

Avoid inequitable budget cuts to high-poverty school districts

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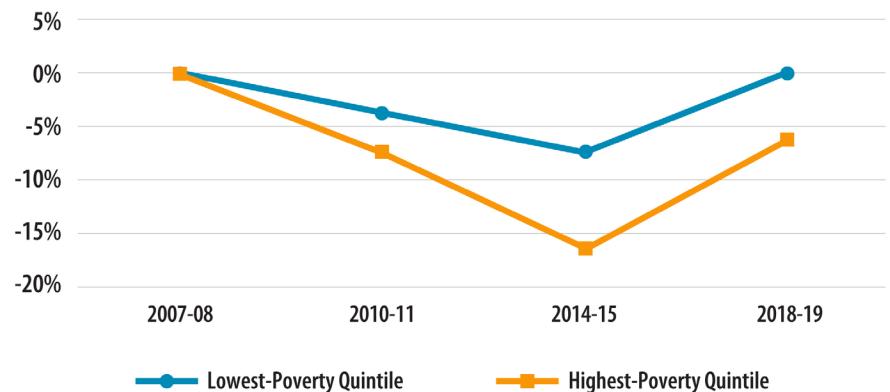
AS NORTH CAROLINA ENTERS ITS SECOND RECESSION IN THE PAST 12 YEARS, it is important that lawmakers avoid repeating unnecessary mistakes. One of those mistakes was making our school funding system less equitable. An analysis of public school spending over the past decade shows that districts serving students from families with low incomes suffered the largest budget cuts during the last recession.

Districts with the highest concentration of children in need experienced deepest cuts

Districts with the highest levels of childhood poverty have fared the worst throughout the post-Recession era. In FY 2011, per-pupil spending in districts with the lowest rates of school-aged poverty decreased by an average of 3.7 percent from pre-Recession levels. That same year, per-pupil spending in districts with the highest rates of school-aged poverty were down 7.3 percent from pre-Recession levels.

This same pattern has persisted through FY 2015—when real per-pupil expenditures hit their lowest point—up through FY 2019, the most recent year for which data is available. In FY 2019, real per-pupil spending returned to pre-Recession levels in districts with the lowest poverty levels. But real per-pupil spending remained 6.2 percent below pre-Recession levels in districts with the highest levels of school-aged poverty.

FIGURE 1: Change in Real Total PPE from FY 08 in High-Poverty and Low-Poverty Districts



SOURCE: NC Department of Public Instruction Statistical Profile, Table 25; US Census Small Area Income and Poverty Estimates (SAIPE) Program

As North Carolina enters another, more severe recession, it is important that lawmakers not repeat the mistakes of the last recession and avoid cuts that disproportionately harm North Carolina’s most vulnerable students. Heading into the 2008 Recession, North Carolina schools already failed to provide students from families with low incomes the same opportunities as students from wealthier



Change in Total Per-Pupil Expenditures from FY 08

	2010-11	2014-15	2018-19
Lowest-Poverty Quintile	-3.67%	-7.35%	0.01%
Quintile 2	-6.66%	-8.00%	-2.51%
Quintile 3	-1.83%	-2.90%	-0.89%
Quintile 4	2.68%	-6.78%	-0.97%
Highest-Poverty Quintile	-7.31%	-16.45%	-6.20%

SOURCE: NC Department of Public Instruction Statistical Profile, Table 25; US Census Small Area Income and Poverty Estimates (SAIPE) Program

families. In 2008-09, just 48 percent of students classified as “economically-disadvantaged” scored proficient on their end-of-grade exams, compared to 64 percent of all students (inclusive of “economically-disadvantaged” students).

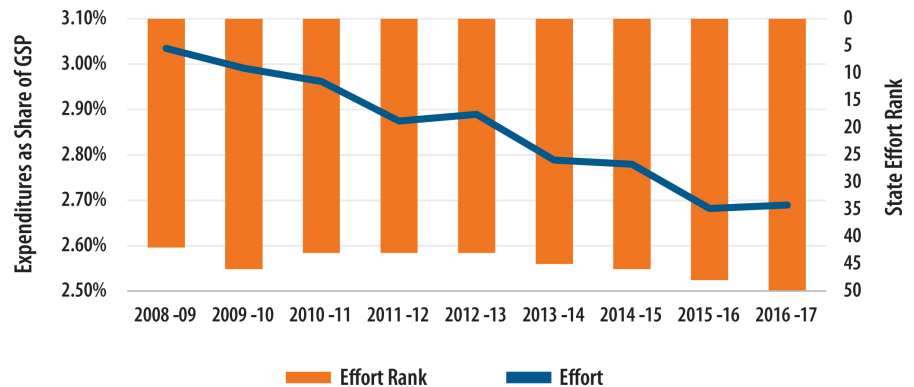
Cutting investments in public education has lasting impacts

Nearly every analysis of the impact of school funding cuts has found that they disproportionately impact students from families with low incomes. Jackson, Wigger, and Xiong found that Great Recession budget cuts had the greatest test-score impact on students from poor neighborhoods and increased Black-white test-score gaps.¹ Similarly, Shores and Steinberg found that Great Recession budget cuts reduced achievement disproportionately in school districts serving more economically disadvantaged and students of color.² These disparate impacts were almost certainly compounded in states like North Carolina that disproportionately cut school budgets in districts serving more students from families with low incomes.

Budget cuts—and who they impact—are a choice

It is important to remember that cutting school budgets in districts with the highest rates of school-aged poverty was a deliberate choice. The Great Recession had a massive impact on available state resources necessitating state budget cuts. However, lawmakers had considerable options when considering the distribution of these budget cuts. Budget writers at the General Assembly have full authority on deciding the distribution of funding and still they chose budget cuts that disproportionately fell on districts with the greatest number of school-aged children living in poverty.

FIGURE 2: NC School Funding Effort & Ranking



SOURCE: Bureau of Economic Analysis, Gross domestic product (GDP) by state (millions of current dollars); National Center for Education Statistics Digest of Education Statistics Table 236.20



In addition to choosing an inequitable distribution of school budget cuts, state leaders also chose to keep these cuts in place far longer than necessary. Rather than using a rebounding economy to restore school investments, General Assembly leaders chose to make the inequitable public school budget cuts permanent by implementing massive changes to North Carolina's tax code that disproportionately benefitted corporations and wealthy North Carolinians. Post-Recession tax cuts are now draining about \$3.6 billion per year from state coffers. As a result, North Carolina's school funding effort – public school spending as a share of general state product – is now the worst in the nation.

North Carolina could fall even further away from its constitutional obligation to educate every child

Throughout North Carolina's long-running Leandro court case, the courts have consistently found that North Carolina has been failing to meet its most fundamental obligation under our state constitution: providing every child a meaningful opportunity to receive a sound basic education, backed by adequate funding and resources in every public school.

Lawmakers' budget decisions after the Recession – disproportionately cutting districts with higher levels of student poverty and then entrenching those budget cuts by implementing tax cuts for corporations and wealthy North Carolinians – harmed efforts to provide North Carolina's children with the education that our constitution says they are owed. It is no coincidence that national education experts from consulting firm WestEd found that the past decade's actions have left our state “further away from meeting its constitutional obligation to provide every child with the opportunity for a sound basic education than it was when the Supreme Court of North Carolina issued the Leandro decision more than 20 years ago.”³

Lawmakers can make better choices this time around

As North Carolina enters another crippling recession, state budget writers must consider these lessons from the Great Recession:

- 1. Recall that North Carolina has been failing to meet its constitutional obligations to provide children with a decent education for at least the past 25 years.** A recession does not absolve state lawmakers of this constitutional responsibility. Any backsliding in meeting this key responsibility will be unacceptable.
- 2. If the General Assembly opts for school budget reductions, lawmakers must ensure they don't disproportionately harm students who have historically been denied equal opportunities within North Carolina's public schools.** That is, budget changes should be examined in terms of whether or not funding is improved for:
 - Students from families with low incomes;
 - Students of color;
 - Students with disabilities;
 - Students who are English language learners; and
 - Districts with limited local revenue capacity.

The General Assembly should make the analysis and underlying data publicly available.



3. Consider that, despite the impending economic crisis, North Carolina has substantial wealth available to avoid backsliding for a second generation of North Carolina’s children. According to data from the 2016-17 school year, increasing school funding effort to the national average would have boosted public school spending by \$4.3 billion.
4. Lawmakers should not not compound problems by enacting further tax cuts that disproportionately benefit corporations and wealthy North Carolinians.

Endnotes

1. C. Kirabo Jackson, Cora Wigger, Heyu Xiong (2018), “Do School Spending Cuts Matter? Evidence from The Great Recession.” NBER Working Paper No. 24203, as found at: <https://www.nber.org/papers/w24203>
2. Kenneth Shores and Matthew Steinberg (2017), “The Impact of the Great Recession on Student Achievement: Evidence from Population Data.” Available at SSRN: <https://ssrn.com/abstract=3026151>
3. WestEd, Learning Policy Institute, and the William & Ida Friday Institute for Educational Innovation (2019), Sound Basic Education for All: An Action Plan for North Carolina, as found at: <https://drive.google.com/file/d/1QL9in4KXilmpoYaOfShO4E6KDo2pSgXW/view>

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