

H1031 Working Group Meeting #7  
March 25, 2019 2:00pm–4:00pm

**Participants**

Working Group Members

- Amy Cannon Cumberland County Manager (Working Group Co-Chair)
- 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
- Glynn Rollins Halifax County Attorney
- Pam Satterfield Executive Director, NCASBO (Working Group Co-Chair)
- Nick Sojka Board Attorney, Cumberland County Schools
- Leanne Winner NC School Boards Association
- Mark Winters CFO, Wake County Public Schools

Advisors/Staff

- David Brown Research Director, ncIMPACT, 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. Discuss capital funding issue
- II. Outline draft recommendations
- III. Discuss process for drafting report
- IV. Identify next steps

## School System Capital Funding – Discussion Recap

The group resumed the discussion that had taken place over the last several meetings in an attempt to find an acceptable alternative to litigation to resolve capital funding disputes between counties and school systems. New comments and concerns included the following:

- If a percentage increase requirement for the property tax were established to remedy underfunded capital requests, smaller counties would have less ability to generate actual dollars for schools than larger counties.
  - It's very difficult to come up with a specific tax rate/percentage increase that would be applicable to all counties statewide.
  - We don't have enough data as to how this would work in counties of different size, wealth, need, number of school systems, etc.
  - We don't want to put something in place that would override counties' fiscal policies – this could bankrupt counties.
- With all of the other things that counties have to pay for, why are the schools the only ones that can sue?
- Schools have a requirement to provide adequate facilities without any ability to raise revenue. The school board is the only elected governing board in the state that does not have a way to generate funds.
- Should we recommend that the state give taxing authority to boards of education?
- The vast majority of disputes have occurred over current expense, not capital.
- Does litigation function as deterrent, or a threat?
  - Litigation is paralyzing – it chills discussion between the parties.
- There are always going to be funding outliers. Should litigation continue to be a possibility for everyone despite these disputes being relatively rare?
  - That's why the option to litigate exists – when those outliers occur, there has to be some recourse.
- Additional communication and procedural requirements as pre-emptive steps could represent “alternatives to litigation” as the committee's charge requires.
- Is binding arbitration a possible approach? You would go through mediation with an arbiter whose final decision could not be appealed.
- In the case of a consultant's report, if the school system doesn't get what it needs, the report would be a matter of public record.
- Lots of school districts – perhaps most of them excluding the few largest – would seize on the ability to enlist a consultant to help them demonstrate needs. Would this help the smaller school systems, but hurt the larger (better-funded) school systems?

### **Draft Recommendations**

- The group deferred discussion of a specific recommendation on capital outlay until its next (and final) meeting.

### **Next Steps**

- Update the Joint Legislative Education Oversight Committee on the group's progress and request an extension to the March 30 reporting deadline in order to have a final meeting. **[Update: This request was granted by Committee leadership on March 28, with April 19 established as the new reporting deadline.]**
- Dave Brown will continue drafting the report in consultation with the group co-chairs, who agreed to be the points of contact for proposed edits from their respective cohorts.

### **Next Meeting**

- Monday, April 15 at 1pm