Notes of Interest

April Financial Report

Budget update

- During April, we cleaned up numerous budget allocations in an effort to absorb unused allocations and adjust other allocations to better fit the program being supported. This resulted in budget reductions totaling $337,715 for one-time projects and $350,883 for recurrent projects. These amounts are available for other budget allocations or will be included in next year's budget.

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- Property tax revenues continue to reflect our assessment growth. Collections rates in the current year are as expected and follow our traditional trend as well as that of peer districts.

- Occupational taxes continue to slowly rise as we continue a growth period that has extended for a number of years. Much of this increase is a result of Jefferson County's improving unemployment rate, which increases our occupational taxes but increases competition for good employees.

- In Jefferson County, our assessments have been rising faster than other areas of the state. This has resulted in lower state SEEK revenues.

- Federal grants revenues are drawn down at the end of each month as we are reimbursed for our program expenses during the following month.

- Interest has been on an aggressively positive trend as we have benefitted from the rising interest rate environment and additional funds invested.

- Other sources of revenues are down because we haven't issued any construction bonds yet this year.

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- When the economy is strong, as it has been for a number of years, real estate taxes and occupational taxes improve while delinquent taxes decrease. This decrease is actually positive, as more taxes are being paid on time.

- Other local revenues are higher than previous years due to the sale of a property on Sandray Boulevard where Frost Middle School was previously located.

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- Transportation Professional/Technical Services are negative due to reimbursements from grants for direct transportation services provided to the grant programs, such as preschool.

Notes of Interest

Pages 13-16 Construction Project Funding (part 1)

How JCPS funds major construction and renovation projects is an important topic while JCPS has large amounts of unmet needs. Traditional revenues that are required by Kentucky Revised Statutes to be used for major construction or renovation projects include:

- Capital Outlay – state revenues equaling $100 times our average daily attendance (the state counts kindergarten as only a half day), or approximately $8.7 million per year

- Building Fund – local revenues required to be allocated for facilities purposes. These are allocated as a portion of our real estate taxes, meaning that the Building Fund allocation increases as the assessments increase.

- Kentucky School Facilities Construction Commission – The General Assembly has traditionally allocated $100 million per biennium to high priority school building projects based on each district's District Facility Plan. This amount was cut drastically during this budget cycle.

- General Fund – Through the budgeting cycle, General Fund dollars can be used for facilities purposes.

All school districts evaluate what they believe they can afford and make funding and project timing decisions from these cash flows reviews. Additionally, the Kentucky Department of Education serves as an additional oversight over these funding decisions and ensure that no district will become overextended due to a construction project. This is why the state approves all steps in the process (the BG forms sent to most Board meetings prior to submission to the state).

Although residual funds from projects that end under budget are used each year, most funds for construction and renovation projects are issued as bonds. Bonds give immediate access to a larger amount of funding with up to twenty years to pay the funds back. Although many people feel that personal debt is to be avoided, JCPS has maintained a good bond rating and can sell lower-interest tax exempt bonds, which makes the bonds far less expensive financing than it would be for an individual or for-profit businesses. Depending on market and interest rate factors, JCPS can generally receive $11-$13 construction dollars for each dollar of new debt service added.

Each year, JCPS collects revenues from the sources listed above and has a lower amount of debt service invoices owed for that year. The difference in these two amounts for each year of our outstanding bonds determines our bonding capacity, or the additional amount of bonds that we can issue with current funding.

In next month's Notes of Interest, we will review how our bonding capacity fluctuates each year, the allocations JCPS currently makes and some factors to be considered when reviewing potential new revenue sources.