

CHAPEL HILL-CARRBORO CITY SCHOOLS

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TO: Board of Education

FROM: Neil G. Pedersen
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RE: Proposed Options to Merger

DATE: October 9, 2003

With the release of the Orange County Manager's Analysis of Potential Impacts Resulting from a Possible Merger of the Orange County Schools and Chapel Hill-Carrboro City Schools, all parties are better informed about the implications of merging the two school districts. At the direction of the Board Chair and Vice-Chair, I have prepared a series of recommendations for the Board's consideration that would accomplish the primary goals that are sought through a merger, but stop short of creating a merged school district. This information is being shared with the Board of Education for its work session agenda.

Equalizing Funding in the Two School Districts

If the Board of County Commissioners wants to equalize funding in the two school districts, it is entirely within its authority to make this happen. Merging the districts would require equalization of funding; however, it may create the most difficult scenario to implement because equalization would have to be accomplished in the shortest time frame, perhaps, within one or two years. If re-evaluation were not factored into the required tax increase, the county tax rate would need to increase by at least 20 cents in this time period (see attached letter). This would amount to approximately a 25 percent property tax increase for homeowners and businesses in the OCS district, an amount that can be expected to be not only unpopular but also a real financial hardship on many residents.

The Manager's report (pp. 23-29) cites other methods for equalizing funding. They include simply raising the county tax rate while phasing out the district tax, phasing in a countywide school tax while phasing out the district tax, or phasing in an Orange County Schools district tax until it generates the same per-pupil revenues as the CHCCS district tax.

It seems to me that there are three fundamental questions that need to be asked before committing to a system that would guarantee the same local, per-pupil expenditures for students in two different school districts:

- (1) **Are there any valid reasons for the cost of educating students to be different between the two school districts?** This is a complex question that hasn't been studied in detail, but could be if this were desired. For example, CHCCS has more autistic students and more Limited English Proficient students than OCS. Funding from the state doesn't come close to providing the resources that are needed to educate these students; therefore, significant local funding is required. If funding in the two districts were equalized and such differences in the student population didn't balance out across the districts, providing equal funding would be inequitable.
- (2) **Are there years when per-pupil expenditures may need to be increased more in one district than another, even on a temporary basis?** This situation has arisen over the last ten years when one district was opening a school and another wasn't. Typically, the CHCCS district tax was used to provide for the additional on-going costs associated with the new school. When OCS was faced with this situation, they did not have a district tax upon which to draw. Sometimes in these instances, OCS received additional dollars for this purpose and the CHCCS district tax was reduced so that CHCCS didn't receive a "windfall" from OCS opening a school. On other occasions, in my opinion, OCS did not receive the funding that it needed to open a new school and, therefore, other aspects of its budget were negatively impacted. This scenario could arise in the future when the two districts were equally funded. It would be unfair not to provide additional funding to the district opening the new school and unnecessary for the other district to receive additional funding just because the other district was opening a new school. A single countywide property tax would not provide the flexibility that the Commissioners would need in these years when financial needs from the two districts were legitimately different.
- (3) **Is it necessarily inequitable for two communities to choose to spend different amounts on educating their children, when their resources for funding schools are similar?** This is a fundamental question that will arise during the public discussions on merger. Clearly, at the time that the district tax was initiated, it was not considered unreasonable for a district that wanted to spend more dollars on education to be allowed to do so. Thus far, the rulings in the Leandro school funding case have not found either the state funding formula or the differences in local funding to be unconstitutional or even incompatible with the obligation to provide a sound basic education to all students. The disparities in the current funding levels in Orange County would be harder to defend if they were a product of differences in property wealth or of a deliberate attempt to under-educate a population of students. On the contrary, the recent merger study found that the tax base per student is distributed almost equally between the two school districts, so that a penny on a hypothetical district tax in OCS would

generate approximately the same amount per pupil as a penny on the CHCCS district tax. Consequently, differences in funding may be seen by some as a choice rather than as an inequitable distribution of resources in Orange County.

The answers to these fundamental questions lead me to believe that the most equitable funding system would be one in which both school districts had a district tax. The district tax could be used to address differences in the two school systems that may exist today and, certainly, will arise in the future (see questions 1 and 2 above). A district tax also would address question no. 3 in that it would allow for increased funding to the OCS, but not force that level to be the same as the current level in CHCCS. Keith Cook, chair of the OCS Board of Education, has advocated for a district tax that is less than the CHCCS district tax. We know that the OCS Board of Education did not support a proposal for a district tax last year; however, when the financial impact on property owners of a district tax that could be phased in is compared to that of a merger, the question today may be perceived differently by Board members and their constituents.

I recommend that the CHCCS Board of Education go on record of supporting a local system for funding education that would be comprised of a countywide ad valorem tax and district taxes in both school districts. In my opinion, this is the fairest and most democratic approach to equalizing funding between the two school systems. Admittedly, it requires a referendum of the voters in the OCS district to be implemented. If such a referendum did not pass, then other approaches, including that of merger, could be reconsidered.

Increase Collaboration between the Two School Districts

I do not believe that either school district is opposed to collaboration. I also believe that we will see much greater collaboration when the school districts or other parties clearly see opportunities to save money or improve services to students that are not being pursued. Collaboration simply for the sake of saying that we're collaborating is not advantageous to anyone.

In fact, today there are many areas in which the two school districts collaborate. They include the following:

- Transportation operations
- Communities in Schools (CIS)
- Orange County Partnership for Young Children (Smart Start and More at Four)
- Middle School After-School Programs
- 21st Century Grants
- Contracting for services for low frequency special needs students
- Joint meetings (manager/superintendents)

More than a year ago, the Orange County Commissioners proposed that outside resources be employed to help identify opportunities for collaboration. The CHCCS administration recommended that the Commissioners consider using Philip Boyle of the Institute of Government for this purpose. Representatives from both school systems and the BOCC met with Mr. Boyle. The CHCCS Board of Education went on record of supporting moving forward with a collaboration study headed by Mr. Boyle. The BOCC voted not to pursue a contract for Mr. Boyle's services and the effort died as attention shifted from collaboration to merger implications. **I recommend that the CHCCS Board of Education reiterate its commitment to such a study of collaboration opportunities and commit to implementing recommendations that clearly demonstrate that they will provide cost savings or improve the quality of services.** We stand ready to participate in this study as soon as it is approved by the BOCC.

As part of the merger study, the two school districts developed a detailed comparison of educational programming in the two school districts. It is fairly clear that the primary level of schooling that would lend itself to the sharing of students and programs is at the high school level. It also is the level at which the differences in educational opportunities and in academic achievement are most apparent. Both school districts have met recently with officials from Alamance Community College and Durham Tech to discuss the possibility of establishing middle college programs or other dual enrollment opportunities. One of my goals for the year is to submit a recommendation to the Board of Education to establish a middle college program at one or both of the community colleges preferably for implementation in 2004-05, but no later than 2005-06. The participation of the Orange County Schools would make this more feasible and would be welcomed. **I recommend that the Board of Education formally go on record of supporting the establishment of middle college and/or more extensive dual enrollment programs with local community colleges and in collaboration with the Orange County Schools if they so desire.**

I also recommend that the Board of Education charge the CHCCS administration to work collaboratively with the OCS administration in the development of a plan that would allow any of our high school students who wish to attend an OCS high school to participate in a program of study not available in our district. The major OCS high school strength identified in the program comparison is in the Career and Technical Education department. In order for this to work, we would need to work collaboratively with the OCS to develop a plan for marketing these opportunities, providing transportation services, providing OCS with financial compensation, and determining if space were available in the OCS system.

I would want to make the same offer to students in the OCS system; however, both of our high schools are over capacity. **I recommend that a reciprocal arrangement be developed that would go into effect upon the opening of our third high school, anticipated to be in 2006-07, or could be instituted sooner on a one-to-one trade-off of students (so as not to increase high school enrollment due to collaboration).** This administration stands ready to participate with the OCS administration to develop such a plan for implementation in 2004-05.

Advantages of Proposal as Compared to Merger

These recommendations would address two of the major reasons for considering merger of the two school districts: providing more equitable funding and increasing collaboration which will lead to greater educational opportunities for the children of Orange County.

This approach also would have the following advantages over the merging of the two school districts:

1. It creates the opportunity to equalize funding across the two school districts, but provides the flexibility to recognize that there may be educational and operational differences that dictate different levels of funding.
2. It allows two of the highest performing and best financed school districts in the state to retain their identity and match educational programs to the educational vision of their constituents.
3. It retains two school districts that can be more responsive to all of its constituents than a larger district; a district that very well could be dominated by the citizens in the current Chapel Hill-Carrboro district where approximately two-thirds of the voters live.
4. It avoids the potential of a major redistricting that likely would result in longer bus rides for many students to distant communities. This could be expected to raise parents' apprehension and to decrease parental involvement in schools. Longer bus rides also would consume more energy and contribute to the air quality challenges faced by Orange County.
5. It retains the authority for educational decision-making in the hands of school boards that the public elected to serve in this capacity. Under a merger, the County Commissioners would appoint an interim school board that would be given the authority to create a new school district.
6. It would save work. No one should underestimate the effort required to create an entirely new school system and to merge two organizations with different cultures. Furthermore, both school districts have major educational challenges that cannot be placed on hold while a merged district is being designed.
7. It avoids a merger debate that could divide residents throughout the county and replaces it with a model based upon good will and trust that two districts can collaborate effectively and, thereby, best serve the students of this county.
8. It would retain two central offices that are conveniently located to the communities that they serve and the staffs that they support.