A Futile Feat? Funding Public K-12 Education in North Carolina

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A Futile Feat? Funding Public K-12 Education in North Carolina

April Parker

A Thesis in the Field of Government
for the Degree of Master of Liberal Arts in Extension Studies

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Abstract

North Carolina’s K-12 public education system suffers from inadequate funding, which diminishes the quality of education provided to students. What explains this? Although there are many potential ways to increase revenue for public K-12 education, the most substantive way is to raise taxes. However, I find that since Republicans believe that low taxes are the key to economic growth, they have made it challenging to raise taxes and difficult to justify any increases that are proposed. As a result, and since Republicans currently control the General Assembly, public K-12 education in North Carolina continues to be inadequately funded.
Dedication

I dedicate this paper to my family. I could not have finished this project without their unyielding support.
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Chapter I.

Introduction

North Carolina used to be a state that fostered innovation in public kindergarten through twelfth (K-12) grade education funding. Today, North Carolina has fallen behind the majority of other states in teacher compensation and per pupil spending and continues to prove its inability to generate significant change in its public K-12 education budget in these two areas. Although North Carolina ranks as one of the top states for total spending on public K-12 education by taking up 39% of the total state budget, the absolute amount is low and its funding for teacher compensation and per pupil spending continues to fall behind.

There is a broad consensus that it is vital to have proper education funding, so why is North Carolina’s public K-12 education system inadequately funded? In order to get a better understanding of this question, and how different organizations and interest groups approach making change through channels in the General Assembly, we have to get inside the heads of their leaders. For the purposes of this thesis, this is accomplished through the use of interviews of education professionals in North Carolina. I conducted interviews of education professionals that consisted of individuals spanning from the General Assembly to employees of education advocacy organizations. These interviews illuminated the preference of legislators to re-allocate funds from the education budget to cover non-education-related costs rather than raising taxes. Furthermore, these interviews

highlighted the legislature’s desire to not raise taxes to generate the essential funds that are currently absent from the public K-12 education budget. These preferences are illustrated through the legislature’s support for policies restricting how much revenue can be raised through taxes. Ultimately, my research has found that since Republicans believe that low taxes are crucial to economic growth, they have made it challenging to raise taxes and tough to justify any increases that are proposed.

Why Does Spending on Public K-12 Education Matter?

Spending on public K-12 education makes a difference in a variety of ways. Funding cuts prevent states from being able to enact education reforms that would be beneficial to both students and teachers, such as providing up-to-date textbooks and adequate pay, respectively. Also, when state funding decreases, local governments are often unable to make up the difference, which yields negative consequences, for example, downsizing the number of schoolteachers and increasing class sizes. It is imperative that education systems are being properly funded because the future of America depends on the quality of its school systems. Ultimately, states have a responsibility to spend money in a way that adequately funds public K-12 education.

An important issue to address when discussing the adequacy of public K-12 education funding is accountability. Accountability for government funding is critical for providing students equal opportunities to access adequate education services. Based on the results of the quantitative method of structural equation modeling, and drawing on


evidence from the North Carolina Supreme Court case *Leandro v. State* that determined the link between school finances and state accountability, and academics such as Archibald (2006), Ferguson (1991), and Krueger (2002), amongst others, it can be concluded that there is a causal relationship between access to adequate educational resources and student achievement. This causal relationship is the foundation for the reason why North Carolina needs to invest more in its education system. Ultimately, without money schools cannot improve, and without school improvements, students do not have the resources they need to receive a competitive education.

Furthermore, without adequate funding, schools do not have the money they need to keep up with the technology that students must be able to utilize in order to be successful academically, for example, the use of iPads in class or the use of computers for exams. In addition, being able to sufficiently utilize new technology is also important for success in the workplace after students graduate. With this in mind, cutting the education budget ultimately adversely affects economic growth because without an educated workforce to adapt to changing technologies and business practices, a state’s


economic capacity significantly shrinks. A lack of economic growth yields more education budget cuts, which effectively feeds the never-ending cycle of insufficiency for education funding.

Taking a closer look at the specific role money plays in affecting student achievement levels is critical to finding a solution to inadequate funding. Scholars argue that money matters significantly when it comes to providing adequate education. Any claims (for example, the 1966 Coleman Report) that suggest that reduced funding is unlikely to negatively affect education are not supported by empirical evidence. Although there is not empirical evidence to support these claims, many states have used this unsupported logic to legitimize cutting education budgets. On the other hand, there is evidence that the more money that is spent per-pupil, the better the student outcomes are. By having more money, additional resources are available, which enables smaller class sizes, enhanced teacher pay, improved academic support, and better early childhood developmental programs — which are positively associated with student achievement.


When it comes to funding public K-12 education adequately, how the government spends the money is just as important as having the money to begin with. It is imperative that money is spent wisely so that improved student outcomes can be achieved.\textsuperscript{15} The proper allocation and distribution of funds across school districts yields the highest possibility for more equitable outcomes.\textsuperscript{16} Although schools can make improvements with the use of additional money, and even though how schools spend money is important, if there is no money, then schools cannot do either.\textsuperscript{17}

Today, North Carolina trails behind the majority of other states in teacher compensation and per pupil spending and continues to prove its inability to produce significant change in these areas. Although North Carolina ranks as one of the top states for total spending on public K-12 education, its funding for teacher compensation and per pupil spending continues to fall short. The insufficient levels of teacher compensation and per pupil spending are why public K-12 education in North Carolina is frequently considered to be woefully underfunded. In sum, spending is important. So, now, how does North Carolina stack up?

What Is the Current State of Spending in North Carolina?

Adequate school spending is a problem everywhere. There are disparities in education funding between states, and many of the lowest funded states allocate a very

\begin{itemize}
\item \textsuperscript{15} Baker, Does Money Matter in Education? 1-48.
\item \textsuperscript{16} Baker, Does Money Matter in Education? 1-48.
\item \textsuperscript{17} Ferguson, “Paying for Public Education,” 465-498; Baker, Does Money Matter in Education? 1-48.
\end{itemize}
low percentage of their funds to education.\textsuperscript{18} Furthermore, a national survey showed that about 72.5\% of superintendents said their school districts were not sufficiently funded, compared to the 24.5\% that reported sufficient funds and about 2.8\% saying they had a surplus.\textsuperscript{19} When compared to previous surveys, this number is above the 67\% recorded in 2008, but lower than the 81\% in 2012 and the 83\% in 2015.\textsuperscript{20} This data shows that the aftermath of the recession in 2008 is still in full swing even about a decade later. In addition, twenty-one states are backsliding in their funding of education in areas with low-income students and only four states that have high funding levels provide more funding in the districts with the highest level of poverty.\textsuperscript{21} These statistics are troubling for the outlook of education funding across the United States.

Like many other states, North Carolina’s per-pupil spending is still at prerecession levels. For the fiscal years 2008-2015, with the percent change and inflation adjusted, North Carolina ranked as the 3\textsuperscript{rd} worst with funding being down 19.6\% for combined state and local school funding per student below 2008 levels.\textsuperscript{22} This is illustrated in the figure below.

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20. Ellerson, “Ten Years Later.”


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Furthermore, North Carolina ranked poorly in several other areas. The state was 28th for teacher-to-student ratios, 40th for early childhood education, and 43rd for competitive teacher compensation. For the fiscal years 2008-2018, North Carolina ranked as the 11th worst state for percent change in general funding since it dropped to


Moreover, North Carolina also ranked 28th for coverage and, on an A-F scale, earned a C grade for funding distribution, and an F for effort. These rankings illustrate North Carolina’s lack of interest in advancing its education system to a level that is competitive with top-ranked states. When looking at a specific year, 2014, North Carolina ranked 28th for per capita state expenditures for all education, 34th for state and local government expenditures for all education as a percentage of direct general expenditures of all functions, 47th for per capita state and local governments capital spending for K-12 public schools, and 48th for per capita expenditures of state and local governments for K-12 public schools. However, another finding shows that from 2017-2018, North Carolina increased its education funding per-pupil by 1.3%. This miniscule increase in funding per-pupil is a stepping-stone towards positive change in a state that continuously cuts its education budget. In spite of this progress, North Carolina lawmakers have yet to pass a budget that empowers both teachers and students.

Although North Carolina is still at pre-recession levels of spending, it does decently well in some categories. North Carolina ranked 10th for the percent of revenue from the state government, 11th for number of teachers, and 21st for the percent of revenue from the federal government. Nevertheless, North Carolina falls behind the


majority of other states in other spending categories.\textsuperscript{30} Although some of these rankings are acceptable, a significant number of the rankings fall on or after 40 out of 51 (when counting the District of Columbia). North Carolina’s poor ranking in several categories furthers the notion that the state has not made any significant strides towards rectifying the inadequacy of its funding for public K-12 education.

Furthermore, over the last decade, school funding for grades K-12 has decreased significantly in North Carolina, and with the decrease in funds, it has proved difficult to make improvements to public schools.\textsuperscript{31} For example, the unfunded 2015 mandate to reduce class sizes by the 2017-2018 school year would have cost Wake County about $320 million to hire the necessary number of teachers to effectively reduce class sizes.\textsuperscript{32} In order to accommodate the mandate without funding from the government, school districts would have had to choose between “eliminating art, physical education, music, and technology teachers from elementary schools; re-deploying teachers from grades 4-12 (where there are no class-size maximums) to grades K-3; or increasing local revenue to pay for the substantial operating and capital costs imposed by this unfunded mandate.”\textsuperscript{33} Each of these options denies students specific resources that could improve their chances of academic success. By increasing financial support for schools,

\begin{itemize}
\item \textsuperscript{30} “Rankings and Estimates,” 70-95.
\item \textsuperscript{31} Leachman, Masterson, and Figueroa, “A Punishing Decade,” 14.
\item \textsuperscript{33} Nordstrom, \textit{The Unraveling}, 1-18.
\end{itemize}
educational reforms would be easier to implement, and as a result, more students would have the opportunity to achieve academic success.\textsuperscript{34}

How Did North Carolina Get to Where It Is Today?

In the 1990s and early 2000s, North Carolina was the vanguard for innovative and progressive K-12 education policies in the southern United States. For example, North Carolina was the leader of dual credit programs for students in high school, and the Learn and Earn model (now known as Cooperative Innovative High Schools) became a national model – this program allowed students to graduate with a high school diploma and an associate’s degree in only five years.\textsuperscript{35} This type of promising innovation has dwindled and has been replaced by policies that prevent the advancement of the public education system, for example, reducing taxes that provide necessary revenue to fund the education budget, the tax cap, and other policies that cut school resources and teacher protections.\textsuperscript{36} This evidence points to the legislators of North Carolina not equating monetary sufficiency with educational success.

In 1997, the North Carolina Supreme Court held that all children living in North Carolina have a fundamental state constitutional right to the "opportunity to receive a sound basic education."\textsuperscript{37} This ruling permitted the state to supplement local government budgets when they could not generate sufficient revenue. This ruling is significant

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\textsuperscript{34} Leachman, Masterson, and Figueroa, “A Punishing Decade,” 14.
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\textsuperscript{35} Nordstrom, \textit{The Unraveling}, 1-18.
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\textsuperscript{37} \textit{Leandro v. State} (346 N.C. 336; 488 S.E.2d 249, 1997).
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because it enabled the state government to help improve the level of quality of education across districts by covering the differences in funds. The Leandro ruling is a testament to North Carolina’s effort to provide equal educational opportunities for all students across the state.

In 2005, North Carolina passed a bill that created an education lottery to serve the purpose of producing additional funds for the education budget. However, the North Carolina Education Lottery ended up supplanting, rather than supplementing, the education budget.\(^{38}\) In the past 10 years, the lottery has raised an extra $4.6 billion for the education system.\(^{39}\) The funds were allocated as prescribed by the North Carolina General Assembly: $1.49 billion was used for teacher salaries, $1.2 billion for building and repairing schools, $772 million for about “154,000 at-risk four-year-olds to attend academic preschools,” $310 million for non-instruction staff at schools, $295 million for 267,000 in-state scholarships for college, $113 million for teaching assistant salaries, and $112 million for grants for the UNC Need-Based Grant Program.\(^{40}\) However, this information is misleading because it implies that the $4.6 billion supplemented the education budget. Ultimately, the $4.6 billion represents the amount of funds that the education budget has lost over the past 10 years – had the funds been supplemented rather than supplanting, the amount of money supporting the education system would have been an additional $4.6 billion. This is an egregious outcome to one of the biggest bills to


\(^{40}\) NC Education Lottery Commission, “FY 2016 Annual Report.”
increase education funding in recent years. Nevertheless, the education lottery bill helped, and continues to help, generate millions of dollars in revenue that helped offset some of the burdens imposed by the recession in 2008.

In 2008, the recession ensued and severely hindered North Carolina’s ability to adequately fund education. Since North Carolina is known as one of the largest tax-cutting states and seeing that education funding is one of the largest portions of the state budget, it was one of the first places to feel the wrath of budget cuts during, and after, the recession. The cuts were so dramatic that North Carolina still has not reached pre-recession levels of spending, as illustrated in the graph below.
Figure 2. Inflation-Adjusted and Unadjusted Per-Pupil Expenditures (State Dollars), 1970-2017.

Source: Stoops, “Public School Finance,” John Locke Foundation

Figure 2 demonstrates how funding in North Carolina has changed over time and that per pupil expenditures (PPE) stagnated when we account for inflation (e.g., the red line). In other words, spending was increasing prior to the recession but then it stopped increasing. This is problematic considering the dire need for more funds for public K-12 education, when considering inflation-adjusted dollars. The embodiment of this issue takes form in the failing grade received by North Carolina for the amount it spends on its public education in relation to its gross state product. In order to negate the damage


done by the recession, legislators have begun looking at other states and their programs to find solutions to some of the problems plaguing education funding in North Carolina. This is where North Carolina finds itself today.

North Carolina’s Current Situation

Today, and over the past several years, the Republican-controlled General Assembly has decided to utilize legislation implemented by other states in an effort to improve education services in North Carolina rather than raising taxes to increase funding for current programs. The North Carolina General Assembly’s leadership has focused on using the same or similar initiatives in North Carolina as implemented by other states, most of which lack research-based evidence of successful results. For example, the Excellent Public Schools Act of 2012 in North Carolina (modeled after the Excellent Public Schools Act in Florida) was implemented without knowing the Act produced tangible improvements in educational performance by students in Florida. The act was meant to improve kindergarten through third grade literacy by retaining third graders who failed to demonstrate proficiency on state reading tests and by assigning school performance grades. Furthermore, and to make matters worse, when North Carolina attempted to implement this program, it did not provide the funds, resources, or structure needed to give this program a chance to produce positive results. This ultimately resulted in an unsuccessful attempt at the program. Another example is North Carolina’s version

of Tennessee’s Achievement School District program. This program was meant to turn low-performing schools into private charter operators to help increase performance.\[^{46}\] Although Tennessee’s program was ruled a failure, North Carolina has still decided to pursue its own similar program in the form of House Bill 1080.\[^{47}\] Results from the program in North Carolina have not been determined yet, but if Tennessee’s results are an indicator, we cannot expect to see success with North Carolina’s version of the program.

In 2018, North Carolina was struggling at such a profound level to fund education that the General Assembly decided to pass an amendment that enables local municipalities to use their own individual sources of revenue to supplement the funds allocated by the state government’s budget.\[^{48}\] This is a significant turning point in the timeline because now municipalities are able to contribute any amount of funds that they deem desirable to their respective public K-12 education systems. Ultimately, whether or not municipalities choose to provide supplemental funds to the funds allocated by the state is purely based on the capability of the municipalities to do so.


\[^{48}\] This amendment amended Senate Bill 99, which was passed in 2017.
Although inadequate funding has been a persistent problem, there have been some measures taken to guide North Carolina in a more promising direction. The General Assembly created a Joint Task Force on Education Finance Reform in 2017 that is currently undertaking research to determine the best steps forward for North Carolina education policy.\(^{49}\) In addition, in light of a mutual request by the parties in the landmark *Leandro v. State* litigation, Superior Court Judge David Lee has ordered WestEd (an independent consultant) to conduct a thorough study and make suggestions on how to fix the constitutional violations found in the *Leandro* case (the state had violated its guarantee for a “sound basic education” especially with children who are “at-risk” by not providing the resources needed to ensure this guarantee) through the endowment of constitutionally acceptable resources for all North Carolina public schools.\(^{50}\) By taking steps to create an education finance task force and address issues with the *Leandro* decision, North Carolina is starting to build a more solid foundation in which it can truly begin producing quality education reform.

**Conclusion**

Based on the reports discussed above, North Carolina’s education funding is viewed as inadequate in relation to the amount of money needed to effectively provide


There are several negative byproducts of a lack of proper funding, for example, North Carolina does not offer competitive teacher compensation and as a result is ranked as one of the worst states to be a teacher.\footnote{T. Keung Hui, “How Does North Carolina Rank on a List of Best and Worst States for Teachers?” News and Observer, 2017, https://www.newsobserver.com/news/local/education/article175276116.html.} Although there has been mild progress in raising teacher salaries (raised by 3.3% in 2017), this is not enough to make North Carolina a state that offers competitive teacher pay.\footnote{Hui, “How Does North Carolina Rank.”} Ultimately, there is evidence to support that spending increases to acquire better resources is positively related to student achievement.\footnote{Robert Greenwald, Larry V Hedges, and Richard D Laine, “The Effect of School Resources on Student Achievement,” \textit{Review of Educational Research} 66, no. 3, (1996): 361-396; Archibald, “Narrowing in on Educational Resources,” 23-42.}

My thesis begins by diving into literature that is relevant to the topic of public K-12 education finance reform. This literature review chapter explores how the existing literature is inadequate to answer my research question. The next chapter consists of an explanation of the methodology I used in my research and why it was appropriate. The following chapter presents my findings from the research I have conducted and collects evidence that is used to generate potential solutions, which are discussed in the last chapter, the conclusion. The conclusion takes a brief look at everything I addressed in the previous chapters and then outlines some potential solutions to the problems that I found with funding public K-12 education in North Carolina.
Chapter II.

Literature Review

It is important to consider existing theories that might explain low education funding in North Carolina. I consider work on the relationship between diversity and public goods provisions, social capital, state-level legislators’ professionalism, and partisanship and government spending. I argue that these bodies of work do not adequately explain why North Carolina has low education spending. First, there is not enough evidence to show that diversity has a negative effect on public goods provisions in states that have similar levels of diversity to other states that spend more. I also find that none of the arguments for social capital directly address public K-12 education funding, and there is evidence that indicates that states can be low spenders and also have high social trust. This evidence contradicts the findings that low social trust yields less spending. For these reasons, social capital does not explain the lack of public education funding. In addition, I contend that the professionalism of state-level legislators may influence the amount of spending by the government; however, there is not enough evidence to clearly state whether the professionalism of a legislature causes it to spend more or less. And finally, partisanship does not explain the absence of public education funding in North Carolina because there are states with similar balance of power disparities that are controlled by Republicans and spend higher amounts of money; therefore, invalidating the argument that power disparities are the reason for less
spending. In sum, we do not yet have a good answer for why North Carolina spends so little on education.

Diversity and Public Goods

It may be that funding in North Carolina is low because the state has high levels of ethnic diversity. Indeed, ethnic diversity and conflict are important determinants of local public finances. Some scholars write that where there is more diversity, there is less spending. The evidence shows that spending on productive public goods in U.S. cities have an inverse relationship to the city’s ethnic divisions, even after controlling for additional demographic and socioeconomic variables. Furthermore, empirical tests show that between-group-inequality has a big, widespread, and negative relationship with public goods provision, whereas cultural fractionalization, ethnolinguistic fractionalization, and overall inequality do not. The latter point raises doubt that ethnic diversity negatively impacts spending, but the former illustrates that the level of inequality between groups plays a role in determining public goods provisions. While


scholars debate precisely which group differences lead to lower spending, they agree that diversity is related to worse public goods provision.

Another way to better understand the differences between groups and their effect on public goods provisions is by examining the relationship between ethnic diversity and co-ethnic cooperation. Where there is not ethnic diversity, there is successful public goods provision because co-ethnics cooperate with one another.58 Within this argument of co-ethnic cooperation there are three families of mechanisms that are identified that link diversity to public goods provisions: “preferences,” “technology,” and “strategy selection.”59 There is evidence that is found that supports two out of three of the mechanisms – “technology” and “strategy selection.”60 The technology mechanism is when co-ethnics are more tightly linked on social networks and therefore potentially better able to encourage cooperation through the threat of social sanction.61 The threat of social sanction could be a decisive factor in determining the extent to which co-ethnicity plays a role in affecting policy decisions and outcomes. On the other hand, the strategy selection mechanism determines that in similar settings, co-ethnics are cooperative.


whereas non-co-ethnics are not. Co-ethnic cooperation is significant because it provides proof that less diversity leads to more cooperation and thus a higher likelihood of acquiring proper public goods provisions – when states are more diverse, legislators may prefer not to support funding that could go toward ethnic groups other than their own. Both mechanisms show that policy makers’ decisions may be affected by the levels of diversity in a population, however, there are some scholars, such as Baqir, Easterly, and Alesina, that argue that ethnic diversity does not have any effect on public goods provisions.

The current literature on ethnic diversity and public goods provisions ultimately indicates that where there is diversity, people do not want to pay for public goods. In North Carolina, this has the possibility to translate into the residents of the state not wanting to pay for public goods such as education. As a result, the politicians who represent them have to ensure that spending on public goods remains low in order to truly represent their constituents’ wishes. Consequently, there is not additional room in the budget to spend more on public education services. However, North Carolina appears to have diversity levels that are similar to other states that spend more, so diversity cannot be the reason why there is low spending. It can even be argued that North Carolina is


considered less diverse than some high spenders such as New York and California,\textsuperscript{65} which is inconsistent with what the arguments above suggest. Moreover, it is also claimed that leaders can overcome diversity, so it is unclear why diversity would necessarily impact public goods provisions, since leaders can circumvent it.\textsuperscript{66} It is for these reasons that diversity does not provide an explanation as to why North Carolina’s public K-12 education system is inadequately funded.

Social Capital

Another potential explanation for North Carolina’s low level of education spending is a lack of social capital in the state. Although social capital is not easily defined,\textsuperscript{67} it is a way to determine how well governments function. The trust that is formed between members of a society enables them to not only overcome collective action problems, but also to generate social networks that grow and intensify with reciprocity and time.\textsuperscript{68} There is evidence that trust and civic norms are stronger in nations with higher and more equal incomes, with institutions that restrain predacious activities.

\begin{footnotes}
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of chief executives, and with better-educated and ethnically uniform populations.\textsuperscript{69} Research shows that governments perform better where there is trust and strong civic norms, and they perform worse where citizens are less civic-minded and less trusting.\textsuperscript{70} For example, Robert Putnam illustrates that regional governments in the more trusting, more civic-minded northern and central parts of Italy deliver public services more efficiently and effectively than in the less trusting, less civic-minded regions in the south.\textsuperscript{71} This is because having social capital can broaden government accountability, enable agreements between polarized parties, and generate more innovation from policymakers that are burdened with policy challenges.\textsuperscript{72} Ultimately, the evidence indicates that in states with additional social capital, government performance is considered higher.\textsuperscript{73} We might apply this to spending as well. It may be that places with higher social capital are also more likely to develop strong public goods and fully funded government programs.

However, social capital does not explain why North Carolina continues to inadequately fund its public education system. Without knowing the specific application of social capital on public K-12 education funding, it is nearly impossible to determine its


\textsuperscript{71} Putnam, \textit{Making Democracy Work}.

\textsuperscript{72} Knack, \textit{Social Capital and the Quality of Government}.

\textsuperscript{73} Knack, \textit{Social Capital and the Quality of Government}.
effects. Even though North Carolina has slightly less social capital than most of the other states, according to Stephen Knack, it appears to be more or less in the middle in terms of government performance,\textsuperscript{74} as illustrated in the scatter plot below.

Figure 3. Social Capital and Government Performance.

![Social Capital and Government Performance Graph](image)

Source: Knack\textsuperscript{75}

Yet, although there are states with high government performance and high public education spending, there is evidence that indicates that states can be low spenders but still have high social trust as well, such as South Dakota.\textsuperscript{76} This evidence contradicts the findings that high social trust yields higher spending, therefore rendering the previous argument insufficient.

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\textsuperscript{74} Knack, \textit{Social Capital and the Quality of Government}.

\textsuperscript{75} Knack, \textit{Social Capital and the Quality of Government}.

State Legislators’ Professionalism

Another potential explanation for North Carolina’s low education spending might be the level of legislative professionalism. Although legislative professionalism can have different definitions to individual scholars, the concept generally refers to the legislature's capability to execute its role in the policy-making process with a seriousness, proficiency, and effort similar to other actors in that process.77 There are two notable types of legislatures, part-time, citizen legislatures and full-time, professional legislatures. Citizen legislatures have systematically different spending patterns than professional legislatures – evidence indicates that state government expenditure per capita is notably lower when the state legislature is less professionalized.78 This is a result of less professionalized legislatures not having the resources or experience that professionalized legislatures do, which yields fewer bills being passed and less money being spent.79 This is significant because the North Carolina General Assembly is generally considered to be a “less professionalized” legislature, or what some might even call a “hybrid”


79. Owings and Borck, “Legislative Professionalism.”
The level of professionalization of a legislature helps to determine its abilities and how efficient and effective it can be in executing those abilities. Therefore, this could potentially explain why the North Carolina legislature allocates an inadequate amount of funds toward education.

Another argument finds that less professionalism causes an increase of elected Democrats in state legislatures, which produces a steady increase in spending contrary to the previous spending argument examined above. This occurs because the Democratic Party tends to be less economically conservative than their Republican counterparts. The lesser professionalization of state legislatures makes legislative service more appealing to Democratic candidates and less appealing to Republican candidates, because full-time employment is unsuitable with an additional career, and generally Democrats have less profitable career opportunities than Republicans. On the other hand, some scholars argue that in general, state legislatures are becoming more professionalized rather than less professionalized. The evidence indicates that although some differences between state legislatures have increased, with some legislatures remaining the same, the


states that have removed legal restrictions on the length of legislative sessions have more institutionally advanced governments, have larger populations, and also tend to have more professional governing bodies. 85 Taken together, both Fiorina and King’s findings are consistent with the possibility that over the years, with the occurrence of more professionalized legislatures, more Republicans have entered political office. If Republicans are populating professional legislatures, they might also be spending less on public goods provisions. According to this logic, the professionalization of the legislatures is what leads more Republicans to run for office and that is why there ends up being less spending on public goods.

However, none of the above claims about state legislators’ professionalism explain why North Carolina does not satisfactorily fund its public education system. The arguments fail to discuss education funding specifically, and some arguments simply contradict each other, as do the arguments predicting that professionalized legislatures spend more and those predicting that Republicans are more likely to be elected when legislatures are more professionalized.86 Furthermore, North Carolina presents itself as a sort of “hybrid” legislature – where legislators spend about two-thirds of a full-time job in the General Assembly, but the pay is not enough to allow them to live without having a second source of income.87 These “hybrid” legislatures also tend to have an intermediate-


87. “Full- and Part-Time Legislatures.”
sized staff and occur in states that have a medium-sized population. In comparison, “full-time” legislatures require the most time commitment, legislators are paid enough so that a second job is not necessary, they have large staffs, and they are typically found in the states with the largest populations. In contrast, “part-time” legislatures require the least time commitment, legislators need a second source of income, they have small staffs, and they are typically comprised of states with the smallest populations. So, the problem with the “hybrid” nature of the North Carolina General Assembly is that it begs the question of whether or not any of the evidence examined on the different types of legislatures applies to “hybrid” legislatures. Since there is not significant evidence to suggest what the spending behavior of a “hybrid” legislature would be, it is tough to determine the exact effect that it would have on public K-12 education funding. Ultimately, because North Carolina has a General Assembly that is considered a “hybrid” legislature, it is difficult to discern the actual relationship between the level of professionalization of North Carolina legislators and their spending on public K-12 education. However, if legislatures are becoming more professionalized, and Republicans are getting elected because of that and they spend less because they are Republicans, then the important factor impacting spending may be partisanship, not professionalization.

88. “Full- and Part-Time Legislatures.”
89. “Full- and Part-Time Legislatures.”
90. “Full- and Part-Time Legislatures.”
Partisanship and Government Spending on Public Goods

One additional possibility is that partisan control of the legislature could explain low education spending levels. Partisanship is frequently considered to be a main contributor of how public goods provisions are determined.\textsuperscript{91} Based on party platforms, the Democratic Party often pursues the expansion of public goods, including funds and resources for the public school system. On the other hand, the Republican Party frequently desires to limit the amount of services provided by the government, which often results in the reduction of funds and resources for the public school system. With this in mind, when one party is more powerful and has more control of the state government (i.e., there is a power disparity), the more likely it is that they will implement public goods provisions that are aligned with their party platform. This results in the disagreement between the two parties, and the provisions championed by the minority party are likely to suffer. In the current political atmosphere of the North Carolina General Assembly, Republican ideals are more powerful due to their majority; however, Democrats hold the executive power of the office of the Governor. Nevertheless, the Democrats are the minority party and as a result, their positions on public goods provisions are not a priority.

The above argument applies to public goods provisions in North Carolina because the political party that controls the General Assembly dictates the provisions for public goods. As a result, it could potentially be an explanation of why education funding is low.

However, the North Carolina General Assembly’s Appropriations Committee as well as the Committee on K-12 Education is comprised of both Republicans and Democrats - meaning that one party does not absolutely determine the funding for public K-12 education over the other. Furthermore, in other states with similar balance of power disparities and where Republicans are in control such as in Arkansas,\(^2\) spending is higher therefore invalidating the argument that power disparities are the reason for less spending. Ultimately, there is not a clear, non-contradictory explanation as to why North Carolina has inadequate public K-12 education funding; however, it is possible that partisanship plays a role. Nevertheless, this thesis seeks to provide a more comprehensive explanation.

\(^2\) Arkansas’ legislature had Democratic control in 2011, and spent less than the Republican controlled legislature in 2013 on the state’s total per capita expenditures. Visit the National Conference of State Legislatures and the Henry J. Kaiser Foundation for more information on comparing year-by-year changes in party control and state spending, respectively.
Chapter III.

Methods

I am using a qualitative method to gather information on why public K-12 education in North Carolina is not adequately funded. The method took the form of interviews with professionals in the public K-12 education arena. The qualitative method followed a loose guideline that begins with analyzing the sources according to their relevance, proximity, authenticity, validity, and diversity. Next, my qualitative method was used to discover and synthesize information that is not currently covered in existing research. Then, I broadly searched for confounders, or rival explanations, to ensure my research and conclusions are as accurate as possible. However, due to the informal nature of these guidelines, the evidence gathered by this qualitative method is frequently viewed with wariness. I acknowledge that it is difficult to articulate what a believable inference might be made of and how to recognize it when one sees it. There have been some efforts to rectify the suspicion that often accompanies qualitative research with the application of frameworks such as set theory, acyclic graphs, and Bayesian inference, but none of these truly provide a practical guideline. Nevertheless, the method was conducted with an understanding of the reservation accompanied with qualitative


methods and I did everything I could to ensure the accuracy and thoroughness of my research.

I, the principal investigator, met the interviewee in-person, or spoke to him or her over the phone, and provided the interviewee with an information sheet about the study. At the bottom of the sheet, I requested his or her signature. As I began my research, I reached out to potential interviewees and if they responded with an interest to participate in my research, I interviewed them either in-person, or over the phone, at the time agreed upon by the principal investigator and each individual interviewee. The participants were asked to read and sign a consent form, and each interview was conducted individually. The interviewees were asked a series of questions about their experiences with public K-12 funding in North Carolina, any public K-12 education funding problems that they observed, and what they would do to fix them. After the questions were answered, they were asked if they had any other information that contributed to the study that I had not already covered. I conducted at least one interview per person and the interviews lasted for an average of 52 minutes. Furthermore, the participants were informed that all of the information gathered from each individual interview had the potential to be published - this informed them that anything that they said would be available to the public once the study was concluded.

Why Use Qualitative Methods?

By interviewing prominent people in the field of education policy, I gained valuable insight into how North Carolina education finance policy is generated and why it consistently does not meet the needs of its public education system. I used qualitative
methods in the form of interviews because qualitative data is comprehensive when research is centered on a minimal number of cases.\textsuperscript{97} In my case, the observations were drawn from several distinctive groups such as: state-level politicians, policy advisors, professors, and other policy professionals. The diversity of the interviewees allows the examination of several different, useful viewpoints to assess the nature of education policy in North Carolina.

At the most fundamental level, qualitative research is critical to good measurement because qualitative comparisons are the basic foundation of any method of measurement.\textsuperscript{98} Furthermore, researchers who use qualitative methods find that their work is less likely to be subject to data-induced measurement error, in which inaccurate, partial, or misleading secondary sources lead to the poor coding of variables.\textsuperscript{99} However, in qualitative methods, inferences about a causal effect are more likely to be less precise.\textsuperscript{100} “For qualitative inquiry, the distinction between internal validity (causal relationships for the studied cases) and external validity (causal relationships inferred for a broader population) is especially critical” – this is because the studied cases are typically small in number and not selected arbitrarily from a recognized population.\textsuperscript{101}

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Furthermore, qualitative research plays a vital role in developing different fields of political study.\(^{102}\) By using qualitative methods, researchers are able to match background understanding with specific evidence from cases.\(^{103}\) This practice of matching, which often proceeds through many rounds of iteration, kindles original conceptual understandings.\(^{104}\)

The individuals being interviewed are considered to be professionals in the arena of public K-12 education, and as a result, the information from each interview is likely to be more credible (in comparison to less credible information that would likely be acquired from less qualified individuals). Consequently, this research can be considered to be taking the “crowd-based approach” of qualitative research, i.e. recruiting a small community of professionals on public K-12 education that can make knowledgeable judgments about highly specific questions.\(^{105}\) This is done by cumulating the judgments of the professional into an overall inference, in which the confidence interval reflects the level of disagreement among the professionals.\(^{106}\)

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104. Mahoney, “Qualitative Methodology,” 122-144.


Sampling

Unlike quantitative methods, qualitative methods employ a small number of samples of which the samples are selected based on purposeful, pre-determined characteristics.\textsuperscript{107} I chose whom I talked to on the basis of their professional status in relation to public K-12 education policy – individuals who are, or have previously been, important players in education policy. The interviewees must be important in their respective fields and knowledgeable about public K-12 education policy and funding. There are no restrictions on demographics, health-related variables, or party affiliation.

Limitations

The main limitation was gaining access to interviewees. The way that I attempted to overcome this is by reaching out to some of my contacts and seeing if they would recommend me to potential interviewees and/or offering to conduct interviews via Skype, facetime, a regular phone call, or if necessary, by email. Another way I attempted to gain access is by reaching out to policy advisors to get access to them and to their respective legislators.

I acknowledge that correlation does not mean causation. For example, I recognize that a reduction in taxes does not necessarily cause a reduction in public K-12 education funding, however, we might want to think this is a casual relationship if the two happen in conjunction. I also understand that an increase in taxes does not necessarily cause an increase in funding for education, however, we might be tempted to think this is causal because raising taxes is often found to be the best option to raise revenue to fund

\textsuperscript{107} Gerring, “Qualitative Methods,” 15-36.
education. There are many factors that may get in the way of determining these causal relationships, such as the economic situation of the state, the political party that controls the General Assembly, or even the individual preferences of legislatures regardless of their party affiliation. On the other hand, there are some relationships that are proven to be causal, such as the relationship between having adequate funds to provide quality education services and improved levels of student achievement.\textsuperscript{108} I also recognize that there is the possibility that there were limitations that I did not foresee while conducting my research and as a result, I cannot say with 100% certainty that my research is absolutely accurate.

Chapter IV.

Findings

North Carolina continuously struggles to adequately fund its public K-12 education system. Since the North Carolina Constitution requires a system of free public schools that provide egalitarian educational opportunities for each student,\textsuperscript{109} it only makes sense that this requirement also encompasses the adequate funding of public schools as well. A recent poll by the conservative Civitas Institute showed that 72 percent of respondents thought North Carolina’s public schools are not sufficiently funded.\textsuperscript{110}

Why is it underfunded? To get to the bottom of this puzzle, we have to examine the reasons behind this inadequacy.

The best place to start is by examining the General Assembly since lawmakers are responsible for generating legislation on education finance policy. With this in mind, it is imperative to acknowledge that the General Assembly has been under Republican control since the 2010 election. I find that the best explanation for North Carolina’s low spending on education is the following: since Republicans believe that low taxes are the key to economic growth, they have made it difficult to raise taxes and difficult to justify any increases that are proposed. As a result, spending on education remains low. Below I


draw on interviews to elaborate on why these are the reasons behind the inadequate funding of North Carolina’s public K-12 education system.

Republicans and Taxes

Republican legislators have a significant effect on taxes. A General Assembly employee who works closely with education financing told me that the ultimate issue is that although the parties want to achieve the same goal for education financing, they want to go about accomplishing this objective through different means. With this in mind, another General Assembly employee explained that no matter what the budget availability is, “both parties are more than willing to put a ton of money towards education.” These two statements illustrate the dilemma that comes with trying to address education funding – it does not matter that the parties have the same goal of increasing funds for education because nothing will get accomplished if they cannot agree on how to obtain the additional funds. Keeping all of this in mind, the debate between Republicans and Democrats over how to fund public schools tends to have more to do with the revenue that the state decides to get primarily from its citizens (via taxes), as opposed to any appropriations decisions that are made throughout the current scope of government. This is important because it aligns with what was argued earlier in the

111. General Assembly Employee 1 Interview in discussion with the author, 2018.

112. General Assembly Employee 2 Interview in discussion with the author, 2019.

113. General Assembly Employee 1 Interview in discussion with the author, 2018.
paragraph – both parties have their own unique preference on how to approach generating additional funds for education, especially when it comes to deciding whether or not to raise taxes. This opens up the discussion for why taxes are important in this conversation.

It is a commonly held belief that the reduction of taxes is a priority for the Republican Party, and as a result, they do not champion raising taxes as a way to obtain additional funds, argues a member of the legislative staff.\textsuperscript{114} This is best illustrated through Republican efforts to reform taxes. According to an employee of the General Assembly, the beginning of the changes in North Carolina’s tax structure began when Republicans took control of the General Assembly as a supermajority in 2010.\textsuperscript{115} Ever since Republicans have been in control of the General Assembly, they have made it challenging to increase taxes. Below, we will look at some potential reasons for why this is the case.

An explanation for why Republicans do not want to raise taxes to increase the education budget is that they believe that there is evidence that shows that lowering taxes has its benefits. For example, Representative Horn recalls that back in the 1960s when President Kennedy, a Democrat, proposed that Congress lower taxes and broaden the base so that the United States would have more people paying taxes (but each person would be paying fewer taxes) and as a result, household incomes would increase.\textsuperscript{116} Representative Horn continues explaining this example by stating that since taxes were lowered and the base was broadened, the government started collecting more money, and

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\item[114.] General Assembly Employee 1 in discussion with the author, 2018.
\item[115.] General Assembly Employee 1 in discussion with the author, 2018.
\item[116.] Representative Horn in first discussion with the author, 2018.
\end{itemize}
as a result, the income tax burden went down for most people.\textsuperscript{117} Furthermore, a General Assembly employee contributes to this point by stating that more people are not paying any tax whatsoever in the history of North Carolina (since taxes were implemented) and this has enabled people who were previously struggling to start making money.\textsuperscript{118} More people making more money means more taxes being collected and therefore more revenue going towards the state budget. This has been the general consensus of the Republicans in the General Assembly since 2010.

Since Republicans believe that lower taxes spur economic growth, it is not surprising that Republican legislators’ continued pursuit of tax cuts has greatly reduced revenue for public investments. This often results in public schools not having the resources they need to give their students a quality education without consideration of their geographic location in the state.\textsuperscript{119} Moreover, even with the improving economy and an increase in students attending public schools, the state support for public schools is still below pre-recession levels.\textsuperscript{120} In an interview with Terry Stoops of the John Locke Foundation, he expressed to me that, in contrast to Republicans, those on the left side of the political spectrum would like to increase taxes as a way to supplement the revenue

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\textsuperscript{117} Representative Horn in first discussion with the author, 2018.
\textsuperscript{118} General Assembly Employee 1 in discussion with the author, 2018.
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mostly by raising the corporate income tax, but the issue now is that there is a tax cap.\textsuperscript{121} Below, we will examine why the tax cap is problematic.

The tax cap implemented by the Republican-controlled General Assembly is troublesome because it prevents the legislature from being able to raise income and corporate taxes over 7%. However, before we further examine why the tax cap is problematic, we must first address the common misconception about what a tax cap actually does. A policy professional of the North Carolina Justice Center explained to me that when the state does something like a tax cap, the public often inaccurately believes it is going to lower their taxes, but in reality, it only limits the extent to which the legislature can raise taxes.\textsuperscript{122} This is an important distinction because ever since Republicans took control of the General Assembly, there have been two distinctive changes in tax policy – the tax overhaul in 2013 (which reduced taxes) and the state constitutional amendment to cap taxes that passed in 2018.

The tax cap implemented by the Republican-held General Assembly has been an obstacle to raising taxes to help better fund public education. However, before we are able to properly understand the extent of the effect of the tax cap, we need to first take a look at the tax reform that occurred in 2013 so that we have a foundation of the tax structure in North Carolina before the tax cap was implemented. When the legislature overhauled the tax system in 2013 and transitioned to a flat tax, it made every income tax bracket required to pay the same percentage of taxes at 5.499% (and as of January 2019, 5.25%). This was problematic because it ultimately lowered the highest earners’ income

\textsuperscript{121} Terry Stoops in discussion with author, 2018.

\textsuperscript{122} North Carolina Justice Center Employee in discussion with the author, 2018.
taxes from 7.75% to 5.25%, which means that there is 2.5% worth of taxes that are no longer being collected by the state.\textsuperscript{123} So, the tax cap of 7% (which was previously 10%), along with the tax overhaul that occurred in 2013, means that not only is no one paying over 7% anymore, but no one is even paying at 7% (they are paying at 5.25%), which significantly reduces the state’s revenue.\textsuperscript{124} In addition to income taxes, corporate taxes were also capped at 7% as a result of the tax cap amendment. Although, corporate taxes were and are significantly lower than income taxes by being set at a mere 3% (and as of 2019, down to 2.5%),\textsuperscript{125} the problem is that now there is no longer the option to raise corporate taxes above 7% to generate additional revenue for public K-12 education.

As further evidence of the fact that Republicans are key in the explanation of inadequate education funding, it is possible that a lot of people could get behind the idea of having progressive tax rates so that the money generated by the higher tax brackets could go straight to education.\textsuperscript{126} This is supported by a poll done by Gallup that concludes that 63% of Americans believe that the wealthy are not getting taxed at a high enough level and that 67% of Americans think that corporations are not getting taxed


\textsuperscript{124} North Carolina Justice Center Employee Interview with the author, 2018.


\textsuperscript{126} North Carolina Justice Center Employee Interview with the author, 2018.
enough. “I don’t think there’s any secret pot of money out there or magical way to increase revenue beyond taxing people. And you know, in my opinion, a progressive tax policy is the one that makes the most sense – so, putting a greater burden on the people with the greatest ability to pay. I think that’s really the key to ever having some sort of adequate funding for public schools,” said Kris Nordstrom, an Education Policy Consultant at the North Carolina Justice Center. This support for progressive taxes suggests that it could be politically feasible to implement. Republicans have simply stood in the way. An employee of the General Assembly explained in an interview that most people realize that more resources are going to be needed to fund education better. The General Assembly employee also contended that it is unquestionable that changing the percentage of taxes paid by the highest earners by a percent or two generates a substantial amount of revenue. Regardless, the likelihood of the tax cap being changed in the near future is unlikely with Republicans in power, at least for the upcoming year.

A reason why Republicans prioritize low taxes is that they believe that lower taxes are a good economic incentive for people and businesses to move to North Carolina. As a result, any actions that would have been perceived by Republicans to


129. General Assembly Employee 1 in discussion with the author, 2018.

130. General Assembly Employee 1 in discussion with the author, 2018.


132. Representative Horn in second discussion with the author, 2019.
harm the economy would have been immediately stopped in its tracks. With this in mind, and although now there is no longer a Republican Supermajority, the Republicans still have the most seats in the General Assembly, which means their policy preferences are likely to remain the priority. Since the Republican assumption is that lower taxes fuel a better economy, there is little to no possibility that Republicans would consider raising taxes, even for education purposes. However, considering that taxes are at 5.25% currently and the tax cap is at 7% (meaning that taxes could be raised to 7% but could not be raised higher than 7%), there is a small amount of room to increase taxes if necessary. This means that since the tax cap does not impact the level of income or corporate taxes that are currently implemented, the argument could be made that taxes could be raised to the full 7% allowed in the tax cap amendment, if it was determined to be a good idea. Nevertheless, the tax cap prevents income and corporate taxes from being raised to above 7%, which prevents the accumulation of additional funds that could have been collected from taxes if the tax rate was allowed to go above 7%. In sum, the Republicans have enacted a tax cap that makes it challenging to raise taxes.

Further encouraging Republicans to stay the course is the fact that North Carolina has been reducing income and corporate taxes for the past several years; it would not be politically smart for Republican legislators to reverse course and advocate for an increase in taxes to help fund public K-12 education. Republicans argue the success of their tax policies by showing that by dropping tax rates and expanding bases, North Carolina jumped from 44th in 2012 (before the tax overhaul in 2013) to 12th in 2013 and down

133. Legislative Staff Employee 2 Interview with the author, 2019.

134. Representative Horn in first discussion with the author, 2018.
further to 11th in 2015 on the *State Business Tax Climate Index*. Before 2013, the tax burden was higher in North Carolina than most of its competitor states (competitor states being defined as economically competitive), the state government relied the heaviest on the individual income tax for a source of revenue, and the income after taxes per person was lower than the United States average. Under the tax reform bill, graduated tax rates were replaced with one flat rate, individual income tax rates were lowered over several years, and it broadened the tax base by limiting or closing several income tax credits and deductions. The bill also lowered the corporate income tax rate over three years with a further deduction subject to a revenue trigger, and took away local business privilege. In addition, it also repealed the state estate tax and enlarged the Child Tax Credit and Standard Deduction (also known as the “zero-tax” bracket). The same legislators who authored the 2013 tax overhaul also advocated for the expansion of the "zero-tax" bracket that is aimed at helping all workers, but it is specifically focused on


those who earn a low income.\textsuperscript{140} The “zero-tax” bracket includes families filing jointly and earning up to $20,000, and individuals earning up to $10,000.\textsuperscript{141} These changes in taxes enable about 30 percent of all the returns filed in North Carolina to be exempt from state income taxes.\textsuperscript{142} The tax reform that began in 2013 has been successfully implemented with the last phase of the reform set to take place in early 2019. Ultimately, the reduction in taxes over the past several years makes it difficult to justify to the public, especially low-income earners, that they have to undertake the burden of additional taxes to help fund public schools.

The tax relief that North Carolina has implemented over the years makes it tough to raise taxes to help fund public education. Currently, except for the states of Tennessee and Florida that have no income taxes, North Carolina has the lowest personal income tax rate in the southeastern United States and the lowest corporate tax rate in the nation among the 48 states that impose such taxes.\textsuperscript{143} The tax relief was officially enacted as part of the budget approved in 2017 by the General Assembly. The final phase of the tax reform produced in 2013 includes North Carolina’s personal income tax rate of 5.499% declining to 5.25% in 2019.\textsuperscript{144} This lower tax rate allows lawmakers to have a little financial wiggle room to generate more revenue via taxes (i.e., the option to raise


\textsuperscript{141} Leslie, “New State Laws Bring Tax Breaks.”

\textsuperscript{142} Leslie, “New State Laws Bring Tax Breaks.”

\textsuperscript{143} Gleason, “When the Ball Drops.”

\textsuperscript{144} Gleason, “When the Ball Drops.”
taxes from 5.25% to 7%) in the event that the $2 billion in the rainy-day fund is not enough in the case of an emergency or recession.\textsuperscript{145} Ultimately, the overhaul of income and corporate taxes illustrates the commitment of the Republican-held General Assembly to reduce and maintain taxes at a low level.

An additional reason why Republicans do not want to raise taxes to increase education funding is because the broad consensus of the public is that no one likes getting taxed.\textsuperscript{146} This is an important discussion because legislators have to make sure that they are listening to the wishes of their constituents. This is vital because without legislators fulfilling the requests of their constituents, they are less likely to get re-elected. As a result, legislators’ policy decisions rely heavily on what their constituents want. With this being said, it makes sense that there is a high bar to get over to convince legislators that additional taxes are worth levying on their constituents.\textsuperscript{147} This is because there is the bar that in general, the American public does not like taxes, they like expenditures, they like to vote for legislation that gives them extra green space or will build extra schools, but if you tell them that the General Assembly is increasing taxes to do that, the resulting electoral behavior is very different.\textsuperscript{148} So, ultimately, you have policymakers that are dealing with an electorate that does not want to give more of their money away in taxes.

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\textsuperscript{147} General Assembly Employee 2 in discussion with the author, 2019.
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\textsuperscript{148} Legislative Staff Employee 1 Interview with the author, 2018.
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but still want improvements in education, argued a member of the legislative staff.\textsuperscript{149}

This unpopularity of taxes makes it difficult to raise taxes to help better fund public K-12 education.

Republicans like reducing taxes, but it is also interesting to note that there has not been much movement by Democrats to make any changes to the Republican tax policies so that more money can be generated to help fund public K-12 education. Since 2010, the Republican supermajority in the General Assembly has prioritized tax cuts rather than restoring investments in the public schools. However, according to Kris Nordstrom, as far as the actions of the legislature’s Democrats, there has not been, at least from the governor’s budget, an indication that there is an appetite to roll back any of these tax cuts.\textsuperscript{150} So, Democrats, at least from the governor's office, seem to be locking in these lower levels of overall state investment.\textsuperscript{151} Nordstrom’s argument is significant because it illustrates that it is likely that Democrats, like the Republicans, believe that the public does not like getting taxed and therefore do not wish to alienate their base by increasing taxes. As a result, they have made little to no movement to increase taxes. However, according to a member of the legislative staff, there is not substantial proof that indicates that Democrats will not pursue tax increases to help fund education in the upcoming year.\textsuperscript{152}

\textsuperscript{149} Legislative Staff Employee 1 Interview with the author, 2018.

\textsuperscript{150} Kris Nordstrom interview with the author, 2018.

\textsuperscript{151} Kris Nordstrom interview with the author, 2018.

\textsuperscript{152} Legislative Staff Employee 2 Interview with the author, 2019.
It Is Difficult to Justify Increasing Education Spending

Beyond the fact that Republicans have ideological and political reasons to keep taxes down, thereby limiting the funds for education, there are factors beyond party that shape why politicians do not pursue tax increase for education spending. Namely, the difficulty in measuring how spending shapes education outcomes and impact makes it hard to justify raising taxes for funds. Over the past several years, there has been growing interest in adapting to an educational productivity, or “academic-ROI,” approach to education.153 “Education leaders do not seek a monetary return on their investment, like business leaders do; they seek greater student learning, or other outcomes like student citizenship, higher graduation rates, or increased lifetime earnings and career options. They want to use their scarce dollars on what works best for students.”154 This argument by Frank and Hovey is important because it sets the stage for the largest issue legislators face surrounding education funding - the inability for legislators to believe that they can thoroughly justify raising taxes to fund education more adequately when the efficient use of those dollars is hard to measure. This is important because policymakers are not only working for concerned citizens who want to see more investment in public schools and public school professionals, but are also working for concerned citizens who believe they are overtaxed.155 This leads to the issue that there is more pressure than ever for public


154. Frank and Hovey, Return on Investment in Education, 1-14.

155. Kornhauser, “People Don’t like Paying Taxes”; Legislative Staff Employee 1 Interview with the author, 2018.
school advocates to be able to put forward a substantive and compelling rationale for why they need more funds.

According to a member of the legislative staff, there is not a way to measure education outcomes that is 100% infallible. The Legislative Task Force on Education Finance Reform was created in the hopes of figuring out a solution to this problem. However, the task force has been chastised for not dealing with adequate spending but rather only dealing with the process of allocating funds. The response the House Chair of the task force has given to that accusation is that if you do not have a good process for directing money, then any sought-after changes do not matter. Nevertheless, there is evidence that higher spending is beneficial to students, even if it is not clear exactly how it should be spent.

It is hard to prove programs work in general, but it is especially difficult in education programs. This is because even when there is a story about a program working, there are usually some reasonable caveats about in what sort of environment they work - this is another issue that must be taken into consideration. According to a high-ranking employee of BestNC, the bottom line is, if we knew how to spend money, we would not have states that are spending multiples of what we are spending and doing worse than us, while having other states that are spending multiples and doing better than us. There are many questions that result from this type of issue. For example, how do we know

156. Legislative Staff Employee 2 Interview with the author, 2019.
157. Representative Horn in first discussion with the author, 2018
159. BestNC Employee Interview with the author, 2019.
constituents are getting their money’s worth? What are the accountability measures? How do legislators and constituents work together to set up a system so that they know that the money allocated to the education budget is actually contributing to improved student outcomes? So far, the overarching answer to these questions from the task force is “we do not know.”\(^{160}\) This is where the Legislative Task Force on Education Finance Reform runs into the issue of presenting qualitative verses quantitative evidence as a source of accountability and justification for their recommendations for education finance reform.

When it comes to education, the task force understands that the outcomes are typically going to be measured in a qualitative manner. However, the issue is that qualitative data is not presented numerically so it is nearly impossible to justify results to gather more support for education funding because the results are not absolute. This is because more often than not, education services are seen as “this is what you are doing with the money,” (for example, creating a literacy program to help underprivileged kids, which would be measured by how well kids learn to read) and not “this is what I am getting in return for my investment,” which would ideally be illustrated through the amount of dollars generated or the amount of economic growth. Constituents want to know what they are getting in return for paying taxes and it is incredibly difficult to give them an answer with qualitative data. On the other hand, quantitative data is difficult to come by when trying to measure improvements in education services because not only does one have to take into consideration that education consequences take time to materialize, such as subsequent jobs and occupations, but that there are always going to be confounding variables. For example, an education policy professor at the University of

\(^{160}\) Legislative Staff Employee 2 Interview with the author, 2019.
North Carolina at Chapel Hill argues that if the legislature were to determine that they were going to measure their financial investment in education by test scores, it would be very difficult to ascertain the student outcomes because there would always be some level of variance across students.\(^{161}\) Representative Horn contributes to this argument by postulating that perhaps one student was sick or another did not sleep well and that is what caused their test scores to not truly reflect their academic level.\(^{162}\) Amongst many other potential variables, these are factors that could significantly impact the results of the tests and therefore could skew the data. Ultimately, the House Chair of the legislative task force states that it is incredibly difficult for the task force to find a solid way to measure the return of investments in education.\(^{163}\)

So how do we know that we are adequately or not adequately funding public K-12 education if we do not exactly know what we are getting for what we are paying? Representative Horn argues that the state can and should put more money into education, but he also wonders how the public can justify giving the state more money via taxes when the public is not getting any tangible results from the money they have already given.\(^{164}\) This is the dilemma that legislators face. They all want better student achievement outcomes, but some legislators are more focused on the process to get additional money instead of focusing on student outcomes, and the other legislators that

\(^{161}\) UNC Education Policy Professor in discussion with the author, 2018.

\(^{162}\) Representative Horn in first discussion with the author, 2018.

\(^{163}\) Representative Horn in second discussion with the author, 2019.

\(^{164}\) Representative Horn in second discussion with the author, 2019.
are more focused on the outcomes do not care as much about the process.\textsuperscript{165} Members of the legislative staff and employees of the General Assembly agree that in order to get a piece of successful legislation, there has to be a healthy balance between the two.\textsuperscript{166}

Representative Horn recalls a specific example about teacher compensation. In this example, he states that the Democrats want to pay teachers on an 11-month or 12-month basis rather than on a 10-month basis as is done now.\textsuperscript{167} He remembers his fellow Republicans asking, how do I know what I am getting for what I am paying? He argues that it is a very expensive proposition if the state started paying teachers for 11 or 12 months. He also claims that some Democratic legislators say what we are already getting 11 or 12 months of work out of our teachers so all the changes would do is allow the teachers to be paid for what they are already doing.\textsuperscript{168} This leads us back to the question of how legislators can go to the taxpayers and ask them to contribute more money through taxes but are not able to prove that there are going to be any additional results. So, since there is not an infallible way to measure investment outcomes for education programs, the appropriation chairs for education that oversee finances are left with having to find ways to restructure the current budget in order to figure out how to address funding needs for the public K-12 education system.\textsuperscript{169} In the end, restructuring is

\begin{footnotesize}
\begin{enumerate}
\item General Assembly Employee 1 in discussion with the author, 2018.
\item Legislative Staff Employee 1 Interview (2018); General Assembly Employee 1 and 2 Interviews (2018) in discussion with the author.
\item Representative Horn in second discussion with the author, 2019.
\item Representative Horn in second discussion with the author, 2019.
\item General Assembly Employee 2 in discussion with the author, 2019.
\end{enumerate}
\end{footnotesize}
incredibly difficult because without being able to utilize additional revenue from increased taxes (since there will not be increased taxes because constituents do not want them), legislators are going to have to figure out whether or not programs are working and then justify taking away funds from non-education-related areas of the budget in order to fund them.\textsuperscript{170} This is the constant battle that legislators face when it comes to increasing funding for public K-12 education. This battle gets more complicated when legislators have to weigh allocating funds to programs that have more measurable outcomes, like healthcare (which will be discussed later in the chapter), instead of education.

Another reason it is difficult for Republicans to justify raising taxes to increase the education budget is because some of them believe they already have a satisfactory, although not necessarily ideal, level of money to fund all state programs. As mentioned previously, legislators on both sides of the isle want to increase public K-12 education funding.\textsuperscript{171} However, there are several Republican legislators who believe that there is enough money to fund education at a workable level, although the funds are not necessarily at an adequate level, since they do not have a choice in whether or not to fund certain programs, like the state healthcare program, that eat up a lot of the budget.\textsuperscript{172} The limited amount of money that the General Assembly obtains from reduced taxes ends up being placed with programs like healthcare that are not only more essential (meaning that

\textsuperscript{170} General Assembly Employee 2 in discussion with the author, 2019.

\textsuperscript{171} General Assembly Employee 2 in discussion with the author, 2019.

\textsuperscript{172} General Assembly Employee 1 in discussion with the author, 2018.
the availability of services can determine life or death), but also more measurable, so they are easier to justify to constituents.

When North Carolina legislators determine the state budget, they realize that there is a finite amount of funds that must be distributed in a way that enables all state programs to be funded. As a result, the battle for funds usually ensues between education and healthcare, the two largest portions of the state budget. This creates a large amount of funding pressure on the state budget because there is no room to be flexible in determining how much money to allocate for health care programs.\textsuperscript{173} Healthcare is an essential service provided by the state government that must be sufficiently funded not only because it can often be the difference between life and death for an individual, but because it is also smart financial policy to do so. Representative Horn argues that people that are not getting good healthcare cost the state more money - more money in emergency services, emergency room visits, ambulance calls, and more.\textsuperscript{174} Moreover, he argues that it is financially smart because it is one of the programs that attract more people to move to North Carolina, who in turn put more money into North Carolina’s economy.\textsuperscript{175} This is important because North Carolina’s General Assembly is still a Republican majority that places an emphasis on economic growth and prosperity.

It may be surprising to find that healthcare funding is one area that does not often get discussed when talking about funding public K-12 education, especially the increases

\textsuperscript{173} EdNC Employee Interview with author, 2019.

\textsuperscript{174} Representative Horn in second discussion with the author, 2019.

\textsuperscript{175} Representative Horn in second discussion with the author, 2019.
in health care needs, as well as the dramatic increases in.\textsuperscript{176} But if one looks at this issue broadly, one can see that this is happening nationally as well, the increase in the dollar amounts for health services has gone up dramatically. This is best illustrated with the funding of the Children’s Health Insurance Program (CHIP) and Medicaid.

CHIP and Medicaid deliver direct and indirect financial support to schools, and as a result, students are healthier and educational outcomes for students improve.\textsuperscript{177} CHIP supports uninsured kids that are too wealthy to qualify for Medicaid, and it is funded by the federal government along with matching state dollars, according to a report from Georgetown University.\textsuperscript{178} This program is important in helping students have access to healthcare so that they are not held back academically for health-related reasons.

However, Medicaid is the program that ultimately relies heavily on state funding, which is problematic for a state such as North Carolina that has a limited budget.

Medicaid has been taking up more and more of the state budget since the 1990s. There has recently been a major conversation to get counties out of Medicaid funding and make it completely a state responsibility. Right now, North Carolina is funding health care for all retirees when the federal government actually offers that for a portion of the population.\textsuperscript{179} Furthermore, expenditures for Medicaid are increasing because more of

\begin{flushright}
\textsuperscript{176} Civitas Institute Employee Interview with author, 2018.
\textsuperscript{179} General Assembly Employee 2 in discussion with the author, 2019.
\end{flushright}
North Carolina citizens are becoming eligible for Medicaid. This increase of eligible citizens began during the 2008 recession when a substantial number of individuals started to struggle financially, and it was also one of the reasons why so much money was taken away from the education budget during that time. This money was taken away from the education budget because during the recession of 2008 and the years surrounding it, there were more people who were suffering financially, which meant more people needed additional assistance with medical costs.\textsuperscript{180} As a result, the enrollment in the state funded healthcare programs in the years during and around the recession grew. This increased the amount of funds the state needed to support the program in order to accommodate the influx of new participants. As a result, money was taken away from the education budget to meet these needs.

In addition, it is important to note that North Carolina is not a Medicaid expansion state. According to a high-ranking employee of EdNC, “the problem with [the] state budget is not just the total dollars we have available relative to the tax policy of whoever is governing at the time, but the pressure on the state budget that comes from things we cannot control, very much like Medicaid.”\textsuperscript{181} The main point to take away from this statement is that North Carolina (instead of the federal government) must pay for Medicaid because the state did not expand it under Obamacare. So, as a result, funds from the healthcare budget cannot be re-allocated to the education budget because all of the money allocated to the healthcare budget is needed to perform essential healthcare services. In fact, the money allocated to the healthcare budget is no longer enough to

\textsuperscript{180} General Assembly Employee 2 in discussion with the author, 2019.

\textsuperscript{181} EdNC Employee Interview with author, 2019.
adequately perform healthcare services, so money must be re-allocated from other areas of the budget (typically the education budget) to cover the costs. Furthermore, according to a member of the legislative staff, the cost of medical care increases faster than the costs of other services across the state year by year, even when there are no expansions in healthcare programs.\(^\text{182}\) Because of this, there is always going to be a shift in purpose for funding towards healthcare needs to be able to meet these demands.\(^\text{183}\) Ultimately, since the outcomes of investing in healthcare are easily measurable (i.e., people either live or die), it is easier for legislators to justify the allocation of funds to healthcare programs rather than education.\(^\text{184}\)

It is essential to acknowledge that although North Carolina is not a Medicaid expansion state, it is heading in that direction. If North Carolina expands Medicaid, then there will be budget complications that legislators may not have to think about immediately, but will have to acknowledge in the long term.\(^\text{185}\) This is because the state is footing more of the bill than it would be if it had accepted Medicaid expansion dollars from the federal government. So, a bill to expand Medicaid would have a big impact on the budget - the expansion of Medicaid would likely end up freeing up dollars at first and then eating them up later. With this in mind, there is definitely going to be a bill presented to expand Medicaid in the upcoming year, but no one knows what the bill will look like.

\(^{182}\) Legislative Staff Employee 2 Interview with the author, 2019.

\(^{183}\) Kris Nordstrom interview with the author, 2018.

\(^{184}\) Representative Horn in first discussion with the author, 2018.

\(^{185}\) Terry Stoops in discussion with author, 2018.
and what the specific financial repercussions will be.\textsuperscript{186} Despite all of the uncertainty about the evidence to justify education spending, applying logic to the resource allocation process between healthcare programs and education programs can help leaders make better decisions on spending resources.\textsuperscript{187}

Healthcare continues to eat up an increasingly large portion of the budget - as of 2019, healthcare takes up about 33\% of the entire state budget.\textsuperscript{188} So, when taxes are cut and legislators have this healthcare expenditure that is always increasing faster than inflation, and since it is a pretty significant part of the budget, it does not leave a lot of room for improving education funding. Furthermore, since the healthcare budget is nearly impossible to reduce, that leaves you with only education left to cut since it takes up about 39\% of the entire state budget.\textsuperscript{189} Ultimately, it is difficult to increase or decrease the state budget without affecting education in some manner.\textsuperscript{190}

Conclusion

My research has found that since Republicans believe that low taxes are vital to economic growth, they have made it challenging to raise taxes and tough to justify any increases that are proposed. A high-ranking employee of EdNC argues that one part of

\textsuperscript{186} Terry Stoops in discussion with author, 2018.

\textsuperscript{187} Frank and Hovey, \textit{Return on Investment in Education}, 1-14.


\textsuperscript{189} \textit{Highlights of the North Carolina}, 1.

\textsuperscript{190} North Carolina Justice Center Employee Interview with the author, 2018.
the problem with anybody doing policy is that there is this tendency to look at one piece of it relative to the political lay of the land, and that often results in less than satisfactory policy. She also argues that the main reason why we need to think about governance and who is accountable is that somebody has to be charged with envisioning an objective for the education system and doing it holistically and having a structure in place to make the desired changes. This is important for legislators to acknowledge and contemplate if they truly want to implement meaningful change in public K-12 education policy.

Chapter V.

Conclusion

Over the course of my research, I have found that since Republicans prioritize low spending, their control of the General Assembly has made it difficult to raise taxes and challenging to justify any increases in funding that are proposed. With this in mind, North Carolina’s funding of public K-12 education is at its capacity and the only way to approach achieving significant change is by re-evaluating the structure of education spending. Even if legislators wanted to increase the funding for education, they have nearly maxed-out all revenue sources at the state level. So, the question is, what can be done with existing funds to help achieve progress towards better teacher compensation and spending per pupil? In order to better address this question, we have to first take a look at the current legislation before we can discuss who is tasked with finding solutions and what those potential solutions may be.

Recent Legislation

Although my thesis talks about North Carolina’s inadequate funding for public K-12 education, there have been some notable pieces of legislation passed by the General Assembly. The most prominent of these pieces of legislation include Senate Bill 99 and Senate Bill 75. Senate Bill 99 (the 2018 Appropriations Bill), demonstrates positive change by offering a few new areas in which revenue for education funding can be increased. One of the positive changes that the bill outlines in an increase of money
dedicated to the Education Lottery Fund from the revenue of the North Carolina Education Lottery from 16.9% of the net lottery revenue collected to 40% by the 2028-2029 fiscal year.\textsuperscript{193} Another promising step towards improving education funding is the increase of money from the Indian Gaming Education Revenue Fund from $9,000,000 in the 2017-2018 fiscal year to $19,000,000 for the 2018-2019 fiscal year to the Department of Public Instruction, Textbooks, and Digital Resources Allotment.\textsuperscript{194} In addition, this bill was amended to allow municipalities to use their own revenue to supplement public education funding, which was discussed earlier in the thesis. Ultimately, the bill illustrates the General Assembly’s effort to find new ways to generate revenue for public education funding. However, there is no evidence that suggests that these new changes will actually result in the funds necessary to adequately fund public K-12 education.

Unlike the bill discussed above, Senate Bill 75 presents a change that is problematic for education funding. Senate Bill 75, which was ratified in the 2018 session, is a bill that amends the North Carolina Constitution in the form of a tax cap in order to keep income and corporate taxes at no higher than 7%, as mentioned earlier in the thesis.\textsuperscript{195} This is a reduction in percentage down from the previous cap of 10%. Ultimately, capping taxes at 7% makes it difficult to generate funds and as a result, it makes it challenging to fund education adequately.

Although the Republican-controlled General Assembly passed a couple of bills that they believed would alleviate some of North Carolina’s financial burdens, there has

\textsuperscript{195} Senate Bill 75, Session 2018, North Carolina General Assembly, 2018.
not been enough done to guarantee the growth and sustainability of North Carolina’s public K-12 education system. This brings us to where we are today and what has already been set in motion to help improve North Carolina’s public K-12 education system.

Who Is Tasked with Finding Solutions?

The North Carolina Legislative Task Force on Education Finance Reform, or also known as the Joint Select Committee on Education Finance Reform, was formed to create a new school funding model since North Carolina’s model is outdated – a new model is typically generated every 20 to 30 years, according to a member of the legislative staff.196 North Carolina is one of the few states that still uses a resource-based model, or also known as a resource allocation model, to fund public schools.197 The resource-based model is a model that “allocates a number of teacher positions based on the number of students enrolled, or the Average Daily Membership (ADM), and those allocations pay teachers.”198 The General Assembly has formulas for each one of these allotments to determine how to dispense funds across districts. The purpose of these allotments is to be

196. Legislative Staff Employee 2 Interview with the author, 2019
197. Legislative Staff Employee 2 Interview with the author, 2019
used together to provide districts with a pool of resources to disperse across schools.\textsuperscript{199} The problem with this model is that it can result in more dollars being allotted to districts that have less need for additional funds.\textsuperscript{200} That is one of the main reasons why the task force is looking at transitioning to the student-based model (also known as weighted student funding). The student-based model is the model for public school funding where the allocation of funds to schools is determined by the number of students enrolled and by the “weighed” need of each student.\textsuperscript{201}

One of the reasons the task force is looking at a new funding model is because North Carolina’s current model is frequently considered to be too complicated.\textsuperscript{202} The student-based model would enable funding for schools by placing a dollar amount on each student and would divide the state’s educational funding among the average amount of students to generate the amount to allocate to each student.\textsuperscript{203} Some experts suggest that the task force should consider recommending and following California’s model that gives schools a specific amount per student and then provides the school or district complete autonomy on how to spend the money (staffing teachers, programs, classroom


\textsuperscript{200}“Financing Education in North Carolina,” NC Justice Center, 2017.


\textsuperscript{202}Wyatt, “Education Finance Reform.”

\textsuperscript{203}Wyatt, “Education Finance Reform.”
supplies, technology, class size limits, etc.). However, to get a better look at what the

task force plans to achieve, we need to dive into what it has actually accomplished so we
are able to gauge what it can accomplish in the future.

According to Representative Horn, the task force did not make a lot of progress in
2018. The task force listened to a lot of professionals and their expert opinions on how
to improve education funding, but they did not officially put any proposals on the


table. However, the legislators were able to successfully recommend to the General
Assembly that the life of the task force be extended beyond 2018. As a result, the task
force is still alive today and will reconvene during the 2019 long session.

The task force also has to address issues that call into question who should be
responsible for determining how funding should be spent. Should there be a system in
which the state government gives the county the money and lets them decide how to use
the funds? Or should legislators set up some type of an accountability measure that is
based on ensuring the money is being put to use in a way that will drive student
outcomes? According to Representative Horn, no matter how much, or too little, money
you have, you have to have a process that gets money to work where it is needed, and
then legislators can talk about how much money is needed. What has been discussed
above is the nearly impossible task that the Legislative Task Force on Education Finance
Reform has been given. As of now, the task force has not officially accomplished

204. Wyatt, “Education Finance Reform.”

205. Representative Horn second discussion with the author, 2019.

206. Legislative Staff Employee 1 Interview with the author, 2018.

207. Representative Horn second discussion with the author, 2019.
anything in their effort to improve public K-12 education funding, but there is confidence that they will make progress towards positive changes in the upcoming years.

With that in mind, it is important to examine the progress made by the Governor’s Leandro Commission, otherwise known as the Governor’s Commission on Access to Sound Education, which was created by Executive Order 10 in July 2017. The Commission works in conjunction with WestEd, a consultancy that was selected by both of the parties of the Leandro case and appointed by Judge David Lee, to cultivate suggestions for what the state needs to do to meet its constitutional obligations for education. The Commission is taking a comprehensive, inter-disciplinary approach to examining the three main areas focused on in the original Leandro ruling to ensure North Carolina is meeting its constitutional responsibility to staff each classroom with a competent, well-trained teacher, each school with a competent, well-trained principal, and the resources necessary to make sure that all children have “an equal opportunity to obtain a sound, basic education.”

Although when the Leandro case was decided it was not a partisan issue, there is now a high risk that the Leandro Commission will become politicized – one of the reasons is because there is a new judge who is left leaning instead of the former judge who was right leaning, according to a high-ranking employee of EdNC. The concern


209. “NC Gov. Cooper.”


211. EdNC Employee Interview with author, 2019.
with the new judge is that the decisions made might lean more liberal, which would most likely not align with the views of the Republican controlled General Assembly. There are also some risks that the findings of the commission will be politicized because when the Governor established the Governor’s Commission on Leandro, it automatically excluded Republicans legislators since the governor is a Democrat.\textsuperscript{212} We will have to wait and see if the commission’s findings end up being politicized.

What Are We Likely to See in the Future with the Leandro Commission and Task Force?

On February 20, 2019, the Leandro Commission will roll out a call to action for an attainment goal in North Carolina. An attainment goal is an objective that a state wants to accomplish, for example, setting a standard for the number of public school students that need to earn a degree or consumer credential that will allow them to have a living wage to support a family after they graduate.\textsuperscript{213} According to an employee at the North Carolina Association for Charter Schools, North Carolina is one of only five states that do not have an attainment goal.\textsuperscript{214} With this in mind, the next question to ask is, how do you make an attainment goal happen in each of North Carolina’s one hundred counties? Addressing this question is important because the answer is relative to the strengths, weaknesses, assets, and opportunities available in each of the one hundred counties. For instance, in Swain County where there is not a community college and there is not any

\textsuperscript{212} EdNC Employee Interview with author, 2019.

\textsuperscript{213} North Carolina Association for Charter Schools Employee Interview with the author, 2018.

\textsuperscript{214} North Carolina Association for Charter Schools Employee Interview with the author, 2018.
industry and there are not a lot of community assets, what an attainment goal would be in this area is very different from what it would be in an urban county. However, the Leandro Commission is tasked with providing recommendations for instances like this. The recommendations would address what it would take in terms of money to have good principals, teachers, and resources, and would also provide solutions on how to make sure each kid gets solid basic education in every county across the state. Once these recommendations are considered, the question becomes: what does the funding mechanism look like both in terms of dollar amount and how those dollars are delivered to the system? It is up to the General Assembly to determine these details. Given that Republicans are pro-tax cuts, what is the likelihood that Republicans would actually implement what the task force and commission recommend? Based on the evidence I have examined above, I estimate the likelihood that the General Assembly would implement the changes is low. The likelihood is low because the budget is so restricted that there is no room in the budget to increase funding for or to re-allocate money from other areas of the budget towards, education.

Although the Legislative Task Force on Education Finance Reform, like the Leandro Commission, has some objectives it wishes to accomplish in regards to making public education funding changes, legislators find that they are doubtful that they will end up making a comprehensive plan.215 Instead of completely overhauling the education finance system, it is more likely that the task force will recommend fixing specific areas within the system so that their focus is more concentrated and more work can be

215. Legislator 1 Interview (2018) and Horn second discussion with the author (2019).
accomplished. Some of the specific areas talked about include capital funding for infrastructure needs as well as teacher compensation. However, members of the task force believe that in order for real change to occur, there has to be a predetermined process on how to implement and achieve the changes before being able to pass a bill into law that outlines those proposed changes.

It is important to acknowledge that it is out of the scope of the task force to go out and raise taxes based on their authority alone. The committee's assignment is to develop a process that will effectively and efficiently fund public K-12 education in North Carolina. There are many questions that must be answered that are nearly impossible to answer in order to get the evidence needed to determine funding for public K-12 education.

The reality is that poor counties need a special amount of help because their facilities are antiquated, their availability of supplies is sparse, and their kids by and large are not reading the same and are not getting the same outcomes as kids in more wealthy counties, argues Representative Horn. The problems of poor counties are further exacerbated by the level of philanthropic dollars that are frequently given to urban counties and not rural counties. According to a high-ranking employee of EdNC, the

216. Representative Horn second discussion with the author, 2019.
217. Representative Horn second discussion with the author, 2019.
218. Representative Horn second discussion with the author, 2019.
220. Representative Horn second discussion with the author, 2019.
221. EdNC Employee Interview with author, 2019.
access to philanthropic dollars creates another huge other layer of inequity.\textsuperscript{222} For instance, Mecklenburg and Wake County have a significant amount of philanthropic dollars flowing in for a variety of different things that help supplement state funding, but other more rural counties do not.\textsuperscript{223} So, what percentage of the state budget should go towards public K-12 education? How can the General Assembly determine how much money should go to low wealth counties or rural counties, or should that be the approach at all? The access to supplemental funds, such as philanthropic funds, is something that poorer districts are likely to never have. This is an issue that legislators must take into consideration when examining a new funding model.

What Should Happen Next?

The federal government already gives significant funds to the state,\textsuperscript{224} so in order to not risk further dependence on the federal government, North Carolina must look at its local governments for additional funds. Before 2018, postulating that local municipalities would be able to help the state in supplementing funds for teacher compensation and per pupil spending would have been impossible because there was no law that permitted this.\textsuperscript{225} Although county governments have been able to supplement the state’s

\begin{itemize}
\item \textsuperscript{222} EdNC Employee Interview with author, 2019.
\item \textsuperscript{223} EdNC Employee Interview with author, 2019.
\item \textsuperscript{224} “North Carolina Department of Revenue,” https://www.ncdor.gov/tax-rate-schedule-tax-years-2011-2013.
\end{itemize}
operational funds and provide the majority of capital funds for schools, municipalities have had no statutory authority under general law to help fund schools.\textsuperscript{226} However, in 2018, the General Assembly passed an amendment to Senate Bill 99, the Appropriations Bill, to allow local municipalities to start contributing to teacher compensation and spending per pupil for the first time in North Carolina history.\textsuperscript{227} The amendment says “a city may use property tax revenues authorized under G.S. 160A-209(c)(26b) and other unrestricted revenues to supplement funding for elementary and secondary public education that benefits residents of that city.”\textsuperscript{228} Since the amendment passed in 2018, not enough time has elapsed to be able to fully determine whether or not it has generated substantial positive changes in education funding. Nevertheless, the passing of the amendment to allow municipalities to supplement funds for public education is a significant step towards finding and maintaining new sources of revenue to fund public education.

The argument against this solution is that all students deserve a fair and equal education, and since rural and urban areas are not able to provide the same level of education services because poor rural areas do not have the same resources as rich urban areas, any money given by the state does not help solve the underlying monetary inequality issue. So essentially, the problem with this equality argument is that by equally distributing funds across the state, certain areas that are in higher need are still not getting the resources they need to succeed. There is some supplemental funding to poorer

\textsuperscript{226} Millonzi, “North Carolina Municipalities.”


\textsuperscript{228} Senate Bill 99, Session 2018, North Carolina General Assembly, 2018.
districts,\(^{229}\) but ultimately, it is not enough. There is also a risk that this will lead to more inequality with wealthier areas being able to raise more money than poorer ones, as discussed earlier in the chapter. However, by giving municipalities the authority to contribute to teacher compensation and spending per pupil, there is more hope that progress towards better funding will occur because now the municipalities have the option to pursue innovative solutions - which would have normally been roadblocked at the state level. However, in order to keep both the state and local governments accountable, the state needs to form individual partnerships with each specific municipality to ensure that innovation is truly fostering growth and not having a negative impact. The most feasible way to accomplish this is to have informal monthly or quarterly meetings to discuss progress on budgetary changes; and for municipalities to submit official semi-annual reports to the state that are to be reviewed and discussed at formal semi-annual meetings. Any resources needed to adhere to these requirements would be provided by the state so there would not be any undue burdens on municipalities.

However, these plans beg the question: why would local governments want to find new ways to raise and spend money to supplement state funding for education when the current budget is somewhat functional? The answer lies with incentives. The state government, knowing that it is asking municipalities to step up in responsibility, has to provide an incentive for them to starting making changes. Since undue financial burden is the main worry likely to be expressed by municipalities, the most feasible incentive would be to offer a sizeable grant to whichever local government makes the most positive

\(^{229}\text{Highlights of the North Carolina, 19.} \)
change towards supplementing the state budget for teacher compensation and spending per pupil. The positive change would be measured in a way that reflects the current financial situation of each area, along with any other variables that are considered to be important, and would be adjusted accordingly. So, where would the state get the money to provide the incentive? Some options include dipping into the rainy-day fund, finding a corporate sponsor, increasing taxes, or perhaps leaning on the federal government for more grant money. At the end of the day, the legislators in the North Carolina General Assembly have the final say in determining how to incentivize local governments to contribute additional funds to public K-12 education.

The next step is to help municipalities set up an efficient and effective system to navigate any potential supplemental funds for their school districts. Local governments would need to partner with their school boards to ensure the funds are distributed to areas that need the most aid. This not only will help enable better pay for teachers and spending per pupil, but will also help schools keep up with the rapidly changing technology that students need to be acquainted with to be able to function sufficiently in the real world. Ultimately, North Carolina needs to focus on local partnerships and local governments to contribute more to education funding.

Another potential solution would be to build more charter schools. Charter schools cost less to build overall, and they do not get any funding from the state to build them, so building more charter schools would be a way to deal with the overcrowding of district schools without having to be burdened by overwhelming costs, argues a high-
By building more charter schools, the state would not have to use contracts to build schools that are significantly more expensive than charter schools. This would free up money that could be used elsewhere in the public school system, perhaps in teacher compensation. This would have the potential to enable salary increases, which in turn, could be a feasible incentive to encourage more individuals to become teachers, or perhaps attract more teachers to move to North Carolina from other states. On a similar but different note, the salaries for teachers who have earned a master’s degree or higher should have higher starting salaries than teachers who have only earned a bachelor’s degree, so perhaps the additional funds could help contribute to acquiring higher starting salaries for these individuals. This would help incentivize more people to pursue higher degrees before becoming teachers, and therefore, ideally, there would be more teachers capable of providing a quality education to students.

What Does North Carolina Teach Us?

North Carolina teaches us that taxes are a vital source of revenue for public K-12 education funding and that limiting or cutting taxes can do more harm than good. North Carolina also shows that focusing so much on tax reductions restricts a lot of what the state can do for funding public K-12 education. The lesson learned from North Carolina is that putting a tax cap in the state constitution, as well as reducing taxes overall, is not necessarily the best idea when considering education funding. Although education policy is thought to mostly be an inherently political issue that has a foundation in ideological

preferences, North Carolina shows us that both Republicans and Democrats broadly support the topic of education. The controversy lies in what process, plan, or policy each political party wants to pursue in order to initiate the changes they want to see in education funding. Ultimately, whichever party has the majority in the General Assembly will dictate the outcome of public K-12 education funding in North Carolina.
References


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