

Budget and Cost Savings Measures Update June 24, 2025



OUR MISSION

Winston-Salem/Forsyth County Schools will engage all students in high-quality, relevant learning experiences so they will graduate with interpersonal, academic, and workforce skills to compete globally and contribute to society.

OUR VISION

Winston-Salem/Forsyth County Schools will be the best place to learn and work through excellence, collaboration, and inclusiveness.

FY24-25 Budget Shortfalls Update
FY25-26 Review of Cost Savings Measures
for a Balanced Budget

Review of how we got here:

- PRC 003 Overages (front office staff, custodial costs, data manager costs, etc.) We are overallocated in these position areas
- We are over 2 million dollars in transportation costs due to our efficiency rating
- We are over 2 million dollars in our state funds that are used to provide EC services
- We did not budget for ESS/sub costs which cost close to \$12,000,000 this school year
- We underbudgeted on Charter School payment
- We did not reconcile the budget after our request to the county which would have meant making reductions from items we requested in both personnel and non-personnel costs
- We rolled over invoices from \$FY23-24 into FY24-25 that would not have been included in the budget
- We did not project staffing at fully staffed and we filled an additional 100 positions this school year

All funds were used to provide direct services to students.

Paying down the deficit – first steps

- Available \$1,191,039.00 from the \$2,000,000 in the checking account to pay vendors
- Available \$823,001.91 of the \$840,000 coming from Downtown School reimbursement to pay vendors
- Available \$801,587.68 of the \$900,000 coming from the Money Market account to pay vendors

Total vendor payments with checks printed and/or mailed between June 3 and June 25 equal \$2,691,485 - UPDATED 6/23/25

Other revenues we are expecting to help with deficit:

- After vendor payments already made, we have approximately \$2 million in our checking account
- After vendor payments, we still have \$98,413.68 left from the Money Market
- Indirect costs – we expect \$300,000 more by June 30
- Grant reimbursements – we expect up to \$1,500,000 by June 30
- Medicaid reimbursements – we expect \$1.3 million by June 30
- Request for reimbursement of \$1.8 million unemployment overpayment granted

As these funds come in, they will also support paying for shortfalls/outstanding vendor invoices.

Steps to Pay All Vendors

- All vendors with outstanding and current invoices were sent a letter from the district on Thursday, June 5
- The \$2,691,485 paid to vendors leaves a remaining \$3,613,375.29 owed to vendors with the exception of ESS, SSC, and the County for SROs. These three contracts total \$16,104,239.00
- The \$3,613,375.29 reflects outstanding vendor invoices received and keyed, checks not yet processed /mailed.
- The goal is to issue checks for all vendors in full by June 30, 2025, with the exception of the big three, for which we continue to work on negotiating a payment plan. On June 23, WSFCS sent a wire transfer to ESS for \$482,343.83 and another on June 24 for \$314,824.90
- Option to reserve approximately \$900K in local per month in 2025-26 to support a payment plan for the big three

Child Nutrition Fund Balance

- On June 10, the Board of Education approved borrowing up to \$6,000,000 from child nutrition fund balance to be used to paydown the deficit.
- Final amount of CNS loan will be available after July 1, when year-end processes are done.

FY25-26 Savings Plan

Total Savings Planned = \$39,332,467

These savings will ensure a balanced budget for the 25-26 school year

Non-Personnel Recommended Costs Savings

| Cost Savings Measure | Estimated Savings | Status (a check mark means savings has been captured) |
|---|-------------------|---|
| Reduced take home cars | \$300,000 | ✓ Savings in local budget |
| Eliminate cell phones | \$360,000 | ✓ Savings in local budget |
| Eliminate building based subs and ESS contract | \$2,700,000 | ✓ Sub costs in local budget (was not budgeted last year but is this year at a reduced cost) |
| Traffic control (not crossing guards) | \$400,000 | ✓ Savings in state budget |
| End Kingswood lease | \$200,000 | ✓ Savings in local budget |
| Eliminate supplemental programs such as IReady, Wayfinder, Discovery Ed, Panorama, etc. | \$2,478,467 | ✓ Savings in local, state, and federal budgets |
| Three-day work week in office in summer | \$175,000 | ✓ Started last week – will show up in reduced energy costs |

Non-Personnel Recommended Cost Savings Continued

| Cost Savings Measure | Estimated Savings | Status |
|---|-------------------|---|
| Eliminate out of state travel paid on local dollars | \$200,000 | ✓ Savings in local budget |
| Reduce printing costs | \$200,000 | ✓ Savings in local budget |
| Limit waxing to corridors (deep cleaning will still happen) | \$100,000 | ✓ Savings in local budget |
| Move out of 12 th street building (will save in utilities and custodial costs) | \$100,000 | ✓ Savings in state budget |
| Transport students to only residential and magnet schools) | \$3,500,000 | ✓ Savings in local budget – offset state deficit of 2024-25 |
| Move costs from Title 2 to Grant funding to support Teacher Academy (this frees up funds to pay for other costs in local or state budget) | \$158,000 | ✓ Savings in Title 2 funds |
| Take TA PD from Title 2/change plans for delivery (this frees up funds to pay for other costs in local or state budget) | \$151,000 | ✓ Savings in Title 2 funds |

Personnel Recommended Cost Savings (all savings captured in state and local personnel costs)

| Cost Savings Measure | Estimated Savings | Status |
|--|-------------------|----------------------------|
| Eliminate 81 positions in central office | \$7,600,000 | ✓ |
| Reduced number of employees by 148 during allotment process | \$10,360,000 | ✓ |
| Eliminate subs for TAs (with exception of coverage required by law) | \$400,000 | ✓ |
| Eliminate unenrolled pre-k classes | \$400,000 | ✓ |
| Additional allotment shifts to better align to state allotments (rather than increasing class sizes) | \$8,750,000 | ✓ In progress with schools |

Other Savings/Not budgeted in 2025-26

- One time bonus in December for \$3,000,000 will not be paid again
- One year payment of \$62.00 per month of article 46 the Board approved to give teachers in FY24-25 totaling \$3,400,000

Additional Allotment Decreases to Better Align
to State Allotments
Total Savings is \$8,750,000

School-Based Allotment Shifts

General Notes

- All but two of school-based allotment categories are allotted higher than the state allotments. (CTE and AIG are the only allotments within or very close to state allotments).
- District considered a variety of models for positions reversions in lieu of increase class size including per pupil amount, average daily membership band and community eligibility bands.

District Approach to Apply Formula

- District chose a weighted formula model that school's percent of economically disadvantaged student populations (CEP – 70%) and school size (ADM – 30%). The district set up 5 bands for CEP and 4 bands for ADM.
- Model also lessens the impact on Title I schools who are losing their allotted district flex positions due to carry over monies being less than initially project in January.

Communication with Schools

- District leadership met with principals today in 4 groups to review the proposed reductions; formulas and next steps.
- Principals have been provided the parameters of flexibility to consider school needs in the process.
- Principals have met with their area superintendent and human resources to identify their position reduction(s) and review revised staffing plans.

School-Based Allotment Shifts

Impact Considerations

- The reversion could impact up to 175 positions and when including loss of district flex positions, the number would increase to 228
- Classified employees may have to change job type. For example, a testing coordinator could become a teacher assistant or a data manager.
- Teachers moving to areas that they are licensed but not preferred
- To keep everyone employed, there is a possibility of “domino” moves to make the pieces of the puzzle fit.

Recap of Budget Impact

- \$8.75 million reduction in 2025-26 budget
- Approximately 20% of the \$44.8 million overall reduction for 2025-26

Interim Budget Resolution

- On Board Action this evening is an Interim Budget Resolution request
- Because NC School Districts cannot finalize their budgets until the Legislature completes their work (adopts a budget/enacts mini-budget bills/continuation), staff is presenting an Interim Budget Resolution that allows the work of the district to continue effective July 1
- The Interim Budget resolution reflects funding available for the 2025-26 school year
- The \$44 million in reductions (personnel and non-personnel) is being removed/reallocated in the beginning budgets of departments and schools

Article 46

- Forsyth County Referendum March 2020, passed
- 2020-2021 First year of disbursement to WSFCS
- “True-Up” for these funds happens in the fall, for the previous year
- Fiscal Year 2021, 2022, 2023 the “true-up” resulted in additional revenue
- Fiscal Year 2024 “true-up” resulted in funds owed back to the county \$775K
- Fiscal Year 2025 anticipated \$1.2 million will be owed back to the County
- Between 2021-2022 and 2022-2023 two adjustments that impacted teacher supplements were made from Article 46 funds
 - Additional \$80 per month across the board for all teachers
 - Additional \$1.2 million to ensure a 4% increase for all teachers

Article 46 (continued)

- For the 2025-26 school year WSFCS will split out the Article 46 Local Supplement pay from traditional Local Supplement pay on teacher paystubs
- WSFCS will need to recalculate the amount, based on anticipated revenue and the “true-up” pay back of \$1.2 million
- Anticipate that yearly changes may occur in the amount, as revenue fluctuates
- One year payment of \$62.00 per month of article 46 the Board approved to give teachers in FY24-25 totaling \$3,400,000 will be removed

For discussion and decision – As we will now report Article 46 separately on teacher paystubs, do we report Article 46 entirely or do we report Article 46 after the subtraction of the \$80/month and the \$1.2 million that are commitments to the local supplement. This decision does not impact the amount allocate, but how reported on paystub.

IRS Update on Federal Withholding

- WSFCS requested that the IRS provide district with documentation detailing federal withholding payments made by WSFCS and any outstanding penalties/interest due
- Initial review indicates federal withholding payments due to the IRS have been made
- Initial review indicates that some payments may have been late and therefore penalties/interest accrued
- Initial review also indicates that some required reports that accompany payments were not sent by WSFCS
- Further investigation and contact with IRS-assigned Revenue Officer is needed to understand how payments received by the IRS have been applied and to understand how to proceed to reconcile the missing reports

NC Auditor's Office Investigative Audit

- NC Auditor's Office letter, April 2025, initiating an investigative audit
- Ongoing collaboration, sharing of financial documents, resource requests, resource platforms
- Meeting at WSFCS on June 17
- Expected report from Auditor's office will provide overview of the investigative audit process, records reviewed, findings issued, recommended/required actions, and a district response to the investigative audit report
- WSFCS anticipates:
 - Findings around insufficient processes/structures
 - Findings around processes/structures not consistently followed
 - Findings around lack of oversight to prevent exceeding budget – human and systems
 - Additional findings on overall mis-steps, mis-management, lack of competence in the WSFCS

Tyler ERP Transition – Replacing AS400 and HRMS

- Effective July 1, 2025, WSFCS will move to Tyler as the Enterprise Resource Planning (ERP) system for the district
- Training has been ongoing over the 2024-25 school year
- WSFCS will begin with the Budgeting, Accounts Payable, Accounts Receivable, Purchasing, and Warehousing modules July 1
- WSFCS plans to implement the Payroll and HR modules beginning January 2026
- The functionality, work-flow, permissions, and safeguards within the Tyler product will address many, if not all, of the mis-steps and mis-management that have occurred in previous years.

Next Steps

- Does the Board want to ask the County for a one-time payment in the amount of \$18,000,000 to pay back state overages for FY24-25? This is \$14,100,000 less than previous request – not recommended at this time
- Consider Board review and approval of a request to the County to provide flexibility in the use of capital outlay funds and bond interest earnings for operating needs deficit in the 2024-25 budget
- Board will be asked to adopt an Interim Budget Resolution during Action portion of today's meeting
- Continued collaboration and review with the IRS
- Continued collaboration with the NC Auditor's office

Next Steps (continued)

- Work with staff and Board Members to establish a Board Budget Calendar for 2025-26
- Finalize and release local budgets to departments and schools
- Finalize payback dates and specific plans for remaining vendors using revenue sources outlined in previous slide
- Provide weekly budget/finance updates to the state board and our school district community – website is now live



Questions?