Understanding the TCS Funding Gap

How state requirements, lower allotments, and student needs created a $1.84 million funding challenge

Why TCS Faces a $1.84 Million Funding Gap

Two things occurred at the same time when the state issued long overdue, and still not enough pay raises:

Higher local personnel costs. State-required raises, retirement rates, health insurance premiums, and a legislative bonus increased the cost of 68 locally funded positions. The state does not provide funding for local positions.

Lower state support. State allotments are based largely on enrollment formulas and do not fully account for the staffing needed to operate nine separate schools. State funding also declined by more than approximately $984,095 this year.

Together, these pressures created a $1,840,943 gap: $856,848 in local cost increases and $984,095 in state funding shortfalls. TCS has already absorbed 12 positions through attrition.

School Finance Terms

ADM Average Daily Membership is the student count the state uses to calculate much of a district's funding.

State allotment Money or staff positions provided by North Carolina, usually through enrollment-based formulas.

FTE: Full-time equivalent is a standard measure of staffing. One FTE equals one full-time position. A partial FTE represents a part-time or shared position.

Local supplement Additional pay funded locally by our Commissioners to help recruit and retain employees. The supplement was increased in July 2025.

Unassigned Fund balance The portion of fund balance that has not been committed or assigned to specific purposes or other funds. Unassigned fund balance is intended for emergency use only for non-recurring expenses.

Rising Costs for Locally Funded Positions

North Carolina approved pay raises for public school employees. Those raises support the people who serve our students, but the state funds them only for positions included in state allotments. TCS also employs 68 locally funded positions that meet needs across our schools. When the state raises salaries, we must cover the full increase for those positions.

Benefits also became more expensive. From FY 2025–26 to FY 2026–27, four changes increased the cost of locally funded employees:

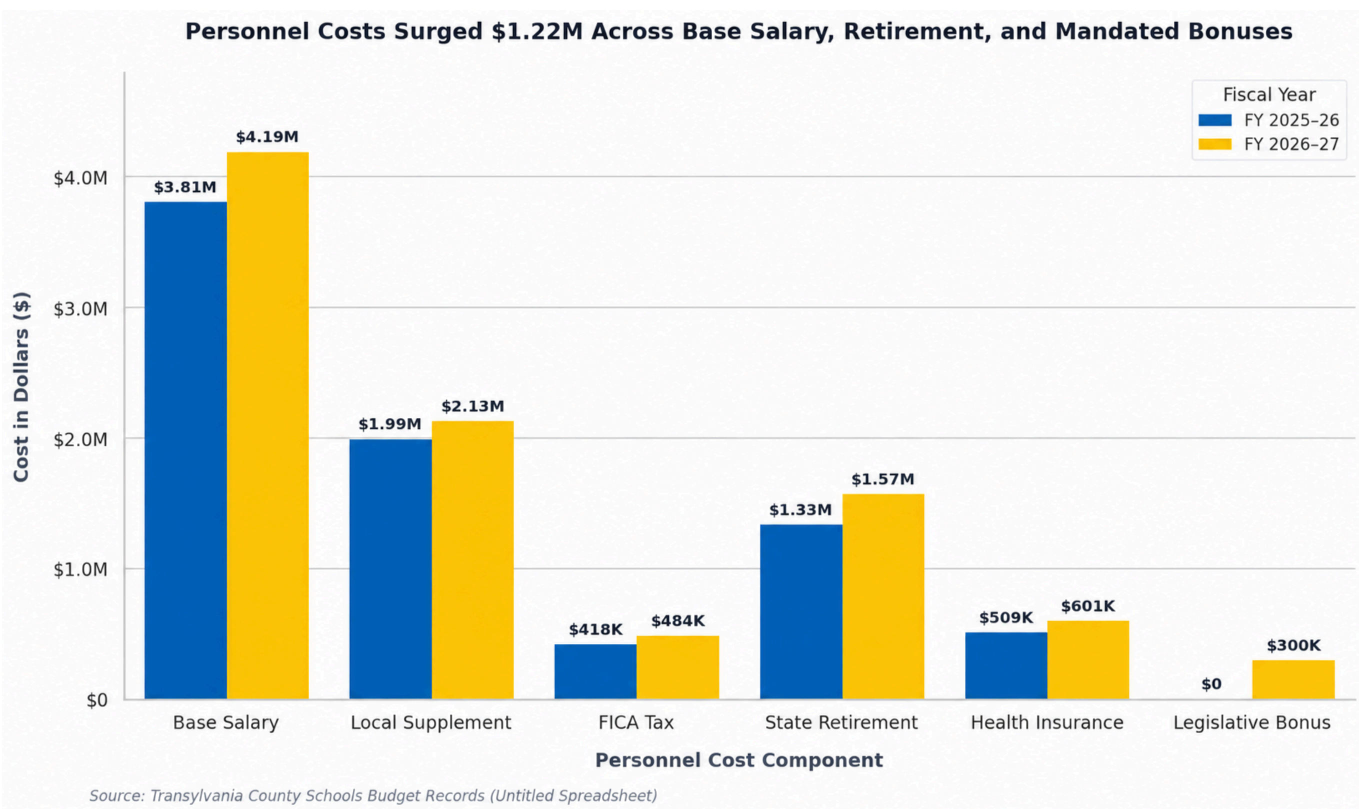
1. Salary increases: Base salaries rose by $384,012, and local salary supplements increased by $140,583. Together, direct pay increased by $524,595.
2. Retirement rate increase: The required employer contribution rate rose from 24.67% to 26.10%, increasing costs by $237,057. Of that amount, $118,777 resulted from the higher rate itself.
3. Health insurance increase: The state health insurance premium rose from $8,500 to $8,925 per employee, increasing costs by $91,952.
4. Legislative bonus: A required bonus was not accompanied by state funding for locally funded positions, so the cost was added to the local budget. Our local bonus cost is approximately $300,000 for the 68 locally paid employees and

approximately 25 employees paid through the other specific revenue fund (Pre-K, Medicaid, grants and other sources.)

Together, these changes increased the cost of locally funded personnel from $8,059,341 to $9,278,706. That is an increase of approximately $1,219,365 in one year.

Annual Cost Changes for Locally Funded Positions

Cost	FY 2025–26	FY 2026–27	Change	Reason
Gross Base Salary	$3,807,622	$4,191,634	$384,012	State-mandated salary scale increase
Local Salary Supplement	$1,990,095	$2,130,678	$140,583	Maintaining regional pay competitiveness from our Commissioners
FICA Social Security Tax	$417,896	$483,657	$65,761	Required 7.65% payroll tax on higher base
State Retirement Contribution	$1,334,617	$1,571,674	$237,057	State rate increased from 24.67% to 26.20%
Health Insurance Premiums	$509,111	$601,063	$91,952	State rate rose from $8,500 to $8,925/emp
Mandated Legislative Bonus	$0	$300,000	$300,000	State bonus mandated without state funding
TOTAL PERSONNEL COST	**$8,059,341**	**$9,278,706**	$1,219,365	Combined effect of salary, benefit, and bonus changes



Where State Staffing Formulas Fall Short

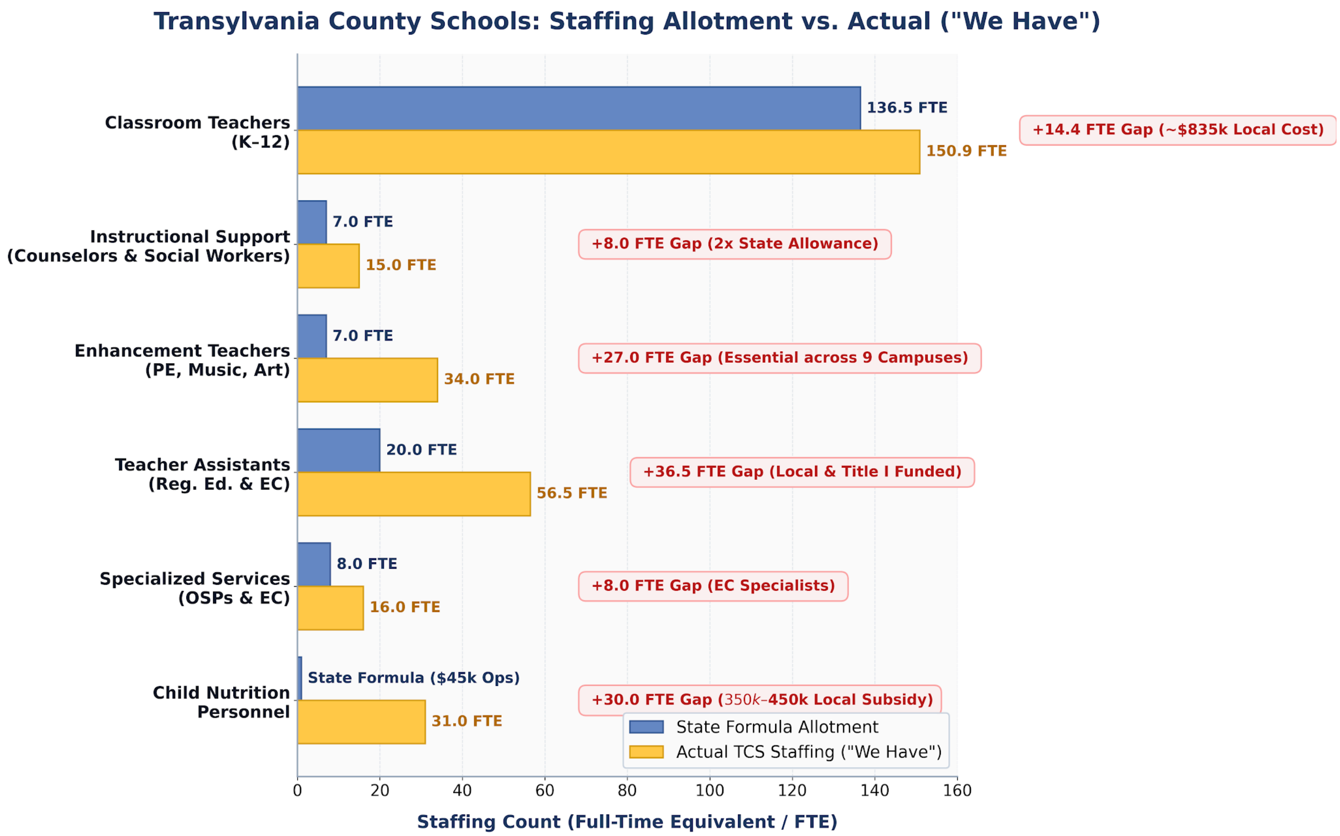
North Carolina generally bases school staffing allotments on districtwide enrollment. For example, the state may divide the number of students by a staffing ratio to determine how many positions it will fund. TCS, however, must operate nine schools across a rural mountain county. Each school needs enough staff to serve students safely and effectively.

A small enrollment decline may reduce the state allotment by part of a position, but TCS cannot reduce a classroom teacher by a fraction during the school day. The same issue affects counselors, social workers, nurses, psychologists, teacher assistants, and arts and physical education teachers. The largest gaps are shown below.

- Classroom teachers: The state allots 136.5 positions, or 135.87 full-time equivalents in ADM models. That is six fewer positions than last year. TCS employs 146.9 to 150.9 classroom teachers across nine schools to maintain workable class sizes.
- Instructional support: The state allots seven positions for counselors, social workers, nurses, and psychologists across the district. TCS employs 15 counselors, social workers, and media specialists before nurses and psychologists are counted. That is more than twice the total state allotment.
- Enhancement teachers: The state provides seven positions for physical education, music, band, and art across nine schools. TCS employs 34 enhancement teachers so students at every school can receive these programs.
- Teacher assistants: The state provides $991,113, leaving a funding gap of approximately $267,729.

State Allotments Compared with TCS Staffing

Staffing Area	State Allotment	TCS Staffing	Local Gap	Estimated Local Impact
Classroom Teachers K–12	136.5 FTE ($11.12M)	146.9 - 150.9 FTE	10.4 to +15.0 FTE local gap	~$835,000 in local salary/benefits
Instructional Support Counselors and Social Workers	7.0 FTE ($619.3k)	15.0 FTE (Counselors/Social Workers)	8.0 FTE above state total	More than double state allotment
Enhancement Teachers Music, PE, and Art	7.0 FTE ($579.2k)	34.0 FTE Teachers	27.0 FTE local positions	Essential for 9 rural campuses
Teacher Assistants Regular Education and EC	~20.0 FTE ($953.8k)	56.5 FTE (64.5 w/ PreK)	36.5 to +44.5 FTE positions	Funded via local & Title I dollars
Specialized Services OSPs and EC	Variable Formula	16.0 FTE OSPs	Fully deployed across schools	EC Case Managers & Specialists
Child Nutrition	$45,000 state/fed ops	31.0 FTE Personnel	Self-supporting + local subsidy	$350k - $450k local operating support



Required Services and Operating Costs

Some services cannot be reduced simply to balance the budget. Federal law, state requirements, student health and safety needs, and basic school operations require TCS to provide them. Three examples show how these responsibilities affect local costs.

1. Exceptional Children funding cap: North Carolina funds special education services for no more than 13% of a district's enrollment. That cap was set in 1993. In TCS, 19% of students receive Exceptional Children services. Serving students above the cap cost is expected to cost $652,356 in local funds this year. When qualified EC teachers are unavailable, the district must also contract for required services, often at rates above state funding.
2. Child Nutrition: State and federal funding provides about $45,000 a year to operate the Child Nutrition Department across nine schools. Meal reimbursements and charges cover part of the cost, but the district also provides a local subsidy of about $350,000 each year for food, employees, equipment, and operations.
3. Charter school payments: State law requires TCS to transfer a per-student share of local tax revenue to charter schools attended by students who live in the county. Those payments reduce the local funding available for TCS schools.

Declining State Funding and the Small County Allotment

While locally funded personnel costs increased by $1.22 million, state funding declined. Seventeen of the 19 state funding categories provided by the Department of Public Instruction decreased for FY 2026–27. Overall state funding fell by $701,344 this year after a $984,095 decline in FY 2025–26. Together, those reductions total nearly $1.47 million over two years.

North Carolina provides Small County Supplemental Funding to help districts with lower enrollment. TCS received $1,548,200 from this allotment, the same amount as the prior year, so it did not offset rising costs.

Major Reductions in State Planning Allotments

State Funding Category	2025–26 Initial Allotment	2026–27 Planning Allotment	Change	Position or Unit Change
PRC 001 - Classroom Teachers	$11,551,620	$11,123,931	-$427,689	-6.00 Positions lost
PRC 007 - Instructional Support	$693,400	$619,346	-$74,054	-1.00 Position lost
PRC 002 - Central Office Admin	$747,651	$679,950	-$67,701	-1.00 Position lost
PRC 027 - Teacher Assistants	$1,000,930	$953,880	-$47,050	-1.25 Formula positions
PRC 013/014 - CTE Program & Support	$1,617,440	$1,574,576	-$42,864	-2.00 Employment months
PRC 003 - Non-Instructional Support	$1,065,602	$1,031,220	-$34,382	Formula funding drop
PRC 005 - School Building Admin	$1,467,552	$1,436,532	-$31,020	-1.00 Month lost
PRC 069 - At-Risk Student Services	$926,628	$902,010	-$24,618	Formula allotment drop
PRC 056 - Student Transportation	$1,302,295	$1,287,286	-$15,009	Transportation efficiency shift

District Savings and the Remaining Need

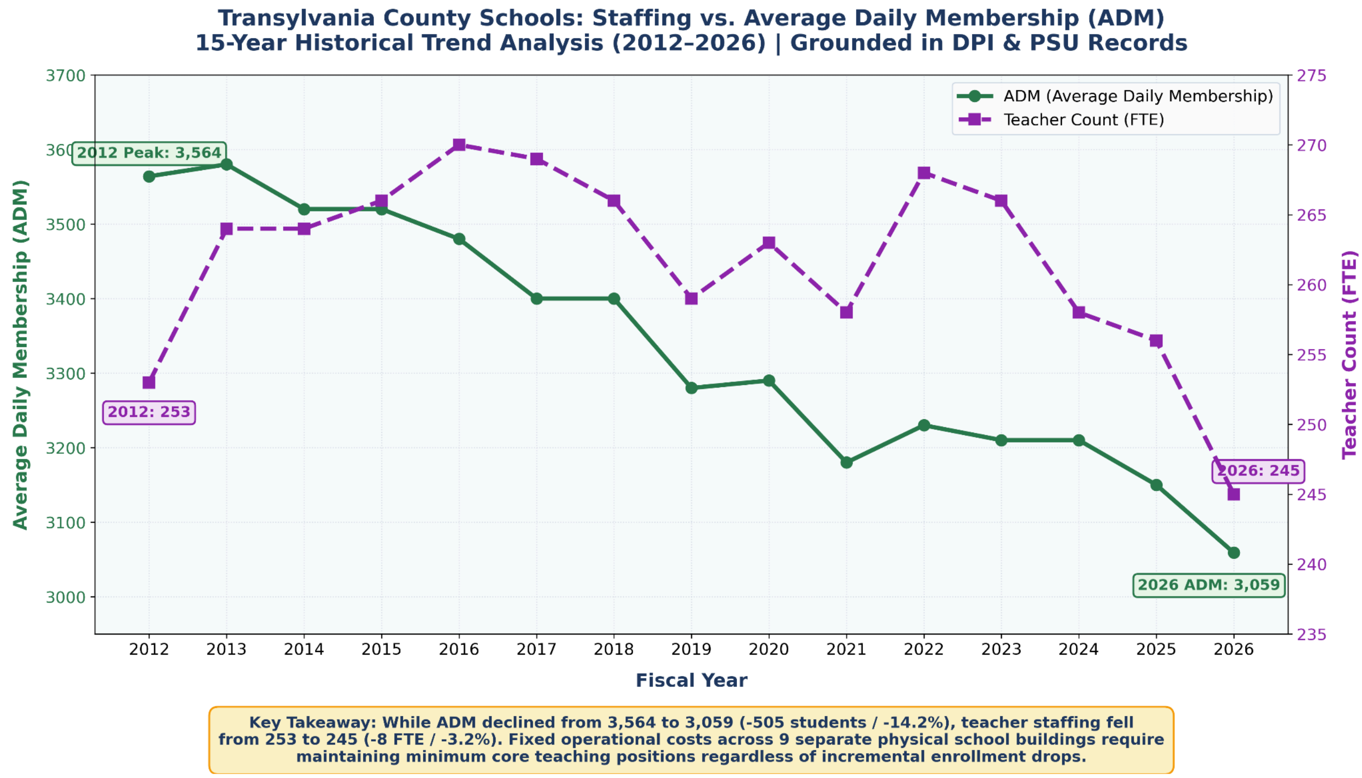
Before requesting more local support, TCS reduced costs where it could. The district absorbed 12 positions through attrition instead of making deeper classroom cuts. Since 2024, TCS has also reduced locally funded teaching positions and asked some counselors, social workers, and EC employees to serve more than one school.

Careful stewardship of the local funds allocated in our FY 2025–26 budget request for projected state raises generated $300,000 (unaudited) in savings, which is now being used to reduce our current funding request. TCS is applying that amount to this year's shortfall, reducing the amount requested fro TCS plans to use these funds to help fill in the gap.

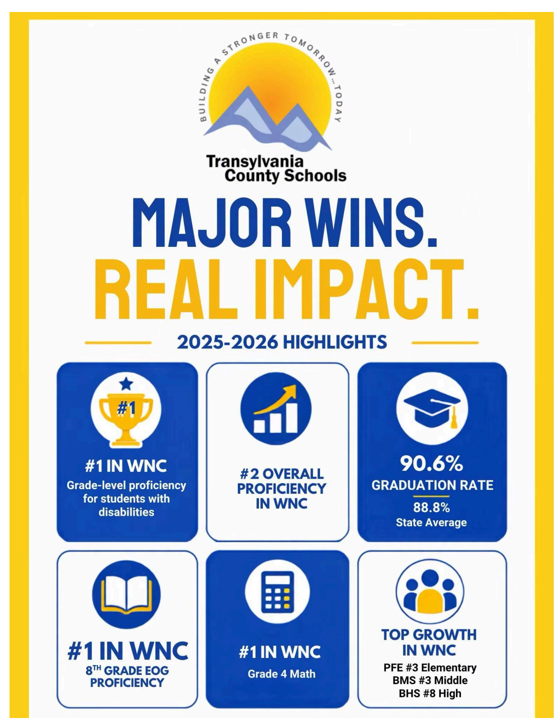
After these reductions and savings, the remaining funding gap is $1,840,943. It has two parts:

Components of the $1,840,943 Funding Gap

Funding Need	Amount	What It Covers
Local Need	$856,848	Required salary and benefit increases, after local revenue growth and $300,000 (unaudited) in savings
State Need	$984,095	State funding shortfall
TOTAL FUNDING GAP	**$1,840,943**	Total remaining need from higher required costs and lower state support


Transylvania County Schools: Staffing vs. Average Daily Membership (ADM)
15-Year Historical Trend Analysis (2012–2026) | Grounded in DPI & PSU Records
ADM (Average Daily Membership)
Teacher Count (FTE)
2012 Peak: 3,564
2012: 253
2026: 245
2026 ADM: 3,059
Average Daily Membership (ADM)
Teacher Count (FTE)
Fiscal Year
3700
3500
3400
3300
3200
3100
3000
275
270
265
260
255
250
245
240
235
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
Key Takeaway: While ADM declined from 3,564 to 3,059 (-505 students / -14.2%), teacher staffing fell from 253 to 245 (-8 FTE / -3.2%). Fixed operational costs across 9 separate physical school buildings require maintaining minimum core teaching positions regardless of incremental enrollment drops.


BUILDING A STRONGER TOMORROW—TODAY
Transylvania County Schools
MOVING
MOUNTAINS
2025-2026 HIGHLIGHT
TCS now ranks #14 out of 115 school systems in the entire state in overall proficiency
TCS


BUILDING A STRONGER TOMORROW—TODAY
Transylvania County Schools
MAJOR WINS.
REAL IMPACT.
2025-2026 HIGHLIGHTS
#1
#1 IN WNC
Grade-level proficiency for students with disabilities
#2 OVERALL PROFICIENCY IN WNC
90.6%
GRADUATION RATE
88.8%
State Average
#1 IN WNC
8TH GRADE EOG PROFICIENCY
#1 IN WNC
Grade 4 Math
TOP GROWTH IN WNC
PFE #3 Elementary
BMS #3 Middle
BHS #8 High