



External Assessment: Fiscal Administration and the Budget Shortfall

Purpose: To provide the Jefferson County Board of Education (JCBE) and Superintendent with an independent assessment of the systemic and situational factors contributing to Jefferson County Public School District's (the District) budget shortfall, and to recommend steps for strengthening financial management, transparency, governance, and sustainability. For purposes of this assessment, "governance" refers to structures (i.e., formal roles, bodies, frameworks, policies), approval processes, and oversight mechanisms.

Scope: The scope of the District's Fiscal Administration and the Budget Shortfall Assessment (the Assessment) includes fiscal and governance activities that occurred during Fiscal Years 2022 – 2025. Fiscal Administration includes, but is not limited to, forecasting practices, expenditure commitments, contingency and fund balance utilization, budget allocations / adjustments (i.e., additions, reductions, reclassifications), financial decision making, and governance. The assessment should include an emphasis on personnel and salary expansions, defined as increases in salaries (beyond the annual COLA) and / or the addition of positions, occurring during the review period, as well as programs added or expanded during the review period. Program expenditures, defined as initiatives, projects, or programs (whether internally delivered or carried out through contracted services) that were created or materially expanded during the review period, with an annual cost of at least \$1 million, based on budget revision(s) and / or actual expenditures.

The assessment will not include detailed operational or performance audits of individual schools, departments, or instructional programs, nor will it involve transaction level testing, except where directly relevant to fiscal administration. The scope is limited to factors that materially impact the district's overall fiscal health.

Objectives: The objectives of the Assessment include, but are not limited to, the following:

1. **Identify Contributing Factors.** Determine the systemic and situational factors that contributed to the district's budget shortfall during FY2022–FY2025, distinguishing between structural drivers (e.g., recurring expenditures exceeding recurring revenues, reliance on contingency and fund balance, unfunded commitments) and temporary or one-time pressures (e.g., enrollment shifts, federal relief funding expiration).
 - Emphasis on, but not limited to, personnel and program expenditures. Analyze whether personnel growth, salary structures, or program expenditures contributed disproportionately to the shortfall.
 - Document additions of administrative positions during the review period. Create a comprehensive table, to be included as an appendix to the final report, listing all administrative positions (certified administrative and classified administrative as defined by HR coding in Munis) that were added during the review period. For each position, the table should include:
 - Position title
 - Position category (certified administrative or classified administrative)
 - Division/department assigned
 - Effective date created/added
 - Full-time equivalent (FTE)
 - Leadership vs. support designation (based on HR job family or grade level)
 - Funding source (e.g., General Fund, grants, ESSER, other)
 - School-based vs. central office (if applicable)
2. **Assess Fiscal Administration Practices.** Assess the effectiveness of fiscal administration processes, including budget development, forecasting, and monitoring, expenditure commitments, financial decision making, and contingency and fund balance management, and the governance of budget changes (i.e., additions, reductions, etc.).



- Review whether existing procurement policies and controls are designed to promote competitive pricing and sound purchasing practices. This review will remain at a policy and process level—focusing on design and oversight mechanisms rather than testing transactions or performing pricing analysis. Specifically:
 - Consider whether controls and procedures support competitive pricing (e.g., competitive bidding, approvals, and monitoring).
 - Consider whether policies enable bundling of services where appropriate.
 - Assess whether procurement policies and practices encourage vendor competition (e.g., limiting unnecessary sole-source arrangements, allowing multiple vendors).
 - Review whether a process exists to evaluate and approve cooperative contracts.
 - Confirm whether policies / procedures permit partnering with the state on solicitations and whether that option is considered in major decisions.
- 3. Analyze Governance and Decision-Making. Examine the roles, responsibilities, and oversight exercised by district leadership, and the Board of Education in relation to fiscal management, transparency, and accountability.
 - Emphasis on, but not limited to, personnel and program expenditures. Assess the authorization of major commitments and whether a defined process was followed. The assessment should consider whether funding sources were sustainable and the occurrence / impact of off-budget commitments.
- 4. Comparative Benchmarking. Compare the district's fiscal administration and financial governance practices with established public-sector / school district practices. Identify fiscal key performance indicators (KPIs) tied to best practices.
- 5. Recommend Improvements. Provide actionable recommendations to strengthen financial management, enhance transparency, and support long-term fiscal sustainability of the district.
- 6. Assess long-term solvency risks (e.g., reliance on nonrecurring funds, structural deficits) and mitigation strategies.

Personnel and programmatic expenditures should be treated as priority areas of analysis, but not to the exclusion of other fiscal activities. The assessment should maintain a holistic view of revenues, expenditures, governance, and fiscal administration to ensure a comprehensive understanding of root causes.

Methodologies: The methodologies may include, but are not limited to, a combination of interviews, data analysis, and internal control / operational assessment.

Timeline: The desired timeline for the project is three - four months.

Deliverables: The assessment will result in a written report summarizing findings, root causes, and recommendations. The report will include strengths and weaknesses of the current system, accountability gaps, and proposed improvements. Interim project status reports will be provided every two – three weeks along with a final presentation to the Superintendent and the Board.