

H1031 Working Group Meeting #4  
January 10, 2019 10am–Noon

**Participants**

Working Group Members

- Amy Cannon Cumberland County Manager
- Pam Dubois Senior Deputy Cabarrus County Manager
- Susan Holder Assistant Sampson County Manager
- Jeff Hollamon CFO, Onslow County Schools
- Kimberly Honeycutt Finance Officer, Harnett County
- Jennifer Mace Catawba County Budget and Management Director
- Glynn Rollins Halifax County Attorney
- Pam Satterfield Executive Director, NCASBO
- Nick Sojka In-house Counsel, Cumberland County Schools
- Leanne Winner NC School Boards Association
- Mark Winters CFO, Wake County Public Schools
- Kyle Wolf Forsyth County Budget Director

Facilitators

- David Brown Research Director, nclMPACT, UNC School of Government
- Sharon Edmundson Director, Fiscal Management Section, State and Local Finance Division, Department of State Treasurer
- Kara Millonzi Professor of Public Law and Government, UNC School of Government

**Agenda**

- I. Review revised fund balance legislative language
- II. Finalize fund balance recommendation and formulate plan for draft report
- III. Identify major issues with capital funding process
- IV. Set date/time and discussion topics for next meeting
- V. Plan next steps

## School System Fund Balances – Discussion Items

- Would it be appropriate to use “should” instead of “shall” in the [Draft Legislation to Address Discussion on School Board Fund Balance](#)?
  - The General Assembly’s bill drafters won’t allow “should” – they will change it to “shall.”
- What happens if the parties don’t meet?
  - Nothing official happens. But if there is a later dispute over the fund balance, there will be a record of this.
- Setting specific percentages is not feasible because of the diversity of needs of the different school systems (e.g., floods on the coast, snowstorms in the mountains).
  - Arguably, there’s never been a time when there has been so much demographic, geographic, and economic diversity among North Carolina’s school systems.
- Flexibility is important, but not the flexibility to do nothing.

## School System Capital Balances – Discussion Items

- Joint capital planning is easier than operations planning because the former does not depend on other fund sources – capital funds are coming from local sources.
  - However, like with fund balances, this is case where one size does not fit all. Some school systems are growing and need new buildings. Others are shrinking and need to maintain what they have with limited resources.
  - At the last working group meeting, six different people talked about capital balances in their home counties, and there were six different approaches.
- School systems should offer commissioners the ability to (perhaps encourage them to) tour local schools. This has been a valuable practice that has led to better collaboration between school boards and commissioner boards in some districts.
- The amount of time allowed for evidence to be presented in a dispute obviously has cost implications – need to strike a reasonable balance.

- Proposed approach: Add a Section 3 to the [Draft Legislation to Address Discussion on School Board Fund Balance](#) and populated it with language already drafted in Item 2 from [Discussion Items for Resolution of Capital Funding](#).
- There was an extended discussion of feasibility and suitability of bench trials versus jury trials.
  - On the one hand, in the case of the former, the parties would know that if they don't work out their dispute, what would follow is a fairly accelerated bench trial – that may focus their attention.
  - Conversely, the prospect of handing the dispute over to a jury who may do something unexpected could also provide a strong incentive to settle disagreements in advance of a trial.
  - Either way, the decision would be appealable.

### **Next Steps**

- Working group members will attempt to draft a report preamble and a full bill draft.
- David Brown is available to help with report drafting and compilation going forward. He will forward the [report example](#) given to him by the working group's legislative staff contact.

### **Next Meeting**

- Friday, February 1st 1pm–3pm at the School of Government