded by the state of North Carolina. Within those ranks of teacher assistants are large numbers of people who have a college degree but no teacher certification or

Teacher Assistant Phase-Out Model

	80-100	70-79.9	60-69.9	50-59.9	40-49.9	30-39.9	20-29.9	0-19.9	Total
Year 2	$3,161,879								$3,161,879
Year 3	$5,849,476	$3,507,790							$9,357,266
Year 4	$8,133,933	$6,489,412	$3,827,025						$18,450,371
Year 5	$10,075,722	$9,023,791	$7,079,997	$5,445,635					$31,625,144
Year 6	$11,726,242	$11,178,013	$9,845,023	$10,074,424	$6,932,036				$49,755,738
Year 7	$13,129,184	$13,009,101	$12,195,295	$14,008,895	$12,824,266	$6,564,911			$71,731,653
Year 8	$14,321,686	$14,565,527	$14,193,026	$17,353,196	$17,832,662	$12,145,086	$5,416,436	$3.801,425	$99,629,043
TOTAL	$66,398,121	$57,773,634	$47,140,366	$46,882,150	$37,588,964	$18,709,997	$5,416,436	$3,801,425	$283,711,094

Teacher assistant salary is based on $20,300. Teacher assistant phase-out assumes an annual 15% attrition rate and will only occur in grades 1-3, not kindergarten.
Estimates are based upon DPI, Financial and Business Services.

who have earned a two-year Associate degree or have completed coursework at community colleges.

Encourage teaching assistants to become licensed teachers.

The Study Group encourages the state to expand incentive programs that would increase the pool of licensed teachers by offering to keep teacher assistants on full-time payroll and benefits for up to two years to enable them to gain licensure in teaching and offset tuition, fees and book charges for coursework in the final two years of college (see Strategy Two). That would open up employment and career options for teacher assistants whose positions were being phased out.

Let schools convert teaching assistant position to staff day care centers.

Additionally, the Study Group is encouraging the state to enable schools to convert up to 15% of today's teaching assistant positions to staff day care centers for teachers' children (also see Strategy Two). This would enable the state to institutionalize a significant new benefit for teachers, one that could make teacher retention far more likely, at a nominal investment of new state dollars.

Both of these strategic moves, providing incentives for teacher assistants to work toward certification as full-time teachers and converting assistant positions to day care centers, would dramatically lessen the job losses involved in a wholesale elimination of teaching assistant positions. Both would be strategic moves – the one expanding the pool of qualified teachers, the other creating an incentive to keep working female teachers on the job.

"Truth in Lending"

School Facilities

With good reason, County Commissioners and local school officials are quick to point out that there is a hidden cost factor in class size reduction initiatives – a hidden cost factor whose impact falls on local government. Specifically, as class sizes are lowered, schools are required to find additional space to house the additional teachers and classrooms that accompany class size reductions.

The cost impact of previous class size reduction initiatives has been born by county governments, and the cost estimates accompanying this proposal show only the additional cost of additional state-funded teacher salaries. "Truth in lending" requires that the Forum Study Group not turn a blind eye toward the facility implications of a major class size reduction initiative.

Two factors complicate making firm estimates of the cost impact of class size. First, in many of the state's school systems, space is available to add additional classrooms. While the proposed class size reduction model would result in the hiring of 6,569 teachers, that does not mean that it would be necessary to build 6,569 new classrooms. Rapidly growing counties would require new facilities; other counties could absorb the reduced class sizes.

Second, cost estimates for making new classroom space available vary dramatically. The per-classroom average used by the Department of Public Instruction is $121,677 per new classroom (based upon an average of new construction and mobile leasing). Presuming, however, that additional classrooms and school buildings would be paid for through bond revenue, the cost of additional facilities would be spread out over a twenty year period, not incurred at one time. On the other end of the spectrum, it would cost only $7,000 per year, plus one-time set-up charges, to lease and maintain mobile classrooms for new classes. Without commenting on the desirability of adding mobile classrooms, these factors make it difficult, if not impossible, to precisely determine the financial impact of a statewide initiative to reduce class sizes.

Suffice it to say, class size reduction will lead to additional facility costs; and those costs should be factored in before launching a statewide initiative.

4 Strategy Four

Make investments first in schools with high concentrations of at-risk students.

Throughout this document the word "strategic" has been used in the context of better focusing the use of state resources. This final strategy will illustrate how the state could focus its resources in such a way that even limited new dollars could make the maximum impact.

To phase in at one time all of the recommendations proposed in this document would require committing over $357 million new state dollars per year over a five-year period of time. With the state attempting to close a budget shortfall estimated at $700 million or more, the likelihood of that beginning in 2001 is unlikely.

What is possible in 2001, however, is for the state to use far fewer resources in a more strategic way that has the potential of dramatically improving the quality of schooling in the state's chronically low-performing schools while, at the same time, addressing the state's across-the-board teacher shortage and retention problem.

✔ RECOMMENDATION

Focus State Resources on Schools that have the Greatest Needs.

Specifically, employ an array of strategies on 38 elementary schools that serve student populations of which 80% or more qualify for federal free and reduced price lunch programs and in which fewer than 55% of the students are at or above grade level on ABCs testing programs. In those 38 schools, institute the following for school year 2001-02:

- Reduce class size ratios to one teacher per 17 students in kindergarten through third grade in the 38 schools.
  Projected Cost: $7,672,471
- Employ teachers in those buildings on a 11-month basis beginning in 2001-02.
  Projected Cost: $3,085,216
- Employ teachers in those buildings on a 12-month basis beginning in 2002-03.
  Projected Cost: $3,085,216
- Extend the instructional year for students in those schools to 190 days beginning in the 2001-02 school year.
  Projected Cost: $745,691
- Extend the instructional year for students in those schools to 200 days beginning in the 2002-03 school year.
  Projected Cost: $745,691
- On a voluntary, first-come-first-serve basis, offer local school systems in which those 38 schools are located up to five state-identified teams consisting of a principal and four teachers who would provide leadership to the schools over a four-year period of time.
  Projected Cost: $287,500
- Make available to the 38 schools the incentive package of signing bonuses and housing subsidies for up to three teachers per building.
  Projected Cost: $468,000

✔ RECOMMENDATION

Focus Additional Resources on Addressing Teacher Shortage and Retention Statewide.

At the same time state resources are focused on the schools with the greatest needs, focus additional state resources on addressing teacher shortage and retention issues across the state. Specifically:

- Extend the incentive package of signing bonuses and housing subsidies to other low-performing schools and/or schools in areas facing acute teacher shortages, as designated by the state. The first 114 of those incentive packages would be reserved for the 38 schools discussed above. The balance of the proposed 500 incentive packages, 386 in all, would be made available to other schools across the state.
  Projected Cost: $1,544,000
- Authorize the payment of full medical and fringe benefits to up to 1,000 qualified teachers who are currently not teaching and who are willing to accept half-time employment. Certified teachers willing to work on a half-time basis would receive both full medical and fringe benefits and proportional retirement credit.
  Projected Cost: $2,577,000
- Provide full salary and fringe benefits as well as subsidized tuition, fees and books to up to 500 teacher assistants and non-classified employees who could gain full teacher certification with two years or less of full-time college preparation. This program would be available to schools across the state on a first-come-first-served basis.
  Projected Cost: $1,250,000

- Create a legislative study commission to determine the competitiveness of teacher salaries in three chronically hard-to-fill teaching areas, mathematics, science and special education. The study would look at wage comparability in terms of beginning salaries and potential career earnings for teachers in contrast to individuals in the private sector with similar college preparation. Projected Cost: $150,000
- Authorize school systems, on a voluntary basis, to convert up to 15% of state-funded teacher assistants to staff for day care centers that will offer teachers' children day care at low or no cost. Local school systems would be responsible for providing facilities and appropriate equipment. Projected Cost: None

The total of these proposed investments is $17,779,878 in year one and $20,567,594 in year two. Even in a year when the state faces economic adversity, that is an investment that is affordable. Moreover, this approach toward targeting state resources opens up a way to focus on schools in the order of their need. For a modest amount of money, the state could dramatically reduce class size while extending the length of the school year in 38 of the state's neediest schools – all for an investment of roughly less than 2% of teacher payroll.

A Two-Year Cost Projection for Strategic Investments in School Improvement

Significant class size reductions, adding additional time for instruction and attracting qualified teachers to 38 schools serving at-risk, low-performing students	Yr. 1 Costs	Yr. 2 Costs
Provide add'l. teachers to lower class sizes to ratio of 1 teacher/17 students, grades K-3	$7,672,471	$7,672,471
Extend teacher contracts to 11 mths. in 2001-02	$3,085,216	$3,085,216
Extend teacher contracts to 12 mths. in 2002-03		$3,085,216
Fund costs beyond teacher salaries necessary to extend instructional year (*i.e.,* transportation, teacher assistants, etc.)	$745,691	$745,691
Make available signing bonuses & housing subsidies for up to 3 teachers/bldg/year to provide recruitment/retention incentives	$468,000	$468,000
Make available, for up to 5 of the 38 bldgs, 5-person teams of educators (*i.e.,* 1 principal & 4 teachers) to provide leadership & continuity for 4-year period	$287,500	$140,000
Expand the pool of qualified teachers in NC; provide recruiting/retention incentives to low-performing & critical teacher shortage schools; and make teaching a more competitive occupation	**Yr. 1 Costs**	**Yr. 2 Costs**
Provide funding for signing bonuses & housing subsidies for up to 38 teachers/yr. who would agree to work in low-performing schools and/or schools identified as facing critical teacher shortages	$1,544,000	$1,544,000
Offer full medical & fringe benefit coverage & retirement credit to up to 1,000 currently inactive teachers who would return to teaching on a part-time basis	$2,577,000	$2,577,000
Subsidize cost of tuition, books & fees for up to 500 teacher assistants/non-classified school employees who could complete coursework leading to a teaching certificate in 2 or fewer yrs.	$1,250,000	$1,250,000
Establish Legislative Study Commission to study wage comparability of teachers w/other occupations requiring similar college prep, esp. in areas like math, science & special ed.	$150,000	
Empower school districts, on voluntary basis, to create day care centers for teachers' children at low-cost/no-cost basis; participating systems would be empowered to convert up to 15% of state-paid teaching assistant workforce to staff centers.	$0	$0
Total Costs Over 2 Years	**$17,779,878**	**$20,567,594**

Conclusion

The Forum Study Group offers these recommendations to policymakers in the hope that this study will contribute to important changes in terms of thinking about new state resources and school improvement.

The Study Group is proposing that the state become far more strategic in the use of precious resources – strategic in that new state investments are focused on schools with the greatest need; strategic in that the state invests in initiatives that research finds could make the greatest impact on young people.

The Study Group is proposing a major departure from one-size-fits-all budgetmaking. Instead, the Study Group believes the state should recognize that the needs of students and schools differ. Further, the Study Group believes that it is time to come to terms with the laws of supply and demand and to differentiate between today's lock-step salary schedule. Such differentiation could result in salary reclassifications for hard-to-fill positions in areas like math and science; such differentiation could also result in the creation of incentives to attract and retain teachers in low-performing and rural schools.

Sustaining school improvement on limited dollars

The final admonition of the Study Group is that 2001 is not a year to place school improvement on the back burner. Strategy Four was offered as an example of how very limited new state dollars could be used in such a way as to make optimum impact on the state's neediest schools.

By focusing the state's resources on the schools serving the largest numbers of students likely to fall behind in this new era of student accountability, the state could make a great stride toward the goal of being first in America while putting in place the missing support programs needed in schools serving large concentrations of disadvantaged children.

For the members of the Forum's Study Group it is a matter of being strategic. And it is a matter of not letting a negative economic blip crash what is now nearly two decades of progress toward the goal of being second to none in terms of schools.

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