

**ORANGE COUNTY  
BOARD OF COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

Meeting Date: February 12, 2004

Action Agenda  
Item No. 6

**SUBJECT:** Commissioner Proposals on Equal Opportunity in Education

**DEPARTMENT:** County Commissioners/  
County Manager

**PUBLIC HEARING:** (Y/N)

No

**ATTACHMENT(S):**

Commissioner Proposals  
Verbatim Transcript of 12/09/03  
BOCC Discussion on Schools  
Table – Distribution of Proceeds from  
Hypothetical Countywide Supplemental  
Tax

**INFORMATION CONTACT:**

Barry Jacobs or Margaret Brown, 245-2125  
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**Durham 688-7331**  
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**PURPOSE:** To discuss next steps regarding the examination of potential impacts resulting from a possible merger of the Orange County Schools and Chapel Hill-Carrboro City Schools.

**BACKGROUND:** On November 11, 2003, the Board of Commissioners conducted a work session on the potential implications of a possible merger between the Orange County Schools (OCS) and the Chapel Hill-Carrboro City Schools (CHCCS). Commissioners discussed the staff report on this subject that was presented on September 15, 2003, public input received since the publication of the report, and additional background information compiled by County and schools staff at the BOCC's request since September. Four Commissioners distributed and briefly explained the major elements of specific proposals that each presented to their fellow board members with regard to how the full Board of Commissioners should proceed on the merger question and related issues.

The Board held further discussions on this topic at their regular meeting on December 9, 2003. Commissioner Carey presented an additional proposal for the Board's consideration and Commissioner Gordon provided additional explanation of her November 11 proposal. No specific decisions were made at that meeting on how to proceed. Additional discussion of the subject was scheduled for the Board's Annual Planning Retreat on January 31, 2004, but time constraints resulted in postponement of that discussion until this February 12 work session.

The Board may wish to organize its discussion at this meeting around the BOCC-initiated proposals, including related topics such as: collaboration (facilitated discussions involving the Board Chairs are already underway); a proposed Educational Excellence Evaluation Group; a proposed School Efficiency Study; and a proposed Countywide school supplemental tax.

**FINANCIAL IMPACT:** Potential financial impacts of a hypothetical school merger or from alternatives such as supplemental school taxes were presented in detail in the staff's September 15, 2003 analysis and report on this topic. The County has borne the costs (not to exceed \$2,000) of the initial facilitated discussions about collaboration. The proposal from the Chairs is for further facilitated discussions between the two school boards to be shared evenly by each school system and the County. If the Board were to determine to proceed with an educational excellence task force and/or some type of school efficiency study conducted by an external entity, there would be costs (yet to be determined) that would need to be borne by the County, the school systems, or all three entities.

**RECOMMENDATION(S):** The Manager recommends that the Board discuss the issues surrounding potential merger, funding equity, or other alternatives that have been discussed, and provide appropriate direction to staff.

## **Proposal for consideration by the Orange County Board of Commissioners**

**This proposal investigates the equal access of all Orange Co. children to all available educational opportunities. The Commissioners should establish an Educational Excellence Task Force by the end of this year 2003.**

**The Commissioners will ask former UNC systems' President William Friday, if he will chair the Task Force and ask Madeleine Grumet, former Dean of the UNC School of Education and currently UNC Professor of Education, to assist President Friday in the formation of this Task Force.**

### **Mission**

The Task Force's mission would be to provide a review of both Orange County school systems (Orange County and Chapel Hill/Carrboro). It would investigate the educational resources available in both school systems, make recommendation for improvement and how these resources could become equally accessible to all Orange County students. The aim would be to preserve and enhance the superior quality of education that we now have.

1. Investigate the educational resources available to students and teachers in both school systems.
2. Determine how these resources can be made equally accessible to all students and teachers in Orange County.
3. Preserve the sustainable, cost effective spending of public tax monies that our citizens provide for schools in Orange County.

### **The analysis/review may include:**

1. Assessing the status of educational opportunities provided to all students in both school systems.
2. Evaluating the resources in both systems.
3. Assessing the strengths and weakness of both systems.
4. Investigating the educational needs of both systems.
5. Analyzing what each system currently does not offer its students and teachers and how this can be improved.

### **Conclusions and recommendations of the Task Force should include:**

1. How each system could collaborate and share resources.
2. What educational resources could and should be shared to achieve equal opportunities for all children in both systems.
3. Recommendations for increasing the accomplishments of under-achieving students, enriching programming for all students and preserving and sharing curriculum for academically advanced students.
4. Most importantly, the Task Force should recommend practical working models that both school systems could adopt to ensure collaboration and to achieve the goal of providing equal accessibility for all children to all the educational resources that Orange County provides

**The Commissioners would ask that both school systems commit themselves to support the Task Force mission through cooperative and practical means.**

The Commissioners would commit to at least \$10,000, funds that may be needed by the Task Force for its research efforts.

**November 1, 2003**

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**PROPOSAL FOR INSURING THAT EVERY SCHOOL AGE CHILD IN ORANGE COUNTY HAS AN EQUAL OPPORTUNITY TO REACH HIS/HER FULL EDUCATIONAL POTENTIAL**

- I. **February 12, 2004 meeting:** Consider and act on a decision of whether the school systems should be merged
- II. **If the Board decides to merge the school systems, we should decide on February 12, 2004 to set the Effective Date of Merger for July 1, 2006 or July 1, 2008.**
- III. **If the Board decides to merge the school systems, we should decide on February 12, 2004 to appoint a Citizens Merger Advisory Task Force to work for not more than twelve months (12) after appointment to develop and recommend a Proposed Merger Plan to the BOCC for approval.** The BOCC approved plan would be submitted to the State Department of Education in not more than five months (5) after submission to the BOCC by the Citizens Task force. The board should also decide at this meeting to employ a consultant to work with county staff and the Task force to develop a plan that is consistent with state board of education policies. The task force members and the consultant will be appointed within 90 days of the February 12, 2004 meeting.
- IV. **Decide at the February 12, 2004 meeting that one part of the Proposed Merger Plan will include a provision that no student in either system will be involuntarily transferred from the school he/she attends on the effective date of merger within the first three years after the effective date of merger except for those transfers necessary for occupancy of the new high school in southern Orange County and the new middle school in central Orange County.**
- V. **Decide at the February 12, 2004 meeting that the BOCC will begin with the 2004/05 Orange County budget to phase out the city school district tax over a three (3) year or five (5) year period (period to correspond with the date selected for the Effective Date of Merger) and increase the general property tax proportionately to fund schools.**
- VI. **Decide at the February 12, 2004 meeting to ask each school board whether they would participate in the development of a proposed merger plan if asked to do so.**



### STEPS TOWARD FUNDING EQUITY

The commissioners should take the following steps to achieve funding equity between the two school districts. (The date to take the step is given in parentheses.)

- I. Decide to call an election to determine whether voters wish to implement a countywide supplemental tax (ad valorem tax) for education. Instruct staff to bring back a report in January 2004 concerning the recommended process for this vote. The process should include the elements listed below. (November/December 2003)
- A. After receiving the staff report, the commissioners will decide the maximum rate at which the tax can be levied.
  - B. The vote on the tax will take place during the 2004 primary election (usually held on the first Tuesday in May).
  - C. The proceeds of the tax will be used to "operate schools of a higher standard."
  - D. Upon a favorable vote in May, the tax will take effect on July 1, 2004.\*

II. If the countywide supplemental tax is approved by the voters, the commissioners will include the following items in the county budget for FY 2004-2005.\* (May/June 2004)

- A. Set the countywide supplemental tax rate as appropriate to address demonstrated unmet needs for the schools. It is recommended that the rate be set at 4 cents per \$100 of valuation. This will increase funding to the Orange County Schools by approximately \$1.5 million, which is about one-half of the amount that was not funded in the FY 2003-2004 budget.
- B. Adjust the city district tax rate downward to compensate for the increase in the countywide tax rate. This adjustment will be made so that the Chapel Hill-Carrboro Schools will not only be "held harmless" in the narrow sense, but also so that the total funding to the district will increase as appropriate to address demonstrated unmet needs.

III. The commissioners will formulate funding guidelines and priorities for the countywide supplemental tax. For example, the tax could be used for funding equity, to promote collaboration, and for other purposes to allow the schools to operate at a higher standard. The commissioners will also define equity and identify their intentions concerning the total tax increase that will be necessary to achieve funding equity between the two school districts and the time period for that increase. (Spring 2004)

### STEPS TOWARD COLLABORATION

I. The two schools districts, in partnership with the commissioners, will agree to work with a facilitator to identify concrete steps for collaboration. They will agree on the funding, the facilitator, and other aspects of the collaboration study. (By February 2004)

II. The collaboration study will produce an interim report by May 2004, in time to initiate some meaningful collaboration during the 2004-2005 school year if at all possible. The final report will recommend significant collaboration that will take place during the 2005-2006 school year and beyond.

Proposed by Alice Gordon for the November 11, 2003 BOCC Work Session

\*If action cannot be taken by this date, the tax will be implemented as soon as legally possible.

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A PROPOSAL TO IMPROVE EDUCATIONAL  
OPPORTUNITY IN ORANGE COUNTY

TASK FORCE:

Create a Commissioners' Educational Excellence task force to provide a thorough, unbiased review of the Orange County and Chapel Hill Carrboro City school districts. Analyze the resources and programs available; address concerns regarding funding disparities, cooperation, and other matters identified by the Board of County Commissioners; and determine to what extent changes are necessary to assure that each student in Orange County has an equal opportunity to achieve a quality education. Charge the group with returning a report to the Board of County Commissioners by the end of the 2003-2004 fiscal year, if possible.

ACTION BY THE BOARD OF COUNTY COMMISSIONERS:

- Hire a consultant to report to the BOCC who would examine the operations of each school system from an efficiency and business standpoint, with the object of improving education, reducing costs, and identifying areas of potential collaboration such as purchasing.
- Consider for adoption as part of the 10-year Capital Investment Plan a resolution stipulating that capital funds will be allocated to build a single proposed central office shared by both school systems.
- Have county staff analyze for possible adoption by voters a countywide supplemental school tax that would be dedicated to school needs, scaled to reduce the CHCCS district tax as appropriate, and that would serve to unify support for education in Orange County.

COLLABORATION:

- Charge the Chapel Hill Carrboro City and Orange County school boards to return to the Board of County Commissioners by June 1, 2004 with an analysis and plan of action to implement collaboration in the following areas:
- A joint effort to coordinate the implementation of a middle college program, preferably in concert with Durham Technical College.
  - A single alternative school program for students in both districts.
  - A plan to allow students in each district to readily access courses and programs not available in their district but offered in the county's other school system.
  - A plan to institute regular meetings between the superintendents and their respective staffs to examine areas of mutual educational interest and potential cooperation, including an annual report to the public on their progress at working together.
  - A joint early-childhood program.
  - An effort to expose parents in the CHCCS system to the features of the OCS year-round schools at Hillsborough Elementary and Stanback Middle School.
  - A strategy for promoting contacts between children in the respective school systems on an ongoing basis beyond athletics (pen pals, joint projects, etc.).

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A PROPOSAL TO PROVIDE EQUAL OPPORTUNITY FOR EACH  
ORANGE COUNTY CHILD TO REACH HIS/HER  
FULL EDUCATIONAL POTENTIAL

PRESENTED BY  
MOSES CAREY, JR.  
DECEMBER 9, 2003

The Orange County Board of Commissioners should ask the voters to vote to select either a 1) Countywide Supplemental Tax (ad Valorem tax) for Education or 2) Merger of the two school systems during the primary elections in 2004, which are normally held in May.

The options for the voters would be as follows. Voters may only vote for one of the following options:

1. Approve a Countywide Supplemental Tax for Education and give the Board of Commissioners the authority to levy the tax annually up to a maximum of \$.35/\$100 valuation. This vote would be binding. If approved, the tax would be implemented in July 2004 or July 2005. If it is not operationally possible to implement the tax in July 2004, the BOCC will proceed with the 2004/05 budget to increase the county general ad valorem tax and reduce the CHC School District tax proportionately to help fund schools in Orange County. This would provide some immediate financial support for the county school system while maintaining or increasing funds for the CHC school system. .OR.
2. Approve Merger of the two school systems in Orange County with a July 2007 Effective Date of Merger. While an affirmative vote would be non-binding, the BOCC would commit in advance to implementing the results of the vote by July 1, 2007. If the voters choose Merger, the CHC School District tax would be phased out by July 1, 2007 as the countywide general ad valorem tax is increased to fund schools. The phase out of the CHC School District tax would begin in July 2004 with the adoption of the 2004/05 county budget. This would provide some immediate financial support for the county school system while maintaining or increasing funds for the CHC School system.

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**A PROPOSAL CONCERNING THE FUNDING DIFFERENCE BETWEEN THE  
ORANGE COUNTY AND CHAPEL HILL-CARRBORO CITY SCHOOL DISTRICTS  
AND THE ISSUE OF POSSIBLE MERGER**

Alice Gordon – December 9, 2003

After listening to discussions of the possible merger of the two school districts, I believe that compelling reasons have been offered to address the funding disparity between the two districts. The difference should at least be reduced or even totally eliminated.

To eliminate the funding disparity, taxes in the Chapel Hill-Carrboro City School (CHCCS) district might go up a little. However, in the Orange County School (OCS) district, there would be a huge tax increase in comparison to the usual tax increases. This past year, for example, taxes went up 1.5 cents per \$100 valuation. If the funding disparity had been entirely eliminated on July 1, 2003, countywide property taxes would have risen 20.8 cents per \$100 valuation. That means the owner of a \$200,000 house would have paid \$416 more per year if the tax had been assessed all at once. Of course the more likely event would be that a countywide tax increase would be phased in over a period of years, while the CHCCS district tax would be reduced proportionately. It should be noted that the CHCCS district tax does not decrease the amount of funding allocated to the OCS. Each year the county allocates the same amount per pupil to both school districts and then the CHCCS district receives additional money from the supplemental district tax.

Right now it appears that the majority of people in the OCS district would not want to pay significantly higher taxes than they are already paying. For example, the results of the November 2001 bond referendum showed that people in the CHCCS district voted 2 to 1 in favor of the bonds, while people in the OCS district voted 2 to 1 against. It would appear that a major obstacle to raising taxes in the OCS district is that a majority in that district would be opposed. However, in a merged system, a majority of people in the entire county might be in favor.

The major reason for merger seems to be achieving equity in funding for the two school systems, a result that would require a huge tax increase in the OCS district. Moreover, there are significant tasks besides increasing OCS funding that must be completed in any merger plan, including decisions on the composition and election of a new school board.

Therefore I support addressing the funding disparity, but I do not support merger. I also support voluntary collaboration between the two school districts to enhance educational programs and services. Before merger is contemplated, we need analyses of what is best for the children and how both systems would improve in a larger district. Right now both districts are among the best funded in the state and both offer very good educational programs under local control. Let us assume we can correct the funding disparity. Apart from the benefit to the OCS from increased funding, I am not aware of any studies or demonstrations that there would be increased educational benefits to the

two districts over and above increased funding. That is why I believe there are compelling arguments for correcting the disparity, but not compelling arguments for merger beyond the correction of the funding inequity.

The first part of the proposal that I made on November 11, 2003 included steps toward funding equity. The benefit of these steps is that they would, if followed, provide for a countywide supplemental tax that would allocate additional money to the OCS by July 1, 2004. The commissioners would need to decide the ultimate maximum level of the tax, and the voters would have to approve it. The advantage of the tax is that it is a permanent, targeted tax that would be approved by a vote of the people, and it would specifically provide money to the OCS as soon as possible. If the commissioners and the voters agreed, the amount of tax levied could increase in subsequent years until the funding disparity was reduced or even eliminated.

The second part of my proposal included steps toward collaboration. These steps involve a partnership of the school boards and the commissioners to achieve meaningful collaboration both in the short term and long term.

The details of my proposal are given below. The proposal is the same as the one presented on November 11, 2003.

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so that the total funding to the district will increase as appropriate to address demonstrated unmet needs.

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#### **STEPS TOWARD COLLABORATION**

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II. The collaboration study will produce an interim report by May 2004, in time to initiate some meaningful collaboration during the 2004-2005 school year if at all possible. The final report will recommend significant collaboration that will take place during the 2005-2006 school year and beyond.

Proposed by Alice Gordon at the November 11, 2003 BOCC Work Session

\*If action cannot be taken by this date, the tax will be implemented as soon as legally possible.

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**9. ITEMS FOR DECISION--REGULAR AGENDA****a. Next Steps on Analysis on Potential School Merger**

The Board considered discussing the next steps regarding the examination of potential impacts resulting from a possible merger of the Orange County Schools and the Chapel Hill – Carrboro City Schools.

*The following was transcribed verbatim at the request of John Link.*

**Chair Jacobs:** As we said previously, there is a new permutation, this blue color, at our places that is this agenda abstract in its most recent version.

**John Link:** Thank you Mr. Chair and members of the Board. At your November 11<sup>th</sup> work session, you discussed the elements of four individual proposals that Commissioners Brown, Gordon, Carey, and Jacobs presented that evening. In addition, you discussed to some extent the major themes that you have heard at the first two public hearings. And you also asked the County staff to respond to certain questions that you had that evening that you'd like to have answers to for tonight. And so I'm going to ask Rod Visser, Assistant County Manager to walk through briefly the material as we've tried to construct it to your benefit tonight that responds to your questions and also tries to put in some context the information that you shared as part of your proposals that evening.

**Rod Visser:** I'll just try to point out some of the attachments that were provided in response to some of the questions the Board raised, as John pointed out, and just mention briefly the difference in the blue version of the abstract that you have in front of you compared to the one you received last week. As John noted, at the November 11<sup>th</sup> work session, the County Commissioners had their first opportunity really to talk about the report and the public input that had been provided over the previous two months. We prepared this agenda item for your discussion and follow-up on that around a number of major themes. Some of the attachments are provided to help you organize your discussion about that. The first four attachments in here are the proposals presented by four of the Commissioners on November 11<sup>th</sup>. I won't review those in detail, because I'm sure you'll be talking about those in a couple of minutes. Three of those four proposals actually mention specifically an interest in pursuing further collaboration in conjunction with the two school systems, and part of your abstract includes a brief summary of the points from Commissioners Gordon's, Jacobs', and Brown's proposals that dealt with collaboration.

We also included just for reference purposes a draft collaboration initiative that had been developed about a year ago, pursuant to conversations between the chairs of the Board of County Commissioners and the two school boards working in conjunction with Dr. Phil Boyle at the Institute of Government. That proposal has been discussed a couple of times during the past year, but we hadn't taken any action on it in light of the analysis that was pending regarding potential merger implications and funding equity considerations. I guess it would be important to report that I talked to Phil Boyle probably about six weeks ago, and circumstances have changed. I suppose that's not a big surprise given that a year has passed. My understanding is that Dr. Boyle is going to be leaving the Institute of Government at the end of this academic year, so it's not clear that the proposal that was developed a year ago is one that could actually be carried through. Phil did tell me that he would have some interest in doing it probably personally, but it's not clear that he'd be able to accomplish it within the time frame while he's still working for the Institute of Government. So, that said, the information that's there may still be relevant to the discussion that the Board may have about potential collaboration.

Another topic that was discussed on November 11<sup>th</sup> was, both Commissioners Brown and Jacobs talked about the possibility of convening an educational excellence evaluation group, and I'm sure the Board will talk a little bit about that.

Another theme that was discussed as part of those proposals, primarily Commissioner Jacobs, was a school efficiency study that would be aimed at assessing and providing reassurance, I guess, to the community and the Commissioners, and other interested parties that the appropriations that the County Commissioners were making for education now were being well and efficiently spent. What's new in this blue sheet primarily falls in that area. This is some additional information that the County Attorney has pulled together that talks in a little bit more detail than what we had in the original abstract last week about what the statutory provisions are in the North Carolina law for the allocation of current expense funding, for example, by Boards of County Commissioners towards purpose or functions or projects within school budgets. And again, I'm sure Geoff can respond to any questions that you might have about those details.

Another major element of research that the County Commissioners asked was for a thorough assessment and presentation on the workings of the countywide supplemental tax. And Geoff likewise has done the work on that. There was a letter prepared that covered some topics that weren't addressed in previous letters that Geoff has written over the years on issues that relate to district taxes. So that information was provided for the Board's information as well.

The last topic that you probably wanted addressed since, in some regard, is the proposal contained in Commissioner Carey's proposal from November 11<sup>th</sup> about the timing for making sort of a yes or no decision about whether or not to proceed with merger.

So that describes the materials that you have. I guess one more thing I would add is that in addition to the information that Geoff provided about the statutory workings of allocation by funding. There's two red attachments here that are referred to in the abstract, and they basically provide some information about the uniform school budget format that's required of school boards throughout the State of North Carolina, and also some more statutory provisions that are relevant about amendments to those school budgets. So, with that, I'll stop and invite any questions the Commissioners may have.

**Commissioner Brown:** I'd be interested in the analysis of what Geoff came forward and brought to us in this. Reading the legal material, it is not perfectly clear to me.

**Geof Gledhill:** Which area are you talking about?

**Chair Jacobs:** Educational funding.

**Geof Gledhill:** What was added to the abstract related to educational funding is the notion that rather than appropriating a lump sum to the schools each year for current expense money, the Board of Commissioners is empowered to appropriate by purpose and function. And one of the attachments, Attachment X, gives an example of the degree of division, I guess, that's contemplated in that law. The other point that was added to the agenda information was the notion that the efficiency study that has been proposed by one or more of the County Commissioners fits in with the power granted counties to request and obtain information from the schools with respect to actually just about anything going on in the schools. And in that regard, the County Commissioners can request and the boards of education are required to provide books, records, audit reports, and other information bearing on the financial operation of the local school administrative unit.

So that in the context of an efficiency study, there is ample power to obtain whatever information is deemed necessary in completing the efficiency study. That summarizes the changes to the abstract that were made to add those ideas to what was put together by the staff before that.

**Commissioner Brown:** Can you give me an example of the first type of funding?

**Geof Gledhill:** By purpose and function type funding?

**Commissioner Brown:** Yes.

**Geof Gledhill:** If you look at Attachment X, which is red, the first grouping – this comes from the Orange County Schools' budget resolution for 2003-2004, which is the only document that we were able to obtain in this short time that we had to pull this together. It lists instructional programs. I'm not certain what would be a purpose and what would be a function. But, for example, you could appropriate your local current expense fund money, which is what the first grouping, section 1, of that budget resolution reflects. The total of \$19 million in local current expense fund, of which \$17,205 comes from the County's per pupil allocation. You could allocate in the budget regular instructional programs, special instructional programs, co-curricular instructional programs, and so forth, if you were so inclined. That has not been the practice of the Orange County Board of Commissioners for as long as I know. The practice has been to go to the bottom line and do a per pupil allocation, and then allow the schools to create the allocations in their budget. The schools are required to submit to you in a budget request these allocations. And then you can appropriate on that basis and then they must in turn adopt on that basis if you direct them to, if you appropriate it on that basis.

**Commissioner Carey:** And if we appropriate on that basis, in order for the school system to make any changes to that, they'd have to come back to us for approval of any changes.

**Geof Gledhill:** Within limits. The other attachment that was added is Attachment Y, which is also red. And it explains in subsection B, the degree to which the budget can be changed by the Board of Education. And there is leeway for the Board of Education to reallocate, but beyond that leeway, it would have to be approved by the Board of County Commissioners.

**Commissioner Brown:** Why was it that you could only obtain a copy of the Orange County School Board's?

**Geof Gledhill:** I think the answer is because of the amount of time.

**Commissioner Brown:** How much time?

**Geof Gledhill:** A couple of days. I don't know what Donna Dean was able to obtain as a document from the Orange County Schools. I think just because of the amount of time, it's the only one that was able to be obtained in the short time.

**Rod Visser:** What we were actually trying to retrieve was some kind of document that may have existed. We started with the State Department of Public Instruction to see if there was something on the website that lays out what the budget format for this is, and it may be allocated or we just didn't find it in a short period of time. So we don't mean to suggest that we didn't get what we asked for from either school system or anything like that, we were just trying to pull together information about what generically is the uniform school budget format.

**Geof Gledhill:** One other comment I'll make. Although it doesn't show up in this attachment, each one of those categories like regular instructional programs, special instructional programs, has a corresponding number, count number I guess, in the uniform budget format. That's not shown in the way this was presented, but

those do appear in the base document that the schools used to put their budget together.

**Commissioner Halkiotis:** One question I have, Geof in section B. It says the Board of Education may amend the budget to transfer money to or from the capital outlay fund, to or from any other fund, with the approval of the Board of County Commissioners to meet emergencies, unforeseen and unforeseeable at the time the budget resolution was adopted. Then it goes on, when such an emergency.....Is this just for emergency situations and that's all?

**Geof Gledhill:** Yes. Between capital...

**Commissioner Halkiotis:** So it's not standard operating procedure, day to day business stuff, it's just for an emergency. And how is an emergency defined?

**Geof Gledhill:** I don't think that it is. The one thing that I'll say about it is that it has to be something that arises after the adoption of the budget. I don't know, I don't have any experience with this, I don't think the County has had any experience with this. I don't know what would be regarded to be an emergency. It's probably something you would recognize if it happened.

**Rod Visser:** I can offer an example that's provided from a textbook perspective, and this is digging way back into classes from longer ago than I'd want to admit. The example that I recall being cited was, for example, if a tornado came through and ripped a roof of the building and a school system did not have adequate reserves to get that replaced immediately. What this basically provides is a way around the prohibition that exists in the statutes to keep school system from just routinely moving money from current expense to capital and vice versa. There are some checks and balances that were put in here that require the Board of Commissioners to approve it, and also provide an opportunity for any other school board in the County to comment on that emergency request prior to the Board of County Commissioners taking action on it.

**Geof Gledhill:** And ultimately, there would have to be agreement, I think, between the Board of Education and the Board of County Commissioners as to whether there is an emergency before it could be transferred.

**Commissioner Gordon:** Just about the countywide supplemental tax. Is there any more information that we need to know besides what you've given us? I was interested in the process by which this could take place. Have you given us all the information that you know of to give us? Besides, your recommendation about timeline and stuff, but just in terms of background information, have you given us everything you can think of?

**Rod Visser:** As far as I know. It doesn't mean that you guys might have asked a question and we didn't think through it. In the materials here, as I said, Geof has written about this topic on a number of occasions actually dating back to 1990, sometimes with slightly different perspectives each time. Also, the September 15<sup>th</sup> report had quite a bit of material, both in the narrative and in the appendices that talks about the statutory workings. So we hope that we've covered everything, but we're certainly wide open to any questions that you might ask.

**Commissioner Gordon:** Just in terms of the countywide supplemental tax that the County Commissioners would ask for on their own initiative. My understanding is a) we could ask for it on our own initiative; b) it would be a countywide referendum; c) in the referendum document, that it would be specified if it's capital or whether it's current expense and what the maximum tax rate would be; and that it would have to be appropriated to the school districts within a specified time frame. What I wasn't quite sure of is to what extent the school boards and the

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Commissioners would need to agree, if at all, on what that money would be used for, besides the general title of capital and current expense.

**Geof Gledhill:** If the referendum is called by the Board of County Commissioners on its own initiative, the statutes do provide some ability on the part of the County Commissioners to direct where the money would be spent in the ballot question. I think I'd want to look at that more carefully before giving you an opinion as to how much flexibility there is in that area. That's a nuance that I didn't spend a lot of time on. But I know that in the enabling legislation for calling these referendums, there is some discretion provided for the group calling for the election and directing where that money goes. There was something else that you said that prompted me to want to comment.

**Chair Jacobs:** Time limit. She asked about time.

**Commissioner Gordon:** I don't remember stating it that way. Oh yes, it said that within a certain number of days after the close of the month or something, the money had to be remitted to the school system. And that's a little different from the way we appropriate money. Essentially, what I was interested in asking had to do with just how general it was versus how specific, and what kind of discretion the Board of County Commissioners had, and how it might be used. There are a lot of different things you went through, kind of like the last one, had to do with the County Commissioner initiative. I was just trying to make sure that I understood that as distinguished from all the other initiatives, which seem to have many more limitations than the County Commissioner initiated countywide supplemental tax.

**Geof Gledhill:** That surprised me as well. Let me answer that question further than I have, but let me also make the point that a supplemental tax is not a County appropriation. Once the County Commissioners set the tax rate, the money belongs to the schools and it is not an appropriation like the annual current expense appropriation or the annual capital appropriation from the County Commissioners. And what that means is that the money is turned over as we speak with respect to the Chapel Hill-Carrboro school system district tax as it's collected. And you've seen that some in the different way in which fund balances are presented to you in order to accommodate that different way in which the money comes to the school systems. On the other hand, the County's current expense appropriation comes to the school systems monthly, in 12 monthly increments, to help them in their fund balance work and in their need for the same amount of money, generally speaking, each month.

**Commissioner Gordon:** And I guess the last thing is that it would have to be appropriated per pupil, per average daily membership and so forth, collected countywide and then distributed per pupil.

**Geof Gledhill:** That is exactly right. If the County Commissioners are interested in me providing more information on how finely you can draw the ballot question, then I will be glad to look at that, but I have not spent time with that in this work. There is one other important nuance between a County Commissioner initiated supplemental tax and one that results from an initiative from the Boards of Education, and that is that for some reason, the North Carolina law provides that where the countywide supplemental tax is initiated by the Boards of Education, a successful election results in any other district supplemental tax going away as a result of the election. And in fact the ballot must say that. There is no similar provision in a county initiated countywide supplemental tax election, for example. So that if the election for a supplemental tax countywide was initiated by the Board of County Commissioners, the Chapel Hill-Carrboro City Schools district tax could remain in place. I guessed at why that might be in a letter that I wrote to you, but I really do not know why that is the case, it just is the case.

**Chair Jacobs:** Now, how would the Board like to proceed? As far as I know, no member of the public has signed up to speak, but that doesn't mean that as soon as I turn my head and look, people won't want to be recognized to speak. Would you like to discuss the items on the agenda and then solicit public comment, or have public comment now?

**Commissioner Carey:** Let's discuss the items on the agenda first.

**Commissioner Gordon:** I just wanted to mention that I had faxed to the Commissioners last night an augmented proposal. The details of the proposal, as you remember, four Commissioners presented proposals, and the details of the proposal that I presented remain the same, but I did fax to the Commissioners and then I passed it out tonight, and it's almost the same as the thing that I faxed last night, except that I found a couple of typos that I corrected. It's a rationale behind the proposal and also it discusses how my proposal fits in with the issue of possible merger. The main thing I wanted to mention was that there seemed to be some misunderstanding about what the funding equity part of my proposal included. And what I wanted to stress was that the Commissioners are going to have to decide the ultimate maximum level to tax, and the voters would have to approve it. But if that happened, the tax would be available as soon as possible, and that means July 1, 2004. And when I studied these issues, I thought it was very important that the money should be available to the Orange County system as soon as possible. My proposal seemed to be misunderstood in the sense that what kind of affect it would eventually have. My thought would be that if we could all agree that it the County supplemental tax would be put to a vote, and there's work to be done on that, is that we'd have a permanent targeted tax, and it would specifically provide money to the Orange County school system as soon as possible, again, July 1, 2004. The other thing I wanted to mention was if the Commissioners and the voters agreed the amount of tax levied could increase in subsequent years until the funding disparity was reduced or even eliminated. I think the proposal was misunderstood in thinking that there would be a certain cap. My proposal had to do with getting money to the Orange County school system in July 1, 2004, and then the voters and the Commissioners could agree. But the funding disparity could be reduced or even eliminated using this approach, and that was something that people in the public hearing didn't seem to pick up on. I assume the Commissioners understood it, but the public didn't seem to. So I just wanted to clarify that. And I passed out copies and I have more copies here.

**Chair Jacobs:** Let me suggest that just in the interest of having some order to the conversation, we have the agenda abstract set out with specific topics in some kind of order that the Chair and Vice-Chair worked out with staff. If it pleases the Board, I would suggest we go in that order. The first has to do with collaboration. As staff notes, it was part of virtually every proposal.

**Commissioner Carey:** With one exception. And when we get to discussion of my proposal, because I think I don't see it on here. I see the three.

**John Link:** It's referred to as next steps on page four of the abstract.

**Chair Jacobs:** When I said virtually, I consider merger the ultimate collaboration. So if you want to speak to collaboration in terms of merger, you're certainly welcome.

**Commissioner Carey:** Well, you're right, it is the ultimate collaboration. And I think it would be one that I think has the only chance of working. I can wait until the other discussions about collaborations are held tonight. The amendment I would like to make in my proposal is not necessarily inconsistent with collaboration, or what I think might be developing in terms of collaboration. So I can wait.

**Chair Jacobs:** Other comments on collaborative efforts?

**Commissioner Brown:** I'll start that discussion a little bit. It has been I think an initiative of the Commissioners for many, many years now. It certainly dates back to my first years on the Board. We have not been good at that. We haven't been good at asking either school board to initiate discussions on how they can share resources and a list of things that I think would be very beneficial. So we all pretty much recognize that. And to bring it up, how can we do something that will perhaps generate a stronger commitment by both school systems to that. And there was somewhere here, and I think our Manager mentioned that our last proposal was to hire Mr. Boyle from the Institute of Government, but he is leaving the Institute of Government and there does not seem to be anyone left there that would want to do it. So we could move on to another format, which I see the collaboration issue as kind of breaking down into two or three ways we could work on it simultaneously. There was the issue of Mr. Boyle just kind of getting a structure of communication and working on that. Unfortunately, it didn't include all of the members of the boards of education and us. It only included six or seven people that were going to be involved in that process, which I don't think would be very fruitful. We need to have much fuller efforts to develop this process. I think it's been mentioned that the Dispute Settlement Center could offer up someone. And I think it would be very wise to do that in a public format so people could come in and watch the process and be invited. I'd certainly be interested in looking at the previous outline for that and maybe going through it and editing it a little bit and seeing if some of it is still valid, and so on.

We've also had a proposal to have a citizens' task force to look at school operations and be involved in helping that collaboration or coming up with data. There's parents and citizens at both school systems. I think that in a timeframe would be excellent too. I don't want to leave out anything here. And then I made the proposal that we work with the School of Education to have them look at both school systems, and basically do an educational resource paper for us, or a report, and look at both of our systems. And I feel very strongly that I don't really understand how both of our systems operate, what they offer and don't offer to the children of Orange County, what they're needs are, both systems have needs. We see that budget time every year. And just do a nice, simple, straightforward analysis of what our two school systems look like and do some recommendations that they as professionals at the University could bring forward some positive, creative proposals that everyone could look at in the County and see what across the country that they know of that has worked, that's practical, that's cost efficient for sharing resources in each district, for creating opportunities on how those resources can be shared, and really looking out into the future of what the County Commissioners and the school boards can try to achieve to offer better education to all of our children in both districts. That would help me a lot to get a solid basis of information that everyone could take a look at. And then hopefully that group can also offer their expertise in suggesting some real creative pieces and we don't really see right now.

**Chair Jacobs:** Understanding that that's an offshoot of collaboration. If I can just bring us back to collaboration, and then we'll talk about that group.

**Commissioner Brown:** That's what I meant. This information would be a piece of the collaboration discussion.

**Chair Jacobs:** Is there anyone else who wants to say anything about collaboration at this point?

**Commissioner Halkiotis:** Just a couple of quick comments. I think we should recognize that there were some issues with the whole topic of collaboration

over the last couple of years. When you, Mr. Chair, as a matter of fact, if I'm not mistaken, brought this up initially and began the use of that term. One of the things that I heard quite a bit back then was the fact that some people immediately didn't like the idea of collaboration because the proposal that had come down at the time involving our own staff had, with all due respect to Professor Boyle, I don't know Professor Boyle, but there were people complaining that he had children in one school system and couldn't be objective to the other school system. So I think we need to look at any and all, and I don't know that. I've never met the man. But I heard that coming from some circles. So we need to go back and review all the concerns that people had from both school systems with respect to what does collaboration mean. I remember somebody jumping up one night at somebody who's no longer on the Board and saying, collaboration is another word for merger. You remember that I'm sure. That was a very telling moment. So spend a little time now, if we're going to actively pursue this as part of the component of the total undertaking and go back and look at where the concerns were raised over the last year and a half. There's no reason to go fall into the same pit all over again when you can map it out and avoid it on round two. So I would put that out there as a suggestion - Staff revisit concerns that have been expressed over the last year and a half and look at avoiding those same issues all over again. It wastes time. And I think we go back over and over the same stuff again and there's no reason to do that.

**Commissioner Brown:** Could you give an example of what has transpired over the last year and a half?

**Commissioner Halkiotis:** I was just mentioning that I had heard in some circles that some people felt the deck was stacked by having Phil Boyle be the facilitator for collaboration because he had children at that time in the Chapel Hill-Carrboro school system. But what I'm saying is you eliminate that argument from any side by having somebody come in who has no affiliation with either school system to act as a facilitator. And when you mentioned the Dispute Settlement Center, I keep on thinking of the wonderful work that Andy Saks has done over the years. And we've used him in County government for a number of undertakings, and very successfully. So that's all I'm proposing - avoid the mistakes of the past if that's the road we're going to go down.

**Chair Jacobs:** And if I might, I have spoken with Andy Saks, and he is willing to undertake this. I had made a proposal working with Commissioner Brown on some possible areas of collaboration, and what I would like to suggest is that we take this Attachment 5, the original memorandum of understanding about collaboration, we give it to Mr. Saks and to the two school boards, and we send them forth with a timeline and with some areas that we've identified that we're interested in at least finding out if they may be fruitful for collaboration, and ask them to come back to us by the first of June with a report on what they think they can do together and what they can't do together. And perhaps the first item on their agenda should be, as you say, to define what collaboration might be and to respond to this memorandum of understanding which was developed with Mr. Boyle, which the two school boards did endorse, I guess it was last year, and that we offer that the two school boards and the County Commissioners jointly pay whatever nominal amount of money that the Dispute Settlement Center would charge as a way of saying, "We're all in this together". I personally don't want to be involved in those discussions and don't think that County Commissioners should be involved in those discussions. I think that there's nothing wrong with our suggesting areas that we think, based on having listened to the public and listened to the school boards, might

be fruitful areas for the school boards to discuss. I read in the papers and some school board members thought that we were exceeding our statutory authority to even have the audacity to suggest certain areas to discuss. And I note in the memo that we got from the attorney that the Orange County Commissioners have historically not exercised some of their statutory authority to more closely regulate what the schools do. We're trying to be collaborative. I see this as an opportunity to say, "Go forth, and do good things. We support you. Here are some ideas that we have." So, Mr. Saks is excited about doing that. He was working this evening with the Richmond Hills community in Efland or he said he would be here. And I would suggest that that would be a good way to at least get those discussions off the ground as one aspect of what this Board, I believe, would like, which is more cooperation and more information.

**Commissioner Gordon:** Well, I could certainly support that approach. It's very similar to what I had suggested. I guess the only thing that I would add is that we ought to bring it back on our agenda for a formal charge and a formal procedure. Over the break, I think I would like to see them take our ideas and bring it back to our agenda as well as sending it forth to the school boards and Mr. Saks for a formal charge and a formal process as soon as we can in January.

**Commissioner Halkiotis:** The only other thing I wanted to mention on that is, to save Mr. Saks a whole lot of time; I think it's really important for the Manager and his staff to sit down and give Mr. Saks a prep session on everything that's gone before here. And I'm going to give an example. I don't want to see a study come back, and I can speak to this with some experience, telling us that both school systems have been collaborating on transportation. The only reason that both school systems have been collaborating in transportation is because the way the State funnels the money down to them. They decide to funnel it through one allocation source, and that's it. It was not decided upon by the Chapel Hill-Carrboro schools and the Orange County school boards. It was a State decision, and that's the way it is folks. Deal with it. And it's worked pretty well, there's a pretty seamless operation going on in school bus transportation because there aren't any politics involved in it. It just happens because you have to work with it. That's how the State gives you the money, and they tell you to go out and do it. And if you don't spend it right, they'll be all over you. That's the kind of straightforwardness and honesty we need to have in this thing and not end up with something that's going to be a bunch of mystical words and balloons floating around with little strings dangling from them.

**Commissioner Brown:** To create an environment that the two school boards could work together in. It doesn't direct anything specifically to cover, but just how people need to trust and share and develop commonalities instead of differences. It's good thinking, it's a good way to approach this very serious discussion. I'm in favor of it.

**Chair Jacobs:** And we have forwarded these documents, including the one that Commissioner Brown just mentioned to Mr. Saks so that he could familiarize himself. What I'm hearing is that we would like staff work with the two school boards to develop a charge, to hire Mr. Saks, to state a timeline to work on issues of collaboration, which is part of the charge that could be identified. And that we'd like to have that come back to us in January.

The Board agreed with this.

**John Link:** We'd be glad to certainly pursue that. My recommendation is that the Board confirm that we pursue tangible and quantifiable areas of collaboration. For instance, can the two school systems and the County collaborate, or we working with them agree on addressing issues such as how we pursue

budgeting here in Orange County between the two school systems or among the two school systems? Can we talk about what programming is now on par between the two school systems? And I'm talking about instructional programming, is not. With all due respect to our memorandum of understanding that we've been focusing on in the past, there are a lot of issues that have to be addressed, but I'm looking to Andy Saks to address conflicting values and conflicting beliefs, and conflicting this or that, and talking about commitment. I mean, if you don't come to the table, you're not committed. I would rather us have some tangible areas that we can say we're going to collaborate, that is, work together on, whatever term you're going to use. And they're real items – there's the budget, there's programming, how you work together on co-location of certain functions. Is that the areas the Board wants us to pursue? Because I'm trying to be as definitive as possible.

**Chair Jacobs:** Yes. We've given some examples, but you've just given some other examples. Perhaps we can finally resolve the issue of what's a mandate, that would be nice.

**John Link:** That's why I brought up the whole subject of budgeting. This red sheet, which is the item that was described by the County Attorney. We all as County Managers, and Superintendents, and County Commissioners are instructed in this process when we go to the Institute of Government. So we all know what we could do in terms of pursuing funding by project or by program. There has been no county in this State that has been successful with pursuing that in terms of having a positive outcome between the school boards and the County Commissioners. It usually results in acrimonious outcomes, and it's not productive. So when we talk about the budget process, can we finally agree and collaborate on what we mean by mandates? Can we finally agree and collaborate on what we mean by expansion items in the budget? And can we finally agree on the fact that the County Commissioners don't fund Spanish teachers. However, when everyone comes to a County Commission public hearing, and they say, "You haven't funded Spanish teachers, Commissioners." I can speak as the Manager; it makes me want to fund Spanish teachers by line item. We're in that paradigm where that's the process in which we work with the budget proposals and presentations. Can't Orange County do a better job than we're doing in that kind of process? So those are the kind of things I'd like to bring to the superintendents and hopefully we can come back with something tangible that we can all agree as a body of work to collaborate on.

**Chair Jacobs:** And we'd ask you to at least invite Mr. Saks to some of those meetings, even if we haven't officially hired him.

**Commissioner Carey:** Are we finished with the discussion on collaboration?

**Chair Jacobs:** It would appear so.

**Commissioner Carey:** Like I said earlier, the amendment that I would like to make on my proposal is not necessarily inconsistent with collaboration, because I've been a supporter of collaboration for many years, it just hasn't worked to the extent that I'd like to see it work and think it should work. And if the process that we have just charted a course for works, that's fine, and it may be needed. One of the scenarios that I plan to ask the Board to consider tonight. ....I'm not giving up, I haven't given up, and I want the public to know that I haven't given up on my goal of trying to move this County in the direction of merging the two school systems so that we can not only benefit from the ultimate collaboration but also have potential in the future of saving some money on school capital construction that we will need to save in order to address important capital needs in the future. I think that's very important, and I think that merger is the only way we're going to achieve that goal. As long as we've got two separate school systems that are unequally funded, we're not going to

achieve that goal. So what I'm going to ask the Board to do tonight, to consider, is this proposal here. (He distributed the proposal to the County Commissioners and staff and offered it to the public). It's clear to me that there is common ground on some things that we've addressed in this context of merger, in this discussion of merger and equal funding. The one thing that there's clear common ground on, and I coined that phrase from one of the members of the audience here tonight, the common ground that everybody was encouraging us to find on this issue of equal funding and merger. But that common ground is associated with the fact that everybody agrees that the school systems are unequally funded and the funding scenario is inequitable between the two, and that we need to address providing additional funds for the County school system children immediately. We need to fix that, and we have it within our power to fix that immediately. The other thing that I've heard people say is that they think that this issue is too important for Commissioners alone to be deciding, that they want the public to decide it. And although I've come a long way too since we've discussed this, I really wanted the Commissioners to decide the issue of merger and moving in the direction of merger, but it's clear to me after discussion on the 11<sup>th</sup> and after the discussion tonight, that this Board is not ready to make that decision, and I respect this Board's decision on that, and this Board's position on that. In view of the fact that this Board is not ready, it may be at some future date, it may be. I think it's incumbent upon us to begin now to provide a clear direction for the public on where we ought to go, and I think the public, to some extent, is ahead of us on this. At least that's what I'm sensing. And although it makes me nervous to put this proposal forward because we may still end up with two school systems if the public decides to go that route, I don't think the public will decide to go that route, because I think the public has come along far enough now to recognize that it is going to be in all of our best interests to have a merged school system sooner rather than later.

Consequently, I'm asking this Board to consider putting a referendum forward in the primaries in May of next year to ask the public to vote on adopting a countywide supplemental school tax, or voting on merging the two school systems. What that means is that the status quo is unacceptable because that's what the people have told us, the status quo is unacceptable, and that many people would prefer to have the public decide this issue rather than the County Commissioners. In any event, it will provide some additional funds for the County school system immediately, beginning next year hopefully. And it would also indicate whether there was enough public support for merger for us to move forward with that. And I recognize that if the public chose merger in the vote next May, or whenever the primary is held, it's not necessarily a binding decision for the Commissioners. But I think that if the public chose it, this Board would be required, which we would require ourselves, we would decide in advance that we are going to pursue implementation of that public non-binding decision. And, as you can see from the proposal that I've put forward, I had hoped that we could make the decision to move forward to merge the systems by July 2006. But in view of the fact that we are not going to make the decision tonight or in February, then I think the July of 2007 timeframe would be the only one that would be meaningful in this context if the public decided that we should merge the systems. I'm asking the Board to consider this option of giving the public the option of deciding to adopt a countywide supplemental tax, or merge the systems. Now that's not inconsistent with the collaboration discussion we just had because if the public decides that they want a countywide supplemental tax rather than to merge the systems, we will need that collaboration. We will need the benefit of all the decisions that result from that process. And if that process concludes itself

in June, then we'll have something concrete that we can move forward with. But if the public decides that merger is the best option and the most efficient and economical option for us to move forward with, then we may still use some of the suggestions that come out of the collaboration task force or collaboration discussion, but we will be able to move immediately to the ultimate collaboration of merging the systems of July 1, 2007.

So I'm asking the Board to consider this whether we decide to put this forward to the public tonight or at a subsequent meeting. I think that we'd have to make the decision in January in order to get the issue clarified and on the ballot by May. So, I'm asking the Board to consider this tonight, because I think this responds to what we've been hearing from the public in all of the public hearings, and I might add that, in the three public hearings, while some people may perceive it to be overwhelmingly anti-merger, 30% of the people in the first public hearing spoke in favor of merger, 40% in the second, and 35% in the third. That's significant in my opinion. And I think that moving in this direction and giving the public the option to make the decision would at least give a vision of when the acrimony and the divisiveness might end on this issue. I'm finished.

**Commissioner Gordon:** Obviously, part of my proposal would agree with that. It will take a little while for me to absorb what Moses' proposal contains. But certainly, I think that something that would address the funding disparity between the two school systems as soon as possible has to be seriously considered. As I say in my rationale leading up to the same proposal that I made November 11<sup>th</sup>, is that I didn't support merger, because I couldn't see arguments for merger beyond the quality of funding, or the equity in funding or correcting the funding disparity. To me, arguments are compelling to correct the funding disparity as soon as possible, and that's July 1, 2004. I feel that it's crucial, and one of the things that Moses' idea would do would be to address the funding disparity as soon as possible. Also, it has the aspect of a vote, which I think is very good. I don't know when the Board wants to decide about the supplemental tax. I detected at the other discussion that we had, the preliminary discussion that the Board wanted to mull things over a little bit more. But I do feel that something to address the funding disparity has to be done as soon as possible. I don't think we can let that continue. I just don't see that merger is necessary. I just see that collaboration and especially correcting the funding disparity is absolutely necessary. So let me think about your proposal, because it has a lot of elements that I would support in terms of how you stated it.

**Commissioner Brown:** The clarification on this, I think both of your proposals, would be important about district tax or supplemental tax. It is the same thing, if I'm not wrong. And what you've both proposed is just a slight variation of beginning that process of reducing the Chapel Hill district tax and implementing a countywide tax for schools. But I do want to clarify one issue, and I think Moses, you mention it at the bottom here that putting in Commissioner Gordon's proposal does not truly tell us the details of how much money would be raised for the Orange County system and also the Chapel Hill system. This would have to be done in a per pupil way. And so we talk about immediate monies to alleviate the Orange County system's budget issues, but we also I think need to very much know how much money then the Orange County system would get. And I have not seen any figures that represent that. But proportionally, John, maybe you could just comment on a four-cent increase for Orange County, what would be the equivalent amount increase for Chapel Hill?

**John Link:** Well, I think Rod, who helped develop these charts that we presented during our report of September 15<sup>th</sup>, may recall what the mathematical

breakdown is between the two systems. But obviously when the Chapel Hill-Carrboro system had 10,000-11,000 students to the Orange County system who has 7,000, then proportionally on a per pupil basis, of course, the Chapel Hill system receives more money of every dollar than you can credit to the Orange County system. We can certainly and will be glad to come back with, I guess, more detail charting of examples of how a countywide district tax would work. We'd be glad to do that. We'd be glad to research, along with the attorney, how Moses' proposal would work from a legal perspective. I don't know whether that would take special legislation to pursue, or if it's something that is provided for right now in terms of the election process.

**Rod Visser:** Just very briefly, and I think John's got the right idea, we can bring back a table that would show for various levels of a supplemental tax countywide, how much of that would go to Chapel Hill-Carrboro, and how much of that would go to Orange County. But it's basically a 62-38 split thereabouts based on the different student populations.

**Commissioner Brown:** So, if you did this, as Commissioner Gordon suggests, you'd give a fairly whopping sum also to the Chapel Hill-Carrboro system.

**Rod Visser:** Right now we're just under \$1 million per penny that comes on the tax rate. So, for four cents, let's say it's \$4 million that would come from that. Sixty-two percent of that, which is \$2.5 million, would go to the Chapel Hill-Carrboro system and \$1.5 million to the Orange County system, if my math is right there.

**Commissioner Brown:** I feel like we need to be very scrupulous when we speak of addressing the Orange County financial issues, and also saying that we are in this dilemma of funding on a per pupil basis, and that would also give Chapel Hill-Carrboro schools an extra \$2.5 million that they have not expressed any need for. I think that needs to be really clearly always shown in both ways.

**Commissioner Carey:** Can I comment on that just for a point of clarification?

**Commissioner Brown:** You talk about maintaining and increasing funds for the Chapel Hill-Carrboro system.

**Commissioner Carey:** Well, I think that as a point of fact, this Board has not held either one of the school systems' budget stable in any year that I've been on this Board in the last 19 years, and I think that regardless of what we do, whether we merge them or whether we implement a countywide district tax, the funding for both systems, whether it's one or two systems, is going to continue to go up because that's our culture, that's what we do. We've got two excellent school systems, so it's going to continue to go up. And I expect that it will. We still have the authority to decide how much it goes up. In either one of the scenarios that I put forward with respect to a countywide supplemental tax, my vision is that if we implement a countywide supplemental tax, the Chapel Hill-Carrboro school district tax would start to go down. It's our decision on how fast we phase it out. But I know that there are some people who think that it should never be phased out, even if we adopt a countywide supplemental tax. But we'll have to deal with that. If we merge the systems, we won't have to worry about these different taxes, we'll only have one tax, one tax to levy. I would prefer that, because that means that we would levy one tax and phase out the Chapel Hill-Carrboro district tax over the term of years. In this scenario, it would be between now and 2007. So I think that we're going to give the Chapel Hill-Carrboro system more money regardless of what we do, and I think we ought to just recognize that fact.

**Commissioner Halkiotis:** Well, a couple of observations. On the surface, I think once again Commissioner Carey has put forth an interesting proposal. You

seem to do this in increments of 10 months. On the surface, I think it's really intriguing, but I think we need to have the staff, the Manager, and the Attorney look at this thing in every possible way, to do the kind of analysis, Geof that you did this evening. This is the first time in all the years I've been on the Board that we've had explained to us what the statutes say we could do if we wanted to strictly manage school expenditures. And I don't want to get into the micromanagement of school budgets. That's the last thing I'm interested in doing. However, if it's a legal option we have, I think we need to know all the legal options we have. I think Commissioner Carey has captured very carefully the sentiment of people on both sides of the issue through all of these hours and hours of public hearings that we've had. You've captured that spirit. But I've also learned over the years that our Attorney has an amazing ability, tonight was the first time I've ever heard him say that it was his opinion on something, that you really couldn't base it on legalese. I found that intriguing, you're starting to worry me when you say things like that. But I think, Commissioners, this leads very interestingly into, and I'll just take a quick snapshot of this Barry, if you would indulge me, on the next two units we're looking at, the school efficiency study. It says very clearly, "The Board of Commissioners have discussed the desirability of providing assurance to the public and the Commissioners that County appropriations for public education are being well and efficiently expended, particularly before any commitments are made to providing additional financial resources to the schools for a potential merger, supplemental district tax, or the like." I think if we're going to give some credence, and I'm willing to give this my initial, "I like this." But I want it coupled very closely to the school efficiency study to guarantee the public that we're optimizing opportunities for expenditures to the maximum, and also have a common terminology. I don't want to spend six months having a debate over, "Is this a district tax? Is this a supplemental tax? What kind of tax is this?" We're the ones who have an opportunity to define exactly what this creature is that we're helping give birth to here. So, on the surface, I want to say to Moses I like what you've got here, but I think we need to have all the analysis we can get from our own staff on what's involved here. Assuming there's a primary in May, which is a big assumption right now based on whichever superior court judge is going to rule on the latest redistricting proposal from the legislature. There may not be a primary in May. There may be one in June, July, August, or as we know what happened a year and a half ago, some other month.

**Commissioner Gordon:** I just wanted to clarify what I was trying to articulate before. It is written down here in the proposal that what you do is that you set the countywide supplemental tax that's been approved by the voters. Then if you look at 2b on the Steps Toward Funding Equity, my proposal. Then you adjust the city tax rate downward to compensate for the increase in the countywide tax increase. The only thing I said, and this gets at Moses' point that perhaps there would be an increase in funding to the Chapel Hill schools, is that the schools would be held harmless, not just in the narrow sense, but the total funding to the district would increase as appropriate to address demonstrated unmet needs. So if you set a countywide supplemental tax at the four cents, you would be giving \$1.5 million more to the Orange County schools. You would lower the district tax. Maybe not so much that you would wipe out the entire amount that might accrue. But you would basically not be giving much if any increase to the Chapel Hill schools through this mechanism, so that the 68-32 split that John Link was talking about does raise with the four cents if we levy that the first year. \$1.5 million goes to the Orange County schools, and we'd have to figure out what would go to the Chapel Hill schools, but they certainly wouldn't get \$2.5 million out of this because we would lower the district

tax rate in a manner which accommodated the unmet needs of the Chapel Hill schools, but they wouldn't get the whole \$2.5 million. I think Moses said and I have said this is that it's not this huge windfall for the Chapel Hill schools, what it is is a lot of money for the Orange County schools. Remember, that's a huge tax increase for the Orange County schools, which is one reason I'd like to have a vote. If we did that in July 1, 2003, it would be 20.8 cents. The reason this doesn't cost Chapel Hill a lot of extra money is because you've decreased the district tax in Chapel Hill as you've increased the tax in Orange County. But I would add the caveat that you make sure you meet Chapel Hill's unmet needs as you adjust these two taxes. I don't know how to explain it more clearly, but Chapel Hill would, through this mechanism, it's not a mechanism to give Chapel Hill more money, it's a mechanism to correct the funding disparity so that Orange County school system would get more money soon.

**Chair Jacobs:** First, I will not support having this on the ballot in May. I would consider having it on the ballot in November. I don't think we're going to have a primary in May, and as I've said before, and I think I just heard Commissioner Halkiotis say, there's more information that I need before I'm going to go to the voters, including myself, and say, "Raise taxes on yourself." I want to know that the \$44.7 million in operating funds are being spent in an efficient and effective manner. I think that's only reasonable. And I think that we have outlined here some other ways to proceed that will give us information. We've had a lot of members of the public come to us and say, "I have these questions. I have these concerns." And with all due respect, your original proposal was to merge the schools and then work out the details. I still think that's what this is. This is, "Let's act without necessarily knowing all the details." Maybe I'm just more conservative or more cautious. But I think it's important to be able to have the school systems have these conversations about collaboration, have a group of independent educational experts look at what we have, and have an independent expert look at how money is being spent before we go to voters and say, "These are your two options." I tend to support the idea of these two options going to the voters, and as I had said previously, I think the countywide supplemental tax should go to the voters. Whether these are the two options, the only two options we should take to voters, perhaps they are. With the uncertainty about a primary and with the lack of information, I would not support this even though whatever we do may be ultimately divisive among some people, the more information we provide people, I have faith that people in the community are willing to listen, willing to evaluate, willing to digest, and then reach a conclusion if you treat them with the respect that we like to be treated. The way I would like to be treated as a taxpayer is to get this information before somebody asks me to make a decision. So that's my reaction. Qualified endorsement, but I still think that we have a process that I would like to see us pursue.

**Commissioner Brown:** I'm going to just totally agree with you. I think everyone has brought up here pieces of everything we need to do. It's kind of the time that we need to do them. However, Moses, I don't disagree with your stand on merger at all, but I really need to put out for our citizens some vision of what a merged system would look like. That kind of falls into what Barry was saying. That to me is something that everyone needs to see. They need to have a basis for supporting it. And without the data and the information both on the tax issue and on trying to look at the collaboration and trying to develop creative information on what a new system could look like, I just can't move ahead until we have that. And that to me is just the bottom line of it. I just don't want to run over the voters. They need to

have some confidence in what is going to take place in the future if we go towards merger.

**Commissioner Carey:** Let me be clear here, because you're both characterizing me as being precipitous and wanting to rush to a decision on merger when that's not necessarily the case. But I think we need to move in that direction. I submit that you have to make a decision that you're going to merge before you can develop a clear picture of what a merged system would look like. You can't develop that picture unless you've made that decision to merge. Anything you do prior to making the decision to merge and getting a group of citizens to work on a proposed merger plan is sheer speculation, and that's folly. That's misleading the public because you're encouraging them to rely on something that has no basis in fact, because it's sheer speculation. It's like saying that we're going to have 1,600 students redistricted and bussed. That's sheer speculation. And it's unfair to put the speculation out there and invoke fears in the public when you really can't determine what a merged system is going to look like until you make the decision to merge and then get a group of citizens who know more about education than we do to come up with a merger plan. And until you've got a merger plan, you cannot present a clear picture to the public. You want to put the cart before the horse; I want to put the horse where it needs to be. And we're the ones who are driving this train, and we need to take the leadership to do so. And if we don't take the leadership to do so, it's not going to happen. But if we do decide to go in this direction and put something on the ballot, and I don't know when the election is going to occur, nobody does, but I think we need to decide to do so in January. Now this Board can decide to put this option on the ballot in January, or we can decide to not do it. I think we should do it. And at least two Commissioners have gone on record stating – Commissioner Gordon has stated, she was the first one who stated that we needed to have a referendum on merger, she was the first one who stated that we needed to have a referendum on the countywide supplemental tax. So she can't say, "I don't want to do either one." And I've heard other Commissioners say they support other variations on this theme of a public vote on a tax. Let the public decide, the public is ahead of us on this. Let the public decide.

**Commissioner Halkiotis:** I have a suggestion to move us along, because it's 10:00. We could be here for a couple of weeks debating this. I'd like to suggest we go ahead and empower the Manager to look at his proposal and get us the information as quickly as possible and schedule it for our January retreat or what have you. Anything else we do right now, we're just going to present five different opinions up here.

**Commissioner Brown:** I think that's great. You definitely have to have that data.

**Commissioner Gordon:** I just wanted to support something that Commissioner Jacobs said in that I do think that it makes sense to get your facts and figures to make sure that people are educated. I'm kind of the uncharacteristic Gordonian form suggesting that we move forward for this. The reason is because I've been persuaded that the need is so great in the Orange County school system to do something. But if it's the pleasure of the Commissioners to get the data about why these two school systems need this money, fine. I just have been persuaded that the Orange County school system needs the money, and that's why I proposed what I did. If it's the pleasure of the Commissioners to get data to educate the public, to do efficiency studies or whatever we need to do to make sure that the Orange County system is using their money efficiently and the Chapel Hill-Carrboro system is using their money efficiently, then I could go along with that. I just think

that we need to get money to the Orange County school system. If we can do it sooner rather than later, that was my point.

**Chair Jacobs:** And if the sense of the Board is we'll come back to this in late January when we reconvene, that's fine with me, but I would just reiterate that that makes it even less likely that I would support an early decision because we're going to lose almost two months in gathering any information. And I think we need information for ourselves and for the public.

**Commissioner Gordon:** What kind of information do you need?

**Chair Jacobs:** The efficiency study.

**Commissioner Brown:** Are we going to then accommodate all of our proposals and get back information that we need from John and move ahead?

**Commissioner Gordon:** I think that we should have all of our proposals looked at.

**Chair Jacobs:** If that's the sense of the Board.

**Commissioner Brown:** Then we will bring all of them to our annual retreat in January. Is that correct?

**Chair Jacobs:** Well, we'll put it on the regular agenda or the retreat. One or the other, but as soon as we can.

**John Link:** We, I think, would rely on the Board to, at that point in time, get further instruction or have further discussion on your education excellence evaluation group, because basically you're at the point of talking about a charge and the composition of that element. But we'll be happy to come back by your retreat or by the first meeting either one and try to give you further detail on what specific areas, other studies have probed into as it relates to efficiency and try to give you some further ideas as to what the potential costs would be in this County. We won't be going out for proposals, of course, by that time, but I think we can give you some further detailed information.

**Commissioner Gordon:** I thought that was part of what we wanted to do.

**Commissioner Halkiotis:** I just wanted to put a caution out there because some of the companies that we've seen some of their PR work and materials they put out, it's a slash and burn approach. They come in and tell you to lower your thermostats 20 degrees so everybody's freezing, raise them 20 degrees in the summer so everybody's dying of perspiration, fire 20 people, cut back this, cut back that. I don't think that's what I'm interested in. I'm looking for something creative, something that's going to blend in with collaboration that we're talking about, something that's going to blend in with co-location. Some of those other things have been quick fixers, "Give me my Commission money and I'm out of here, and you guys go wrestle with the after effects." I'm not interested in that.

**Commissioner Jacobs:** And if I might just suggest, if you're going to flesh out specifically the efficiency study possibility, to confer with the two school systems and their staffs to get an idea of areas that they might be interested in getting more information about, or what kind of timeline they can see working with someone, understanding that if we're going to try and use this information to make a decision that we have to have an aggressive schedule.

**Commissioner Brown:** And I could give you a specific that I'd be interested in for both systems. When they decide that they'd like to do a program that's going to cost a certain amount of money, I'd like to know how those programs, how they do. What are the results? What do we see for our money? And I know we've invested in several programs that are supposed to address the needs of disadvantaged students or lower achieving students, but I've really never seen how these programs actually bring forth results. Then that money gets refunded, and

refunded, and refunded, and I don't even know if the programs exist anymore. So that's one piece I'd like to know.

## Distribution of Proceeds from Hypothetical Countywide Supplemental Tax

*Numbers may vary slightly due to rounding*

Annual Projected Amount of Money Generated by Each Cent on a Hypothetical Countywide Tax for FY 2003-04		OCS Share	CHCCS Share	Potential Reduction on CHCCS District Tax Rate <sup>(1)</sup>
1 Cent	974,876	375,361	599,515	0.96 cents
2 Cents	1,949,752	750,723	1,199,029	1.92 cents
3 Cents	2,924,628	1,126,084	1,798,544	2.88 cents
4 Cents	3,899,504	1,501,446	2,398,058	3.84 cents
5 Cents	4,874,380	1,876,807	2,997,573	4.80 cents
6 Cents	5,849,256	2,252,168	3,597,088	5.76 cents
7 Cents	6,824,132	2,627,530	4,196,602	6.71 cents
8 Cents	7,799,008	3,002,891	4,796,117	7.67 cents
9 Cents	8,773,884	3,378,253	5,395,631	8.63 cents
10 Cents	9,748,760	3,753,614	5,995,146	9.59 cents
11 Cents	10,723,636	4,128,976	6,594,660	10.55 cents
12 Cents	11,698,512	4,504,337	7,194,175	11.51 cents
13 Cents	12,673,388	4,879,698	7,793,690	12.47 cents
14 Cents	13,648,264	5,255,060	8,393,204	13.43 cents
15 Cents	14,623,140	5,630,421	8,992,719	14.39 cents
16 Cents	15,598,016	6,005,783	9,592,233	15.35 cents
17 Cents	16,572,892	6,381,144	10,191,748	16.31 cents
18 Cents	17,547,768	6,756,505	10,791,263	17.27 cents
19 Cents	18,522,644	7,131,867	11,390,777	18.22 cents
20 Cents	19,497,520	7,507,228	11,990,292	19.18 cents

(1) If decision were made to reduce CHCCS district tax rate and proceeds to match CHCCS share that would come from Countywide tax; based on projected revenue generated by one cent on the CHCCS District Tax Rate for FY 2003-04 totaling \$625,035