



WCPSS 2025-26 Operating Budget Update

Finance Committee

November 4, 2025

2025-26 Operating Budget Update

Today

- Brief recap of budget development process so far
- Overview of state and federal funding
- Review local funding adjustments and compensation changes
- Potential Risks
- Next steps

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Budget Development Process to Date

- May 6 – Approval of Proposed Board's 2025-26 Budget
- May 15 – Submission of Board's Proposed Budget to County Commissioners
- May 22 – Presentation to Commissioners responding to questions about WCPSS Budget
- June 2 – Wake County approves \$40.3 million county appropriation increase
- June 24 – Board approves an interim budget resolution pending state budget

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State Funding Timeline

- April 16 – Senate passed their version of Senate Bill 257
- May 22 – House passed their version of Senate Bill 257
- July 1 – State operating under a continuing resolution
- State funding remains at levels of the 2024-2025 budget
- July 29 – Legislators reach deal on mini-budget (House Bill 125)
- August 6 – Governor Stein signs House Bill 125 into law
- State Mini-Budget is limited in scope
- No other anticipated legislative action on a comprehensive state budget at this time

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House Bill 125 – Section 2A.7

Approves Funding for Technical Adjustments - \$104.2 million recurring funds

- Average Daily Membership (ADM) Growth Funding – increases in ADM experienced between 2023-24 and 2024-25 (best of month 1 and month 2)
- Average Salary Adjustment – based on the actual observed average salary from the previous year
- Non-ADM Adjustments – includes transportation, testing, and allotments not driven by ADM
- Exceptional Children and Limited English Proficiency (LEP) Headcounts – December 2025 headcount increases that were under the cap of each respective formula

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House Bill 125 – Section 3.3

Salary Schedules & Step Increases

Authorizes:

- Automatic step increases for certified employees paid on salary schedules based on the teacher salary schedule
- Continuation of bonuses under:
 - Section 7A.3 of S.L. 2023–134 (Teacher Growth Bonuses)
 - Section 1.3 of S.L. 2024–39 (Principal Growth Bonuses)

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House Bill 125 – Section 3.3

Employees on state salary schedule with steps and eligible to receive step increase (including base salary and supplement)

- Teachers
- Certified Instructional Support
- Assistant Principals
- Occupational and Physical Therapists will receive their step increase to align with Speech Language Pathologists (local decision)

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House Bill 125 – Section 3.3

Employees not included in state legislation for an increase

- Principals
- Central Office Administration and Banded Employees
- Classified central and school-based support staff including:
 - Bus Drivers
 - Custodians
 - CNS
 - School Front Office
 - Instructional Assistants
 - Etc.

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Employee Compensation

- 2025-26 certified salary schedule adjusted based on legislation
- Certified staff received salary increases based on the salary schedule in August
- Certified staff received retro pay in September
- No salary increases for the following employees:
 - Principals
 - Central Office Administration and Banded Employees
 - Classified central and school-based support staff including:
 - Bus Drivers
 - Custodians
 - CNS
 - School Front Office
 - Instructional Assistants
 - Etc.

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State Funding - \$62.6 million decrease from BOE proposed budget

- Employee compensation differences
- Employer matching rate changes
- Growth funding not allotted yet
- Redistribution of funds to districts
- Timing of allotments

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State Funding - \$62.6 million decrease from BOE proposed budget

Employee Compensation

- BOE proposed budget included a 3 percent increase for all staff
- State legislature only approved a step increase for certified instructional staff

Employer Matching Rate Changes

- Retirement rate 1.05% less than estimated in BOE proposed budget
- Hospitalization rate \$81 per year, per employee more than BOE proposed budget

Other Funding Differences

- Funding for growth not allotted yet
- DPI funding based on prior year redistributed to districts
- Timing of allotments (ex. funding for teacher bonuses not received yet)

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Federal Funding - \$17.7 million increase from BOE proposed budget

- BOE proposed budget included estimated budgets
- Estimated budgets removed
- Actual carryover and allotments recorded
- Federal funding adjustments:
 - Restricted grants received through DPI: \$10.2m
 - Restricted grants received directly: \$7.2m
 - USDA grants: \$312k
 - ROTC: \$35k

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Local Funding - \$9.9 million increase from BOE proposed budget

- County appropriation: \$32,109 higher than request
- Fund Balance Appropriations: \$5.4m
- Tuition and Fees: \$2.8m
- Positions Funded by Individual School Accounts: \$1.1m
- Restricted local sources \$0.4m
- Child Nutrition Sales Revenue: \$0.2m

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Local Savings in 2025-26

• Categorical state allotment increase	\$ 5.2 m
• Employee compensation based on state-legislated increase	\$ 4.5 m
• Employer matching benefit rate changes	\$ 3.5 m
• Early college programming funds not required	\$ 0.3 m
• Received SparkNC funding	<u>\$ 0.1 m</u>
	\$13.6 m

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Local Costs in 2025-26

• Increase utility budget based on prior year expenditures	\$ 3.2 m
• Increase targeted assistance budget for reconciliation	\$ 2.5 m
• Cover literacy coaches based on federal funding changes	\$ 1.8 m
• Career Technical Education state allotment decrease	\$ 1.8 m
• Salaries and benefits shortfall due to increased fill rates	\$ 1.5 m
• At-Risk Student Services/Alternative Programs state allotment decrease	\$ 1.0 m
• Increase legal costs based on prior year expenditures	\$ 0.7 m
• Decrease interest earned based on prior year collections	\$ 0.5 m
• Organization study cost	\$ 0.1 m
• Central Carolina Teaching Initiative cost	<u>\$ 0.1 m</u>
	\$13.2 m

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Local Funding

- Net local savings of \$0.4m

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Potential Risks

- Compensation changes from the State
- Growth funding from the State
- Charter schools
- Child Nutrition Services
- Federal funding uncertainty
- Salaries and benefits costs based on vacancy rate
- Transportation budget
- Unemployment insurance

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Next Steps

- Board consideration of approval at November 18 Board meeting

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Q&A



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