

**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.

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 school 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 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.