



# WCPSS 2026-27 Operating Budget Outlook

Board of Education Retreat  
December 10, 2025

# 2026-27 Operating Budget Outlook

## Today

- Provide landscape & background as we prepare the 2026-27 Operating Budget
- Identify significant known issues / challenges
- Review potential for material uncertainties
- Share planned timeline for budget development
- Opportunity for board to work in small groups
- Q&A

# 2026-27 Operating Budget Outlook

- Increasingly uncertain funding environment
- Temporary COVID-19 stimulus funding has been spent
- Federal actions are affecting key aspects of operations
- State faces a myriad of funding demands beyond education
- Inflation driving up costs of health insurance, property insurance, utilities, transportation, food, classroom supplies, etc.

*Demands for funds continue —learning gaps persist, student mental health challenges, teachers and staff are seeking salary increases that reflect inflation, aging facilities need attention.....*

# 2026-27 Operating Budget Outlook

McKinsey  
& Company

- Global Management Consulting Agency
- September 2025 Report on K-12 Landscape in United States

McKinsey  
& Company  
Education



## From surplus to scarcity: K–12 districts brace for leaner years

September 25, 2025 | Article

By [Jake Bryant](#) and [Wayne Redmond](#)  
with [Emma Dorn](#) and Neil Shelat

Declining enrollment and funding, rising costs, and increasing student needs are putting public school districts under pressure. Our latest survey reveals K–12 leaders' concerns and reactions.

[mckinsey survey, us k-12 education, september 2025](#)

# 2026-27 Operating Budget Outlook

## Per-pupil funding

In general, K–12 school districts are in for another couple of tough years. Based on historical trends, recent legislation, and third-party estimates of the likelihood of a recession, the McKinsey School Funding Model projects that per-pupil spending in traditional public and charter schools could remain flat in nominal terms for the 2025–26 and 2026–27 school years before picking back up to grow with inflation in 2027–28. Considering that current inflation rates are about 3 percent,<sup>[2]</sup> this trajectory represents a decline in the real (inflation-adjusted) per-pupil dollars available to districts (Exhibit 1). Put another way, if funding remains flat but the cost of everything increases, districts will effectively have less money to spend.

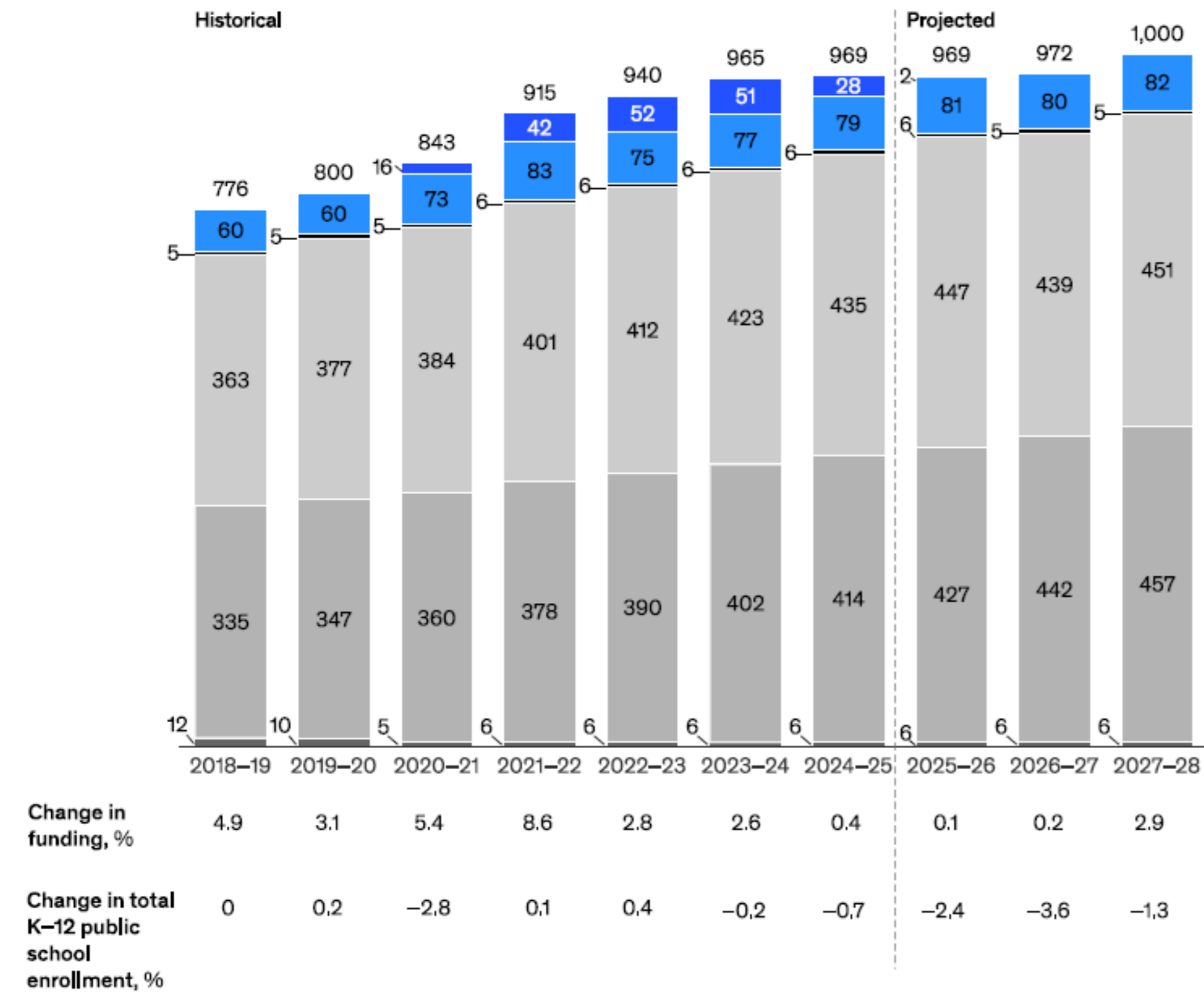
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# 2026-27 Operating Budget Outlook

K-12 funding is likely to be flat over the next few years.

Federal ESSER Federal non-ESSER<sup>1</sup> Medicaid State Local Private

Total school funding by source, \$ billion



Note: Figures may not sum to totals, because of rounding.  
<sup>1</sup>Elementary and Secondary School Emergency Relief funds.  
 Source: National Center for Education Statistics (NCES) Common Core of Data; NCES Digest of Education Statistics; McKinsey analysis

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# 2026-27 Operating Budget Outlook

**State level.** State funding typically accounts for about 45 percent of total district funding and has grown historically at 2 to 4 percent each year. Going forward, however, factors outside of education may influence how and where states choose to spend money. For instance, 26 states have cut personal or corporate income tax rates; estimates from the Center on Budget and Policy Priorities suggest that this could lower available state revenues over the next five years by about \$111 billion.<sup>[9]</sup> States may also be under pressure to backfill Medicaid and Supplemental Nutrition Assistance Program (SNAP) cuts recently passed in the One Big Beautiful Bill Act (OBBBA).<sup>[10]</sup> Finally, state funding is vulnerable to recessions. *The Wall Street Journal's* recent survey of economists put the probability of a recession over the next 12 months at 33 percent, given additional tariff hikes and inflation pressure.<sup>[11]</sup> In previous recessions, state spending on education has been cut; between 2008 and 2009, it was cut by 6.4 percent.<sup>[12]</sup> In that recession, state funding cuts were offset by the American Recovery and Reinvestment Act federal stimulus, but federal programs may be less forthcoming in an upcoming recession given the recent ESSER funding.

[mckinsey survey, us k-12 education, september 2025](#)

# 2026-27 Operating Budget Outlook

## K–12 spending: Spending plans have not fully adapted to funding realities

District leaders recognize the uncertainty of the funding environment, but they may not be fully prepared to cut spending to match potentially

[om/industries/education/our-insights/from-surplus-to-scarcity-k-12-districts-brace-for-leaner-years?stcr=904A36CD925E4D](https://www.mckinsey.com/industries/education/our-insights/from-surplus-to-scarcity-k-12-districts-brace-for-leaner-years?stcr=904A36CD925E4D)

From surplus to scarcity: K–12 districts brace for leaner years | McKinsey

reduced funding. On average, district leaders plan to increase spending across all categories. However, their plans are somewhat moderated by the realities of funding uncertainties. The average rate of projected spending growth in the survey was 1.6 percent, far below historical levels.

Districts are increasing spending across all categories for several reasons. Inflation has raised the price of many school commodities, including transportation, energy, food and nutrition, and labor and materials for school maintenance. Meanwhile, districts continue to grapple with student learning and well-being challenges. The latest National Assessment of Educational Progress (NAEP) found that 49 states had still not returned to prepandemic learning levels.<sup>[25]</sup> Sixty-three percent of our survey respondents noted that students still haven't recovered learning lost during the COVID-19 pandemic, and a similar proportion said that chronic absenteeism is continuing to rise.

One district leader said, "The funding is less, but the needs are higher. That's the mismatch we're trying to solve now."

This situation presents a challenge for districts. While many districts are dipping into reserves, this practice cannot continue forever, and indeed some districts have already used up significant portions of their rainy day funds (Exhibit 5).

[mckinsey survey, us k-12 education, september 2025](#)

# 2026-27 Operating Budget Outlook

- The McKinsey study reflects a national survey
- There are no indicators that WCPSS experience will be materially different
- Federal funding uncertainty → WCPSS
- State funding uncertainty → WCPSS
- Limited local funding increases → WCPSS
- Carryover funds reserve utilization diminishing revenue availability → WCPSS
- Unassigned Fund balance reserves are now below targeted thresholds → WCPSS

# 2026-27 Operating Budget Outlook

## Federal Funding

- President's proposal for changes and decreases in federal funding for education
- Changes, consolidations, and reductions in federal funding
- Declining carryover funds in grants
- Unpredictability of Medicaid reimbursements
- U.S. House & Senate are on different pages

# 2026-27 Operating Budget Outlook

## Federal Funding

The U.S. Department of Education is transferring management of the following programs to other federal agencies in the Trump administration's continued push to eventually close the agency and give states more control over education funding decisions.

- The Office of Elementary and Secondary Education to the U.S. Department of Labor.
- The Office of Postsecondary Education's institution-based grants to the Labor Department.
- Indian education programs to the U.S. Department of Interior.
- On-campus childcare support for parents enrolled in college to the U.S. Department of Health and Human Services.
- Foreign medical accreditation to HHS.
- International education and foreign language studies programs to the U.S. Department of State.

# 2026-27 Operating Budget Outlook

## K–12 Simplified Funding Program (K–12 SFP)

The K–12 Simplified Funding Program (K–12 SFP) represents a major restructuring of Federal support for elementary and secondary education.

- **Consolidation of Programs:** The K–12 SFP would merge 18 existing formula and competitive grant programs under the Elementary and Secondary Education Act (ESEA) into a single State formula grant program. Programs included but not limited to: 21st Century Community Learning Centers, Supporting Effective Instruction (Title II-A), Education for Homeless Children and Youth, and Arts in Education.
- **Flexibility for states:** The new SFP is intended to provide states with greater discretion in how they use federal funds to support various activities.
- **Funding decrease:** The School Improvement Programs account would be reduced from approximately \$5.78 billion in FY 2024 to \$2 billion in the FY 2026 request, a decrease of about \$3.78 billion.

# 2026-27 Operating Budget Outlook

## Federal Funding

| Program                             | President's Proposal  | Change in % | House FY26 Proposal  | Change in % | Senate FY26 Proposal   | Change in % | WCPSS FY26 Annual Budget | WCPSS Potential Funding Impact                        |
|-------------------------------------|---|-------------|--|-------------|--|-------------|--------------------------|---|
| Title I, Part A (PRC 050)           | \$18.407 billion (level funds)  | 0%          | \$14.626 billion (-\$3.78 billion)   | -20%        | \$18.457 billion (+50 million)                               | < 1%        | \$27.8 million           | PRC 50: up to 20% reduction of funds (House Proposal) |
| IDEA, Part B (PRC 049, 060 and 070) | \$14.891 billion (+\$677 million)   | 4.5%        | \$14.234 billion (+20 million)   | < 1%        | \$14.264 billion (+50 million)                               | < 1%        | \$34.8 million           | Increase to IDEA Funds < 1% to 4.5%                   |
| Title II, Part A (PRC 103)          | \$0 (Consolidated into K12 SFP)   | -100%       | \$0 (-\$2.19 billion)  | -100%       | \$2.19 billion (level funds)                                 | 0%          | \$4.1 million            | Loss of LEA funds - State Grant Opportunities Only    |
| Title III, Part A (PRC 104 and 111) | \$0 (Eliminated)  | -100%       | \$0 (-\$890 million)   | -100%       | \$890 million (level funds)                                  | 0%          | \$2.1 million            | Elimination of Funds                                  |
| Title IV, Part A (PRC 108)          | \$0 (Consolidated into K12 SFP)   | -100%       | \$1.385 billion (+5 million)   | < 1%        | \$1.380 billion (level funds)                                | 0%          | \$2 million              | Loss of LEA funds - State Grant Opportunities Only    |
| REAP                                | \$0 (Consolidated into K12 SFP)   | -100%       | \$225 million (+5 million)   | < 1%        | \$225 million (+5 million)                                   | < 1%        | \$ -                     | Not Applicable  |
| Impact Aid                          | \$1.625 billion (level funds)   | 0%          | \$1.630 billion (+5 million)   | < 1%        | \$1.625 billion (level funds)                                | 0%          | \$ -                     | Undetermined  |
| Head Start                          | \$12.272 billion (level funds)  | 0%          | \$12.272 billion (level funds)   | 0%          | \$12.357 billion (+85 million)                               | < 1%        | \$ -                     | Statewide - Agency Passthrough Grant (Undetermined)   |
| Other provisions                    | Eliminates Title III, Migrant education, teacher quality partnership grants, full-service community schools |             | Rescinds \$2.638B from Title I-A & \$1.7B from Title II-A in advance funding (Oct 1) |             | Requires funds be allocated by date available for obligation |             | Undetermined             | Undetermined  |

# 2026-27 Operating Budget Outlook

## Federal Funding

- Bottom line for WCPSS 2026-27 Operating Budget?
- Unknown

# 2026-27 Operating Budget Outlook

## State Funding

- NC General Assembly has not passed a comprehensive 2025-27 budget
- No basis to forecast adjustments for 2026-27
- Unfunded state budget requirements seen in 2025-26 → Required to use local funding to support legislated step increases for certified staff in state categorical programs
- The state may be “inheriting” issues from the federal level

# 2026-27 Operating Budget Outlook

## State Funding

- WCPSS student membership changes may impact funding
- Current state income tax policy will pressure resources available → a growing population, inflation, & aging infrastructure require additional resources to maintain services → growth does not usually “pay for itself”
- Federal policy & decisions can further impact state resource availability

# 2026-27 Operating Budget Outlook

## State Funding

- 2026 is a short session for legislature → return in Spring
- Bottom line for WCPSS 2026-27 Operating Budget?
- Unknown

# 2026-27 Operating Budget Outlook

## Local Funding

- Wake County revenues are projected to grow ~ 2 percent annually for an approximate total of \$175 million cumulatively between fiscal year 2026 and fiscal year 2029
- Natural revenue growth projected to provide \$40 - \$50 million in new revenue for 2026-27
- Wake County must use year over year revenue growth to support all needs of the county
- WCPSS has recently received significant year over year increases in county appropriation

# 2026-27 Operating Budget Outlook

## Local Funding

- Wake County has been a supportive partner of WCPSS
- Local funding has provided basis to improve compensation for staff beyond state legislation
- Evidence of impact is seen in reduction in staff vacancy rates
- Wake County is also dependent upon federal revenues & faces uncertainty
- Wake County resources must be used to meet all County responsibilities

# 2026-27 Operating Budget Outlook

## Federal & State Funding

- Together, federal & state funding represent a majority of WCPSS operating budget
- *High degrees of uncertainty are associated with both sources of funding*
- There is no clear indication of when information will be available to make reasonable reliable projections
- Making a reasonable projection  $\neq$  a desired outcome

# 2026-27 Operating Budget Outlook

## Other Pressure Points

- Staff vacancy rates continue to drop – good news that comes w fiscal pressures
- Funds that carryover have been used to smooth bumps, but they don't replenish
- Unassigned fund balance reserves have been used to manage through the Pandemic fiscal transition, but are now below targeted thresholds and are limited in capacity to assist in balancing

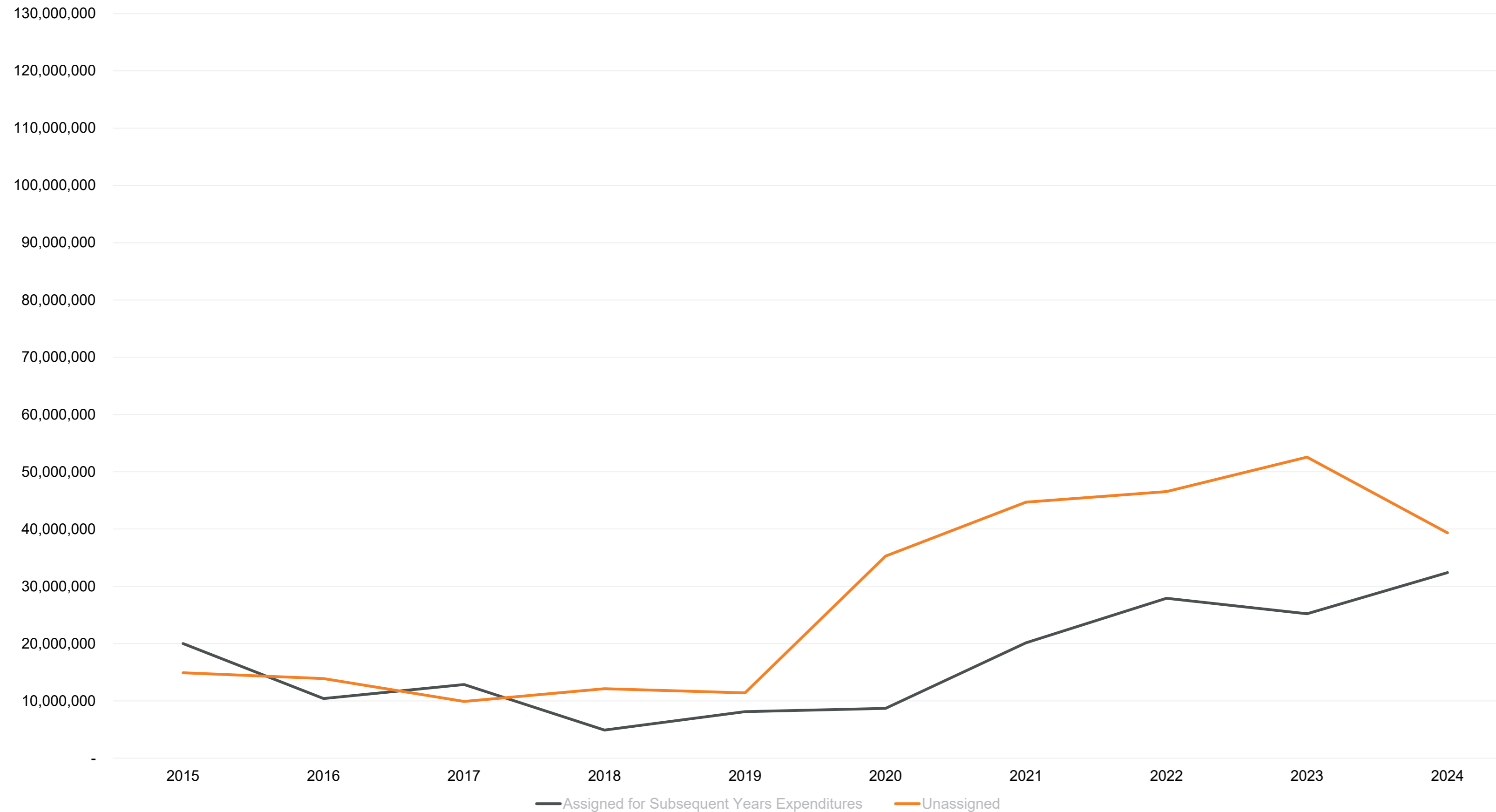
# 2026-27 Operating Budget Outlook

## Other Pressure Points

- Without revenue changes, CNS Operations are on the cusp of requiring Operating Budget funds to remain a going concern
- Some of the lowest per pupil funding in the country, combined with a decade and a half of fiscal scrubbing
- It is difficult to make fiscal decisions that require giving something up

# 2026-27 Operating Budget Development

## Unassigned Fund Balance & Fund Balance Used to Balance Budget



Unassigned Balance of \$39.3M  
 1.7% of the Total Operating Budget  
 – FY 2024  
 5.6% of the Subsequent Year's  
 County Appropriation Budget

Assigned for Subsequent Years of  
 Expenditures FY 2025: \$32.4M

FY 2026 Assigned for Subsequent  
 Years of Expenditures decreased  
 by (\$11 M) to: \$21.4 M

FY 2027 Assigned for Subsequent  
 Years of Expenditures is estimated  
 at \$18.5 M (50% of “unaudited”  
 Unassigned FB)

# 2026-27 Operating Budget Outlook

## Other Pressure Points – Staffing Fill Rate Increases

- Improvements in compensation levels have provided basis to drive fill rates
- \$13 per hour entry level bus driver wages have become \$20 per hour
- \$11.80 per hour entry level classified staff wages have become \$17.75 per hour
- Improvements in recruiting efforts have positively impacted fill rates including new applicant app, advertising, cross departmental collaboration, etc.

# 2026-27 Operating Budget Outlook

## Other Pressure Points – Staffing Fill Rate Increases

- Vacancy rate improvement of 1.74% for all employees
  - September 2025: 6.82% vacancy rate
  - September 2024: 8.13% vacancy rate
  - September 2023: 8.56% vacancy rate
  - 22,259 total positions in 2025

# 2026-27 Operating Budget Outlook

## Other Pressure Points – Staffing Fill Rate Increases

- WCPSS Operating Budget assumes position vacancies as good fiscal practice and does not maintain funding underneath 100% of positions
- We have reached the point where there is no “slack” between vacancies and underlying budget
- Recent budgets have requested local funding to address this
- *No longer does eliminating vacant positions “create funding” to use for something else*

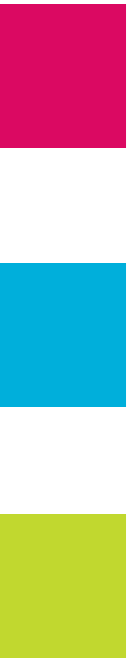
# 2026-27 Operating Budget Outlook

## Anticipated cost increases for 2026-27 budget requiring a funding source

- Any state-legislated salary and benefit increases
- Local master's pay for all new teacher hires
- Pass-through due to charter schools
- Costs for opening one new elementary school
- Contractually obligated cost increases (e.g. lease escalations)
- Other inflationary costs (e.g. property & liability insurance premiums)
- Any unfunded legislated mandates
- Desired backfilling based upon potential federal & state decisions

# 2026-27 Operating Budget Outlook

## Board Small Group Exercise



# 2026-27 Operating Budget Outlook

## Budget Development Timeline

|                          |  |
|--------------------------|--|
| October 13, 2025         | Meeting with superintendent and chiefs to review the budget development timeline and process.  |
| October-November 2025    | Budget staff provide budget development timeline, budgetary assumptions, and instructions.   |
| November - December 2025 | Budget managers prepare funding requests and budget projections for 2026-27 for all funding sources (state, local, and federal).                         |
| January 7, 2026          | Chief officers submit funding requests and budget projections to the Budget Department at <a href="mailto:budgetdev@wcpss.net">budgetdev@wcpss.net</a> . |
| January - February 2026  | Superintendent's team work sessions to balance the budget.   |
| February 2026            | Board of Education provides input for the 2026-27 proposed budget.   |
| March 2026               | Superintendent delivers the proposed budget to the Board of Education.   |
| April 2026               | Board of Education work sessions and public hearing(s). Revise Superintendent's Proposed Budget based on the Board of Education's changes.               |
| May 15, 2026             | Deliver Board of Education's Proposed Budget to county commissioners.  |
| June 2026                | Board of Education adopts a budget resolution following action by the county commissioners.  |

# 2026-27 Operating Budget Outlook

## What is Certain?

- Uncertainty significantly impacting the budget development process
- Difficult decisions must be made
- Repurposing of existing budget (read budget reductions)
- Need for knowledge, understanding, and resolve
- And while we are at it, one more related update.....

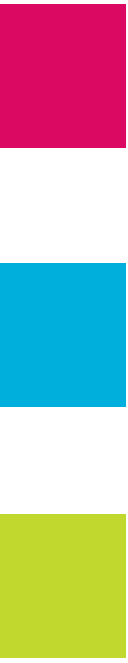
# 2026-27 Operating Budget Outlook

## Annual Comprehensive Financial Report (ACFR)

- **Delay in Federal Guidance:** The federal government shutdown postponed the release of the 2025 OMB Compliance Supplement until November 25, 2025, delaying required audit work for units subject to Single Audit requirements for the new GASB Pronouncements 101 (Compensated Absences) and 102 (Certain Risk Disclosures).
- **Revised Audit Submission Timeline:** For entities with a June 30, 2025, year-end that require a Single Audit, the State has extended the deadline by 43 days—making February 12, 2026, the new timely submission date (with approved contract amendment by January 1, 2026).
- **Impact on ACFR Completion:** Due to these statewide audit timeline adjustments and the dependency on final Single Audit procedures, completion and issuance of the 2025 Annual Comprehensive Financial Report will be delayed, aligning with the extended audit schedule.

# 2026-27 Operating Budget Outlook

## Q&A





# WCPSS 2026-27 Operating Budget Outlook

## Board of Education Retreat

December 10, 2025