

Fair Funding In County Schools

No. 1 9/2003

Dear Parents,

This is a critical time in Orange County. At the Sept. 15 work session, the Board of County Commissioners (BOCC) received the long awaited "merger report" on the implications of merging the Chapel Hill/Carrboro and Orange County school systems.

The commissioners requested this report at the suggestion of Commissioner Moses Carey, who expressed a desire to remedy the funding inequity that has grown to more than 30 percent in recent years. **This is an issue about fairness, and about providing equal opportunities for all the children in Orange County.** It's time to put an end to the separate but unequal school systems.

For the next two months, the County Commissioners will be debating options that could change our schools forever. Here are a few Frequently Asked Questions and brief answers.

What is the "funding disparity" between Orange County Schools and Chapel Hill/Carrboro City Schools?

- Orange County Schools (OCS) receive about \$1,165 less per pupil than Chapel Hill/Carrboro (CH/C) schools. This is because the CH/C district pays an extra tax each year that goes straight to its school system. However, the "disparity" isn't the supplemental tax amount, but *the way in which the two systems are funded.*
- By state law, the BOCC has to fund both systems equally "per pupil." This does not include the CH/C district tax.
- When Chapel Hill walks into the budget room, its bucket is already partly filled up with money from the district tax. So, CH/C asks for less "per pupil" than OCS does. The more the district tax goes up, the fuller that CH/C bucket is at budget time. Consequently, whatever the commissioners give Chapel Hill to fill that bucket the rest of the way up is what OCS will - by law - also receive. Unfortunately, it is not enough for OCS.
- This past June hit OCS hardest: the commissioners funded only 85 percent of its budget, compared with 98 percent received by CH/C schools. Here's a chart of funding discrepancies:

→ For the past 3 years, OCS has been consistently underfunded

	2001-2002		2002-2003		2003-2004	
	OCS	CH/C	OCS	CH/C	OCS	CH/C
Amount requested	\$ 18 million	\$ 26.6 million	\$ 16.9 million	\$25.4 million	\$ 20.3 million	\$ 44 million
Amount funded	\$ 16 million	\$ 24.8 million	\$ 16.1 million	\$ 26.2 million	\$ 17.2 million	\$ 43 million
% funding received	88 %	93 %	95.5 %	103.2 %	84.7 %	98.2%

*Source: Chapel Hill Herald and County Budget office

- OCS has had no funding for "expansion items" (new programs, like elementary Spanish) for the past five years. Only local funding can provide these teachers. [Local money fills 35 % of the OCS total budget; state money provides 52%, and the rest (5% plus) comes from federal sources.]
- It's time to fix this flawed funding mechanism and allow all students in Orange County to succeed.
- If we don't fix the problem now, future county commissioners may be elected solely on their position regarding funding disparity and merger.
- Chapel Hill/Carrboro voters comprise 70 percent of all voters in the county. Their voting clout can continue to undermine our schools.
- **The commissioners are listening now. We must NOT lose this opportunity for equity!**

Why is this disparity perpetuated year after year?

- Because granting OCS' requests would overfund Chapel Hill/Carrboro.
- Here's what we mean:

CHAPEL HILL BUDGET 2003-04

Chapel Hill/Carrboro Request: \$40 million
Subtract income from CH/C District Tax: - \$12 million
Amount needed from commissioners: \$28 million (divide by 10,700 students = \$2,617 per pupil)**
(*this is the maximum "per pupil" amount the commissioners can fund OCS without overfunding CH/C)

ORANGE COUNTY BUDGET

OCS request 2003/04: \$20 million (divide by 6,500 students = \$3,077 per pupil)

Amount actually received by both systems: \$2,566 per pupil
Additional amount CH/C receives from district tax: \$1,165 per pupil
Total local funding for CH/C student: \$3,731
Total local funding for OCS student: \$2,566 (this is only 85 % of what OCS requested)
Amount OCS was underfunded: (approx) \$ 500 per pupil This is the "disparity."

- When OCS asks the commissioners for more, the response is "We can't, because then Chapel Hill/Carrboro will get too much."
- This year, OCS used a "one-time fix" by reallocating federal funds to save existing programs. Next year, we will lose programs and teachers.

What can be done to equalize funding?

- Merger, or non-merger with equalized funding.

MERGER:

- The two systems would become one, taxed and funded equally. Taxes would increase gradually for OCS residents, and decrease for CH/C residents; the district tax would be zero.
- Merger would happen over a 3-year or a 5-year period.
- Two scenarios would work: Gradually increase OCS taxes 3.3 cents per year for 5 years, or increase taxes 5.6 cents per year for 3 years.
- The much-publicized increase of 17-cents for OCS residents with a July 2005 merger is **not realistic**, according to Commissioner Carey, because merger couldn't happen so soon. Nor would he support a rapid tax hike for county residents.
- Commissioner Carey will recommend the 3- or 5-year plan, which will require a modest tax increase for OCS residents, and modestly lower taxes for CH/C residents.
- **What do these tax increases mean?** Here's the most expensive scenario, the 3-year merger plan, with a 5.6-cent tax hike for each of 3 years:
 - Tax increase for \$100,000 home: \$56 per year, or \$4.66 per month for 3 years.
 - Tax increase for \$200,000 home: \$112 per year, or \$9.33 per month for 3 years.
- **PROS of merger:**
 - **Security for future funding of OCS. An end to the disparity in funding.**
 - **Savings in building costs**, as empty spaces will be filled before new buildings go up.
 - **Improved programs, teacher pay, and facility upkeep at OCS.**
 - **More options for "magnet schools."** Increased program opportunities for both districts.
 - **Community building**, instead of the continual tug-of-war between city and county.
- **CONS of merger:**
 - **Small increase in taxes up front.**
 - **A bigger school system is created; may see a loss of local control.** [Local control, however, means accepting the level of (under)funding offered by the BOCC.]

NON-MERGER WITH EQUALIZED FUNDING: One of three scenarios:

These first 2 will have the same impact on OCS taxpayers:

1. Raise countywide taxes and decrease the CH/C school tax, or
2. Let the voters pass a countywide district tax, similar to the CH/C district tax but for the whole county.
 - **PROS** of non-merged equalized funding:
 - Retain local control. [Albeit without dollars.]
 - **CONS** of non-merged equalized funding:
 - **There is no guarantee that the funding disparity will end.** One Board of Commissioners may promise this, but the newly elected board members can easily change the board's priorities. Every year OCS will have to fight for fair funding.
 - The Chapel Hill/Carrboro district will always have more voters, who in turn could elect commissioners who favor increased CH/C funding at the expense of OCS students.
 - **OCS residents will still have to pay for building new schools in the growing CH/C district,** without being able to use them. The CH/C system expects to need \$100 million for building projects over the next 10 years. **** (see below)**
 - The community will remain divided.
3. Non-Merged with OCS District Tax:
 - OCS district voters would have to pass a special-district tax like CH/C's tax.
 - **PROS** of OCS district tax:
 - Theoretically, OCS could set its tax according to what it needs. But, our "need" will always depend on what CH/C needs; as their tax rises, our will have to keep pace.
 - Retain local control. [Though without adequate funding.]
 - **CONS** of OCS district tax:
 - **Funding disparity** is likely to continue.
 - Our tax will always be set according to our bigger neighbor's tax. **As theirs goes up, ours will have to,** even more steeply than theirs.
 - We would need to pay a tax of 22.4 cents to get the same income that the CH/C district gets with 20 cents.
 - **OCS has a smaller commercial base, 8 percent compared to Chapel Hill's 20 percent.** The tax burden would fall more heavily on homeowner and farmer in the OCS district than in the city district. If you shop in Chapel Hill or Carrboro, you're indirectly supporting their schools, but not the OCS schools.
 - **There is no guarantee that funding will remain equitable.**
 - OCS residents will still have to pay for **CH/C buildings** (\$100 million in 10 years).
 - **Unlikely to pass voter approval.**

****What are the school-building projects for CH/C mentioned above?**

Over the next 10 years, the following projects are planned:

Chapel Hill/Carrboro City Schools

High School #3	2006-07	\$ 30,000,000
Elementary School #10	2006-07	\$ 13,932,000
Middle School #5	2008-09	\$ 20,790,000
New Central Office	2008-09	\$ 5,831,000
Lincoln Center (central office) convert to alternative school		\$ 11,141,000
Elementary School #11	2012-13	\$ 17,583,000
	Total for CH/C:	\$ 99,307,000

Orange County Schools

Middle School #3	2006-07	\$ 18,500,000
Central Office Expansion	2004-05	\$ 1,650,000
	Total for OCS:	\$ 20,150,000

How will we pay for these projects?

- Bonds will fund most of these projects, so every resident in the county will pay for the buildings, no matter which school district the taxpayer lives in.
- If we are merged, OCS students will have access to the facilities that we've helped to fund. The problem of enormous growth in Chapel Hill must be looked at, whether we merge or not.
- How much does it cost a taxpayer to fund a school building? A few cents a year, depending on interest and amount borrowed. For example, a \$25 million bond would cost about \$2.2 million over 20 years; this would cost taxpayers roughly 2.5 cents per year for 20 years.
- If the systems were merged, and school-building projects could be delayed, the tax savings would benefit all Orange County residents.

What should I do about it?

- Write, email, or call the County Commissioners with questions and comments. They want to hear from OCS residents.
- We need to act NOW.
- Come speak at one of the upcoming public hearings.
 - Thurs, Oct. 16, 7:30 PM, at Chapel Hill High School in Chapel Hill.
 - Thurs., Oct. 23, 7:30 PM at Cedar Ridge High School in Hillsborough.
 - Below is a list of the names and addresses of the County Commissioners:

Moses Carey, Commissioner 901 Lystra Lane Chapel Hill NC 27516 929-8513(h); 933-8494 (w); Fax 968-1920 mcarey1@mindspring.com	Stephen Halkiotis, Commissioner 2930 Franklin Rd Hillsborough NC 27278 732-4813 (h); 732-6271 (w); Fax 644-2791 stevehh@mindspring.com	Margaret W. Brown Chair P.O. Box 8181 Hillsborough, N.C. 27278 929-6460 (h) mwbrown@mindspring.com
Barry Jacobs Commissioner 2105 Moorefields Rd. Hillsborough, N.C. 27278 732-4384 (h), 732-4941 (w) barry.j@mindspring.com	Alice M. Gordon Vice Chair 282 Edgewood Dr. Chapel Hill, N.C. 27517 933-0550 (h) gordonam@mindspring.com	To learn more about the options, you can download the report received by the commissioners at www.co.orange.nc.us (click "what's new"); or pick up one up at a public library.

Prepared by Fair Funding In County Schools, FFICS (pronounced "fix") Let's fix the funding disparity.

Liz Brown eabrown@highstream.net; Kelly Monroe-Porco mporco1@aol.com; Susan Houck hak32@earthlink.net; Arlene Furman and Jack Nestor furmana@bellsouth.net. We're parents of children in the Orange County Schools.

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