

**MINUTES OF A JOINT MEETING OF
THE JACKSON BOARD OF COMMISSIONERS AND
THE JACKSON COUNTY PUBLIC SCHOOLS
HELD ON JANUARY 25, 2018**

The Jackson County Board of Commissioners met in a Joint Meeting with the Jackson County Public Schools on January 25, 2018, 6:00 p.m., at Southwestern Community College, Burrell Building Conference Rooms 102 A, B and C, 447 College Drive, Sylva, North Carolina.

Present:

Jackson County Board of Commissioners:

Brian McMahan, Chairman

Charles Elders, Vice Chair

Boyce Deitz, Commissioner

Mickey Luker, Commissioner

Ron Mau, Commissioner

Don Adams, County Manager

Heather C. Baker, County Attorney

Darlene Fox, Finance Director

Angela M. Winchester, Clerk to Board

Jackson Board of Education:

Ken Henke, Chairman

Ali Laird-Large, Board Member

Elizabeth K. Cooper, Board Member

Margaret McRae, Board Member

Wes Jamison, Board Member

Dr. Kim Elliott, Interim Superintendent

Gwen Edwards Finance Officer

Mike Wike, Anderson Smith and Wike, PLLC

Cora Fields, Assistant to the Board of Education

Chairman McMahan called the meeting of the Board of Commissioners to order.

Mr. Henke called the meeting of the Board of Education to order.

(1) **AGENDA:** Ms. Laird-Large moved to approve the Agenda. Ms. Cooper seconded the Motion. Motion carried.

Mr. Henke introduced the Interim Superintendent, Dr. Kim Elliott.

(2) **BACKGROUND INFORMATION:** Dr. Elliott stated that it was an important night for the Board of Education, students, teachers and employees of Jackson County Public Schools because they believed in education and what better way to come together in the spirit of education and share information. They believed in education and the best way to promote education was by sharing information, truthfully and transparently, which was what they were there to do. She welcomed everyone and thanked them for being there.

She stated that North Carolina General Statute 115C-408 stated “it is the policy of the State of North Carolina that facilities requirements for a public education system will be met by county governments.” The meeting would mainly be about operations and funding streams.

Ms. Edwards provided background information and introduced Mike Wike of the CPA firm Anderson, Smith and Wike, PLLC, who began his career in 1993 and had focused his audits on school boards.

(3) **EDUCATIONAL FUNDING:** Mr. Wike presented:

(a) Sources of Revenue:

- General fund (also referred to as the local current expense fund, one and the same)
- State Public School Fund
- Federal Grants Fund
- Other Specific Revenue Fund
- Capital Outlay Fund
- Individual Schools Fund
- School Nutrition Fund

- (b) Essentially all revenue except for the county appropriations were restricted.
- (c) Causes of financial difficulties:
 - School Boards cannot levy taxes
 - School Boards were extremely limited in the type of debt that can be issued
 - Local budget often was adopted before the state passes a budget
 - Teachers were hired before state budget passed
 - The state may mandate additional expenses while not funding the expenses
- (d) How do School Boards pay for unfunded state mandates:
 - Use fund balance from the General Fund (local current expense fund)
 - Cut other operating expenses
 - Find other sources of funding
 - This was unique to School Boards since most other governments can raise tax revenues
- (e) Changes in Average Daily Membership (ADM):
 - Many federal and state grants were based on ADM
 - This presents a challenge if ADM decreases or increases
- (f) Most likely a change in ADM did not occur in one grade at one school:
 - Here's an oversimplification: What's the likelihood that a total of 18 student increase at the district occurred entirely at the 4th grade at Smokey Mountain Elementary?
 - Changes occur across all grades and all schools making financially optimum class sizes almost impossible.
- (g) Dollar vs. Position Allotment:
 - Position Allotments:
 - Only used for salaries
 - Pays for entire salary of employee (subject to certain maximum and minimum requirements)
 - Pays for most benefits attributable to the employee
 - Only used in a few (but larger) allotments
 - Unique to School Boards
 - Reason for position allotments
 - Dollar Allotments:
 - Given a "pot" of money to be spent for a certain need
- (h) County Appropriation:
 - Operations: Unrestricted
 - Capital: Restricted for capital expenditures
- (i) Athletics (Paid from General Fund)
 - Ad Salaries/Supplements \$413,072
 - Athletic insurance, etc. \$75,135
 - State Funding \$0
 - Federal Funding \$0
 - Gate receipt money does not go to pay salaries
 - Additional costs were paid from gate receipts at the school level such as equipment, uniforms, referees, etc.
- (j) Charter School Funding:
 - Charter Schools receive state and federal funding directly from DPI.
 - County appropriation and fines and forfeitures comes directly to JCBOE and a pro-rata portion was passed through to the charters based on their ADM.
- (k) Charter School Allocation:
 - JCBOE pays \$1,725.72 per student from Jackson County appropriation in 2017-18.
 - JCBOE pays and additional amount per student from Fines and Forfeitures (changes from month to month).

- (l) School Nutrition:
 - Funded primarily by USDA reimbursements
 - Food sales was a small percentage of total revenue (approximately 20%)
 - Proceeds can only be used to support school nutrition
 - JCPS School Nutrition program was self-supported while many similarly sized districts require financial assistance from the General Fund.
- (m) Budgeted source of operating revenue (by fund) fy 2017-18:
 - State Public School Fund 61%
 - Jackson County 18%
 - Direct state, federal and local grants 5%
 - Fines and forfeitures 1%
 - Federal grants fund 9%
 - Child Nutrition 6%
- (n) Local School Finance Study Rankings:
 - 2015-16:
 - County Funding Rank 32nd
 - County Funding Rank 58th including low-wealth and small county funding
 - 2014-15:
 - County Funding Rank 27th
 - County Funding Rank 54th including low wealth and small county funding
 - Source: Public School forum of North Carolina a nonpartisan nonprofit organization with the mission to provide evidence based research to assist North Carolina public schools.
- (o) Local School Finance Study Rankings:
 - 2015-16 County ability to pay rank 4th
 - 2015-16 County relative effort rank 98th
 - 2014-15 County ability to pay rank 3rd
 - The study noted that low wealth counties with comparatively high spending levels tended to rank highest in the measure.
- (p) Funding comparison to other states:

	<u>Federal</u>	<u>State</u>	<u>Local</u>
North Carolina	13%	62%	25%
South Carolina	10%	46%	44%
Virginia	7%	39%	54%
Georgia	10%	44%	46%
Tennessee	13%	46%	41%

- (q) Sources of Capital Funding:
 - county government:
 - Restricted sales tax revenue received
 - Debt
 - Property taxes
 - State of NC
 - Lottery funds (obligated Fairview Kindergarten building debt)
 - ADM fund (which had been largely depleted)
 - Grants from other organizations:
 - Very rare
 - Very restrictive
- (r) Capital Funding:
 - Restricted sales tax revenue received:
 - Article 40
 - Article 42

- County Restrictions:
 - Capital Outlay
 - Technology
 - One to One Project
 - Preventative Maintenance
 - County Commission pays from restricted sales taxes and QZAB proceeds:
 - Building projects (roofs, HVAC, etc.)
 - Debt for major school projects (Fairview Kindergarten)
- (s) In summary:
- The only funds that were unrestricted and that the BOE can decide how to spend were the county appropriation, fines and forfeitures and interest earned.
 - The BOE had no control over the expenditure of funding received from restricted sources.

(4) QUESTIONS AND COMMENTS: Dr. Elliott served as moderator for questions and comments from the Boards.

(a) Ms. Laird-Large stated that they had studied this carefully and they were so restricted in what could use funds for and people did not understand why. The biggest question they received from the public was why they did not hire more teachers. They wanted the Commissioners and the public to understand how schools were funded.

(b) Mr. Henke stated that they usually got money for capital, which could not be used to hire teachers or operations. That was a restricted fund that must be used for capital.

(c) Commissioner Deitz stated he thought the presentation was very informative.

(d) Commissioner Elders stated he did not realize that the schools did not receive any state or federal funds for athletics.

(e) Ms. Laird-Large stated that there were close to 100 clubs at the high school and they all had to be funded by fundraisers.

(f) Commissioner Deitz stated that the best drop-out prevention was athletics and the band. He thought those programs were very important. He thought the big problem was with mandates that came from the state and no money to go with them.

(g) Chairman McMahan stated that he appreciated the opportunity to hear the information, it was very helpful. He thought if anything, the School Board knew the information backwards and forwards and he thought that most of the people at the Commissioners table had heard it over the years and knew it fairly well. He thought it was a good opportunity to help the general public understand how schools were funded on the school level as well as on a county level.

He thought one of the reasons they were having the discussions that night was due to unfunded mandates from the state legislature. The state constitution and the general statutes were very clear as to what the responsibilities were as far as state and county. The legislature kept trying to find ways to reduce their responsibility and shift the burden on the local governments and give no way to deal with that other than to raise property taxes.

The Board of Commissioners and the School Board had a long history of working together, trying to make sure that they collectively had done what they could to meet the needs of the county. But, they did live in a Tier 1 poverty county and were on the lower end of the tax rate. This was because they were trying to make it as affordable as possible for the people to live there and they could not afford another tax increase. In the big scheme of things, the county also had a whole list of other items that they also had to find ways to fund. They were going to try to work together and had always had a good history of that. He hoped that the public understood that in his opinion, the real problem was the state and the legislators needed to know – no more unfunded mandates.

(h) Commissioner Luker stated the Boards should have been sitting on each side of the table looking across at each other figuring out how they could make it work and how could they become more transparent. There should not be a divide between the Boards, they should be together.

There were some hard times in the county in the last ten years and a lot of things had to be let go. That was the reason a lot of problems surmounted and built up. Now they were having to pay for it and he thought they were making great strides in doing that and hopefully they could do a lot more. What could they do as two Boards to make Jackson County and the Jackson County School Systems, whether it be the charter schools, Christian schools or public schools, what could they do to make them a better place. A goal for both Boards would be to become more transparent and improve the report card of Jackson County because they had the best educators in the state.

(i) Commissioner Mau stated he had been talking to Mr. Clampitt and Mr. Davis about the schools and unfunded state mandates every time he saw them about how they could try and get that whole situation to stop.

(j) Questions and/or comments were made by three members of the public from the audience.

(k) Dr. Elliott stated that united, they could overcome any funding obstacle that they faced if they had a plan. She appreciated both Boards because they all cared about the children.

(l) Commissioner Deitz stated that they were fortunate that the two Boards had worked so much together and they appreciated each other. He appreciated all that the School Board had done.

There being no further business, Commissioner Elders moved to adjourn the meeting. Commissioner Mau seconded the Motion. Motion carried and the meeting adjourned at 7:43 p.m.

Attest:

Approved:

Angela M. Winchester, Clerk
Jackson County Board of Commissioners

Brian Thomas McMahan, Chairman
Jackson County Board of Commissioners