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News Release

Union County Public Schools Failed to Resolve Budget Dispute

July 31, 2013, Monroe, NC - On June 17, 2013, the Union County Board of Commissioners adopted an FY 2014 budget that provided an additional \$1.47 million in operating resources and \$3 million of capital funding as part of a six-year \$18 million schools capital program. In FY 2014, the total County cost for Union County Public Schools is \$133 million, representing 56.9% of the County General Fund budget.

“We believe the adopted budget represents an affordable, fiscally sustainable financial plan for the residents of Union County,” said Chairman Jerry Simpson. “Our residents and families cannot afford tax increases; this recession has had a significant negative impact.”

The School Board contends that the \$82.26 million allocated for operating expense is insufficient to provide for a free public education. The parties completed the legally prescribed mediation process today without resolution.

As part of the mediation process the School Proposed a funding plan that would provide an additional \$1.9 million over three years for operation, in addition to the forecasted increases based on the existing funding formula. The proposal also requested an additional \$26 million for capital over three years from FY 2014 to FY 2016.

The fiscal impact of the School board’s proposal generated an estimated cumulative deficit of \$38.5 million over three years. To offset this request, by FY 2016, there would need to be a ten percent tax rate increase, making the estimated effective tax rate 86.59 cents.

As of June 13, 2013, the County had \$447.4 million of outstanding UCPS related debt.

“The School Board’s proposal is not financially sustainable,” said Union County’s County Manager Cindy Coto.

During the mediation process, the North Carolina General Assembly adopted the State budget. Analysis by the North Carolina Department of Public Instruction indicates that as part of the budgetary changes from the State’s adopted budget, UCPS will see an increase of \$5.64 million more than what was originally planned for in the UCPS proposed budget.

During the mediation process, the County was forced to sue UCPS to gain access to public financial records. The records lawsuit remains pending.

Additionally, a review of records provided thus far identified concerns in the UCPS budget proposal and financial practices:

- Although in FY 2011-12, salaries and benefits represented 59% of the UCPS budget, County staff was advised that no personnel rosters or worksheets exist to determine the cost of personnel.
- Although the proposed FY 2014 UCPS Budget is \$334 million, no detailed budget work papers exist.
- Although the County was advised that the central administration staff do not receive compensation beyond base salary and beyond the doctoral supplements, the Charlotte Observer's website reports that the administrative cabinet, consisting of nine, senior management staff, receive in excess of \$169,000 in additional compensation.
- Although the County was advised that the School Board had not requested additional staff in several budget years, from FY 2012 to FY 2013, the UCPS web site represents that the number of employees grew by 21.79 percent, or 971 positions.
 - 637 licensed and 334 non-licensed
 - During this same time period, enrollment grew by 1.48 percent. For every new student UCPS received, they added 1.62 new employees.
- During FY 2013, the School Board received a net of \$12.8 million increase in funding from the originally adopted budget.
- From FY 2008 to FY 2012, on average funding for the support and administration grew by more than twice the rate than local funding for the classroom did.

Given the adopted County funding, adjustments in areas of the School Board's budget that appears to be over inflated, increased State budget funding, and the UCPS local fund balance, the School Board's proposed budget has a projected surplus of \$2.92 million, in FY 2014, over and above its needs.

"It's is my hope that with a projected surplus of \$2.92 million in 2014, that the School Board would not move forward with suing the residents of Union County for more money," said Chairman Jerry Simpson.

Following the end of mediation, the School Board has five business days to decide to sue the residents of Union County for additional funding beyond the projected surplus.

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