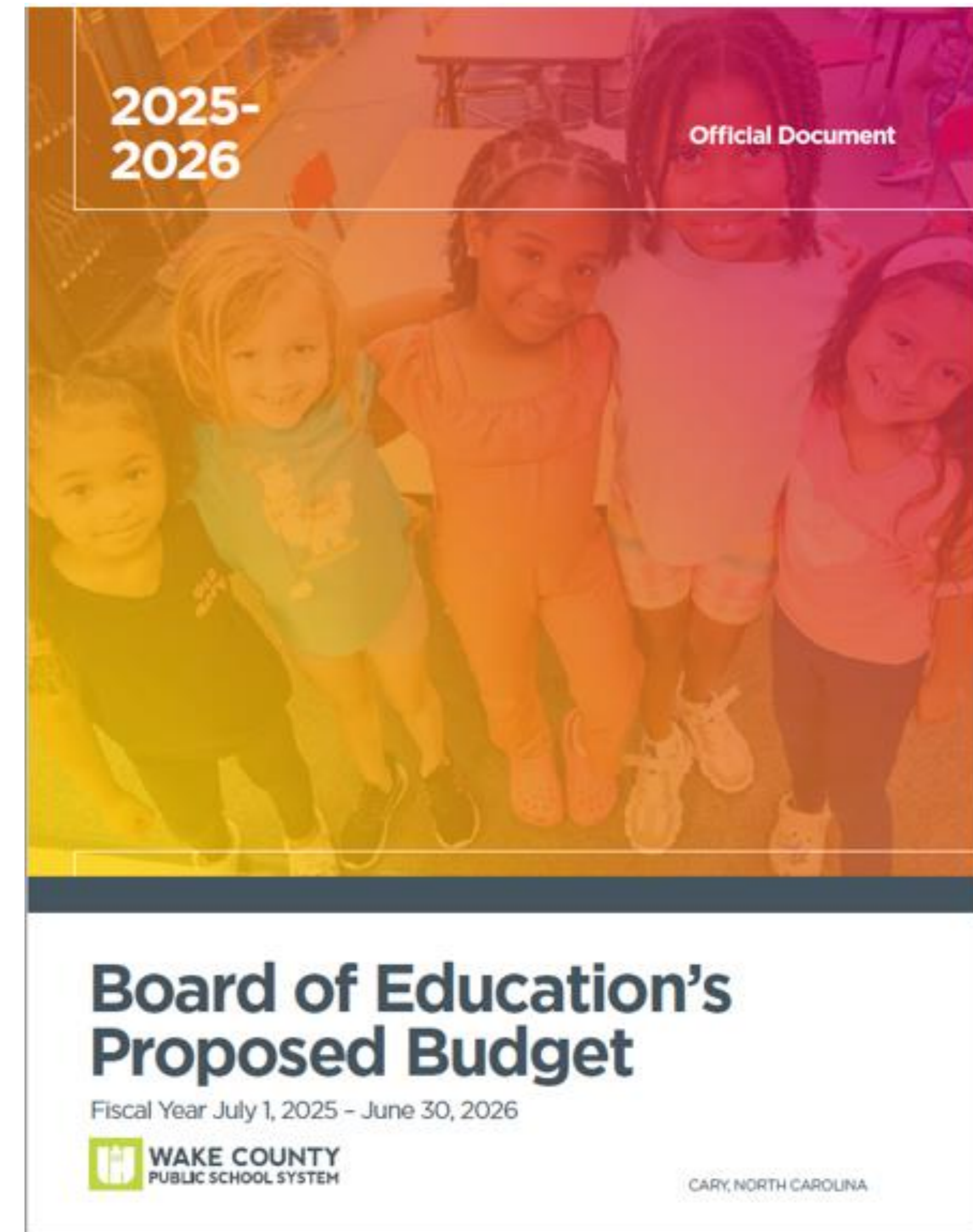


Board of Commissioners Budget Work Session

Q&A – WCPSS Board of Education's Proposed 2025-26 Operating Budget

May 22, 2025



Board of Education's Proposed 2025-26 Operating Budget

Decisions to fund the operating budget vs the capital improvements budget have created an untenable position. We must do more to provide healthy, inspiring, enabling environments for learning. What is your vision for how to achieve better balance—where schools have zero deferred maintenance and annual operations are funded to achieve annual school goal?

As a public school system, our core business is the learning and teaching of over 160,000 students. That core function requires a myriad of resources including instructional staff, supporting staff, and facilities. Determining the delicate balance to meet the competing needs of running our core business is an ongoing process. The now decades-long growth in our area, impacting both Wake County and WCPSS, has led to a strong local economy, a growing vibrant community, and also the challenges that are inherent in sustained growth. *As a public school system in the state of North Carolina, and unlike the school districts across most of the rest of the country, WCPSS (and all other LEAs in NC) have no control over their funding for operational or capital needs. This dependence upon other governing bodies to determine funding levels directs that WCPSS must continually evaluate those fine balances between where our constrained resources should be applied, and to ensure that the investments of our operational and capital budgets are fiduciarly responsible to the taxpayers of Wake County and the State of NC.*

Board of Education's Proposed 2025-26 Operating Budget

Decisions to fund the operating budget vs the capital improvements budget question Cont'd.

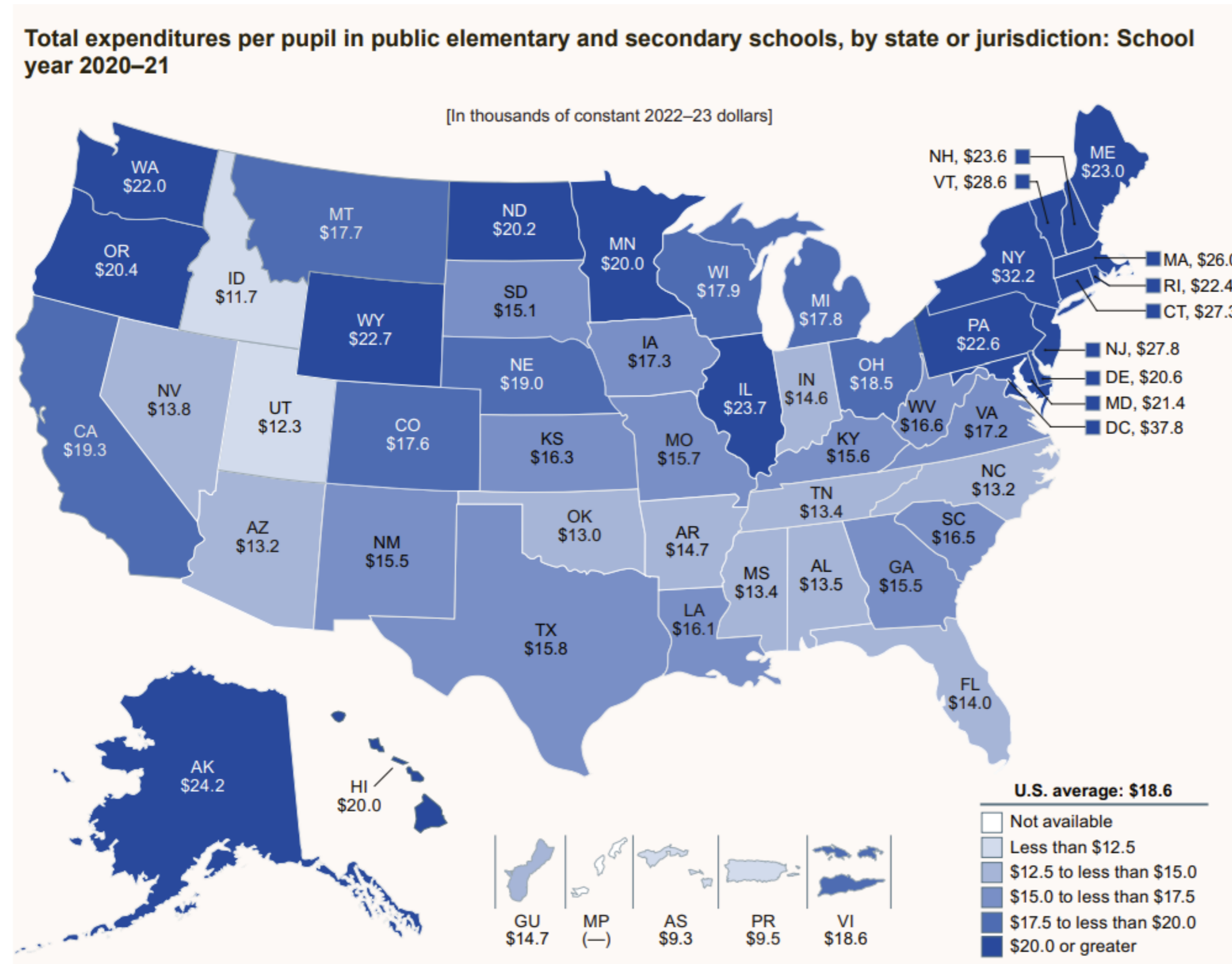
Recognizing that based upon revenue forecasts the county would not be in position to meet the full amount of local funding increase needed to meet WCPSS operational needs for 2025-26, a proposed budget was developed including budget repurposing. Effectively budget reductions to free up funding for new requirements.

Upon reviewing the WCPSS Proposed 2025-26 Operating Budget, Board of Education Members directed the superintendent and staff to restore facility maintenance funding reductions that were included in the proposed budget. The referenced reductions were part of an overall budget reduction initiative to reduce operation budgets to close a funding gap between new funds required for operations in the 2025-26 school year, and the amount of increase in county appropriation funding being requested.

WCPSS will require additional local operating funding for the opening of four new schools in 2025-26, continued growth in the amount of funding due to charter schools, and the local portion of legislated compensation increases. It is important to note that amounts budgeted for WCPSS, including County Appropriation increase requests, include amounts that are unavailable to be spent in support of WCPSS. 11% of current county appropriation, and any increases to the county appropriation, while included within the WCPSS budget, are unavailable for use by WCPSS. 11% of the WCPSS local budget simply passes through the WCPSS budget to charter schools. Effectively, any request made by WCPSS for an increase in local funding is a legally required request for increased funding for charter schools.

WCPSS Budget in context w Public Education Budgeting

Decisions to fund the operating budget vs the capital improvements budget question Cont'd.



WCPSS pp expenditures 2020-21 - \$9.2k

WCPSS pp expenditures 2023-24 - \$12.2k

Chapel Hill/Carrboro pp expenditures 2020-21 - \$14.2k

Chapel Hill/Carrboro pp expenditures 2023-24 - \$17.3k

Charlotte/Meck pp expenditures 2020-21 - \$10.6k

Charlotte/Meck pp expenditures 2023-24 - \$13.1k

*Source: NC DPI Statistical Section

Education Data Initiative sources: United States Census Bureau & National Center for Education Statistics

Board of Education's Proposed 2025-26 Operating Budget

State and Federal Risks: Understanding risks remain unclear until state and federal decisions are made. There have been daily cuts and threats from the federal government since the budget book was printed. How have your planning and budget considerations shifted regarding the 8% federal funding in the operating budget? Also, how have the original assumptions and estimates of state funding shifted since printing?

The Board of Education's Budget includes a Potential Risk for Federal Funding Uncertainty on page 8. Federal funds represent 8 percent of the WCPSS operating budget. There is potential for reductions to grants from the federal level. At this time, the federal government has discontinued two direct federal grants for WCPSS. One was a three-year grant for Teachers and School Leaders. The other was a five-year Mental Health Matters grant to expand and strengthen our district's mental health support. WCPSS will remain alert to additional changes from the federal government that will have a significant impact on our district. *The total loss of federal funding of these two terminated grants is approximately \$30 million.*

The General Assembly continues to prepare a budget for 2025-26. The Senate published their budget in [Senate Bill 257](#). NC Department of Public Instruction provided a [summary of SB 257](#). The House is expected to publish their budget proposal soon.

Board of Education's Proposed 2025-26 Operating Budget

Strategic Budget Realignment: How does the strategic budget realignment tangible support the strategic objective of organizational effectiveness...when it seems many realignments may increase organizational strain? Please share the planning and engagement process for determining budget realignments.

The superintendent and his administrative team identified over \$60 million in estimated local funding needs to support the 2025-26 operations. Wake County Public School System must identify local funding to support the opening of four new schools in 2025-26, fund state-legislated increases to compensation schedules, fund legislated increases to employer matching benefit rates, increases legislatively required to pass through to charter schools, and to provide program continuity for behavioral health support services for students.

At the same time, the superintendent recognizes there is a forecasted gap in local funding availability to support those needs. The superintendent and school system staff communicate throughout the year with the county manager and Wake County staff. We are aware the county has similar challenges of resources needed that are greater than revenues that may be available. Federal funding is uncertain during this time.

Answer Continued on Next Slide....

Superintendent's Proposed 2025-26 Operating Budget

Strategic Budget Realignment Question Cont'd:

- Over \$60 million in estimated local funding needs to support 2025-26 operations
- Employee Compensation - \$13.5 million increase
- Legislative Requirements - \$14.4 million increase
 - Transfer to charter schools
 - Employer matching retirement and hospitalization insurance increases →
- New Schools and School Changes - \$11.7 million increase
 - Bowling Road ES (traditional)
 - Pleasant Plains ES (year-round)
 - Rex Road ES (year-round)
 - Felton Grove HS (traditional)
- Student Membership changes - \$2 million increase
- Program Continuity - \$3.7 million increase
 - Resources for priority high schools to bridge loss of federal funds (East Wake, Southeast, South Garner, Knightdale)
 - Maintain student behavioral health support positions partially funded by pandemic funds carryover in 2024-25
- Increasing Property Costs - \$2.2 million increase
 - Property and casualty insurance premiums
 - Real estate leases

Board of Education's Proposed 2025-26 Operating Budget

Strategic Budget Realignment Question Cont'd:

Increases in local funding needs with limited local funding availability and decreasing federal funding led to the need to reduce local costs in the budget. The superintendent and his team protected resources in the classroom. There are no reductions in classroom teachers or classroom instructional assistants. Strategic budget repurposing is not ideal. The budget reductions within the school system's proposed budget decrease resources in both central services and in our schools.

The board of education held several budget work sessions and multiple public input sessions regarding the proposed budget. Much work remains after the county and state finalize their respective budgets.

Board of Education Budget Development Steps

- March 18 – Presentation of superintendent's proposed budget – BOE Meeting
- March 25 – Presentation of details of budget repurposing in proposed budget – Finance Committee
- April 8 – Board Work Session discussing budget to consider any changes to direct
- April 8 – Public Hearing on Budget
- April 11, 16, 23 – Regional Public Input Sessions on Budget
- April 22 – Board Work Session discussing budget to consider any changes to direct
- April 29 – Budget Work Session
- May 6 – Approval of Proposed Board's 2025-26 Budget

Board of Education's Proposed 2025-26 Operating Budget

Strategic Budget Realignment Question Cont'd:

Budget reductions included within the Proposed 2025-56 Board of Education's Operating budget will have an impact, both direct and indirect, on the capacity of WCPSS to support our core business of learning and teaching. Details of the proposed budget, including information about the budget repurposing, can be found on the WCPSS web site under our financial information pages <https://www.wcpss.net/budget> and materials and meeting videos of board of education budget presentations, budget work sessions, and the public hearing are found on the WCPSS YouTube channel and board materials web sites. Dates of those meetings are listed on prior slide:

<https://www.youtube.com/@WakeCountySchools/playlists>

https://simbli.eboardsolutions.com/SB_Meetings/SB_MeetingListing.aspx?S=920

Changes made by Board to Proposed 2025-26 Operating Budget

Strategic Budget Realignment Question Cont'd:

Wake County Public School System		
Changes from Superintendent's 2025-26 Proposed Budget to Board of Education's 2025-26 Proposed Budget		
May 6, 2025		
Restore Employer Dental Insurance Premium Contributions		\$ 2,495,735
Restore Maintenance and Operations Contracted Service Funding Reductions		\$ 605,271
Restore Restart Schools Resource Reduction		\$ 1,000,000
		\$ 4,101,006
Adjust Proposed Certified Supplement Increase from 3% to 1.5%		\$ (2,837,305)
Adjust Building Temperature Setbacks by 1 Degree		\$ (500,000)
Utilize Community Schools Funds for Background Checks and Utility Costs		\$ (763,701)
		\$ (4,101,006)

Board of Education’s Proposed 2025-26 Operating Budget

Shifts and Priorities: With an anticipated reduction in federal (\$43.5M) and other local revenue sources (\$41.M), how does this shift your priorities? How are priorities impacted or shifting with \$20M reduction in expenditures? How do you see the additional \$40M in county funding *supporting* previous or new priorities?

The Operating Budget Changes by Category on page 13 and the Summary of Funding Requests on pages 14-19 provide details about how the fluctuations in state, local, and federal sources impact WCPSS needs for 2025-26, as well as the budget realignment needed to balance to estimated revenues that may be available for next fiscal year. The Summary of Funding Requests provides page references to funding requests providing greater detail for each adjustment.

The chart on page 5 shows how the \$40.3 million increase in county funding supports the budget due to the change in other revenue sources and expenditure changes. *There are no requests in the proposed budget for new programs or initiatives. There are no requests in the proposed budget for multi-year initiatives that are underway and remain important.*

Changes in revenues supporting local expenditures (pages 45-47)	
Tuition and Fees	\$ (2,191,697)
Child Nutrition	(8,476,469)
Local Unrestricted Revenues	(1,410,668)
Local Restricted Revenues	(374,289)
Positions Funded by Individual School Accounts	(979,276)
	<u>\$ (13,432,399)</u>
Decreases in fund balance appropriated for the local budget (page 47)	
Beginning appropriated fund balance	\$ (10,996,095)
Mid-year appropriations of fund balance for one-time costs	(17,340,161)
	<u>\$ (28,336,256)</u>
Changes in local expenditures (page 13)	
Employee Compensation	\$ 13,555,004
Legislative Requirements	14,358,901
New Schools and School Changes	11,675,641
Student Membership Changes	2,043,748
Program Continuity	3,674,828
Increasing Property Costs	2,170,222
Removal of Prior Year One-time Costs	(23,620,337)
Strategic Budget Realignment	(15,893,999)
Changes to Grants, Donations, and Fees	(9,043,359)
Grants, Donations, and Fees Ending	(421,413)
	<u>\$ (1,500,764)</u>
Equals change in county appropriation (page 45)	<u>\$ 40,267,891</u>

Board of Education's Proposed 2025-26 Operating Budget

Reducing Vacancy Rates: If “there is not enough budget to pay every position as if it were filled every day”, and only enough to “cover trend data for filled positions” – how much can the budget sustain drops in vacancy rates, before additional funds will be needed for salaries and benefits. What portion of the current 6.3% vacancy is within the facilities and operations department? And transportation dept? LEA financed purchase of school buses?

The Wake County Public School System includes budgeted funds for salaries and positions based on data for filled positions over time. This allows the district to request funds from the county at the most conservative level for what is needed to support salaries and benefits paid from local funds. The system identifies this as a potential risk in the Superintendent's and Board of Education's budget requests. If there is an improvement in the fill rate for positions, it is possible the district would need to add more funds into salaries and benefits for positions. This occurred as the 2024-25 budget was prepared. Fill rates had improved. The Board of Education's Budget Request for 2024-25 included a funding request to add \$1,150,000 for that reason.

Board of Education's Proposed 2025-26 Operating Budget

Reducing Vacancy Rates Question Cont'd

The Facilities and Operations Department currently has 672 months of employment vacant for custodial, maintenance and operations, and facilities. This accounts for 0.3 percent of the 6.3 percent vacancy rate. Transportation currently has 3,987.2 months of employment vacant. This accounts for 1.8 percent of the 6.3 percent vacancy rate.

The investment in acquisition of yellow buses in the state is supported in two ways. When an LEA needs to purchase a new yellow bus due to need for fleet growth, the LEA must identify funding (local) for that purpose. When a yellow bus in our fleet ages out based upon NC DPI age and mileage requirements, the state provides funding for that replacement yellow bus. There are no salaries and benefits directly associated with the acquisition of yellow buses, and this does not impact vacancy rates.

Board of Education’s Proposed 2025-26 Operating Budget

On Page 174 of the Superintendent’s budget, it shows this, which reflects a \$38 million decrease. Can this page be reconciled with the School’s adopted/approved CIP plan (that Mark Strickland presented at the May 12 work session)?

The Board of Education’s Budget includes an estimate of building program funds for CIP 2017 and CIP 2013 that will carry over or be allocated to projects in 2025-26. These are estimates that were provided by our Facilities staff in early 2025. At the start of the 2025-26 fiscal year, we will remove these estimated amounts on July 1, 2025, and we will record the actual carryover amounts from 2024-25 for projects already approved by the commissioners and school board. There is no impact of the estimate on the operating budget for the school system.

Capital Building Program

Capital Building Program												
Area	Facilities											
Description	The capital improvements budget, or building program, pays for design and construction of new schools, expansion of existing schools, and major renovation and replacement of older facilities to meet education standards. The issuance of bonds pay these costs. County revenues pay the bonds over several years.											
	2025-26	2024-25	Difference									
CIP 2017	\$ 1,020,814,222	\$ 1,054,105,848	\$ (33,291,626)									
CIP 2013	2,500,000	7,220,703	(4,720,703)									
	<u>\$ 1,023,314,222</u>	<u>\$ 1,061,326,551</u>	<u>\$ (38,012,329)</u>									
Strategic Objective	Student Knowledge and Skills											
Budget Adjustments	<table><tr><th>Description</th><th>MOE</th><th>Local</th></tr><tr><td>Capital Building Program</td><td></td><td>\$ (38,012,329)</td></tr><tr><td>Total</td><td>-</td><td>\$ (38,012,329)</td></tr></table>			Description	MOE	Local	Capital Building Program		\$ (38,012,329)	Total	-	\$ (38,012,329)
Description	MOE	Local										
Capital Building Program		\$ (38,012,329)										
Total	-	\$ (38,012,329)										

Board of Commissioners Budget Work Session

Q&A

Board of Commissioners Budget Work Session

Q&A – WCPSS Board of Education's Proposed 2025-26 Operating Budget

May 22, 2025

