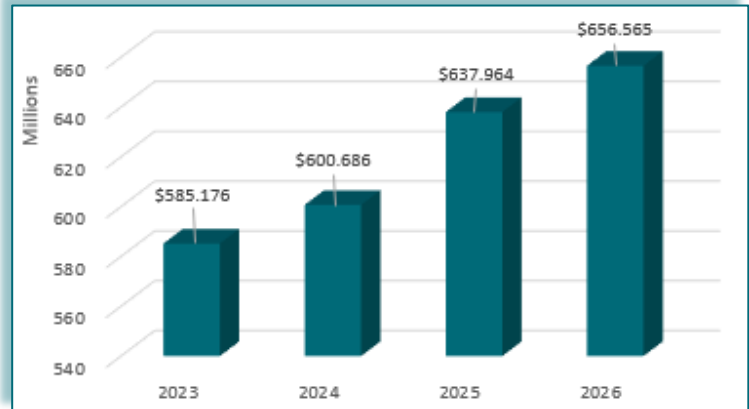


Notes of Interest

February 2026 Financial Report

Monthly Update: February marks a busy time for our school administration and finance departments. Budget and Principals worked together to meet the March 1 deadline. In addition, schools are geared up for testing to help students reach Post-Secondary Readiness (PSR) status. Other departments are working to maintain grant compliance, revenue and expense reporting, converting requisitions, closing purchase orders, and numerous other tasks to have us ready for year-end close. At this point we have received 76.6% of our revenues. The revenues collected during this period will fund our operations through early November 2026.

Property tax collections are showing an increase of 2.92% over the previous year, although the tax season is not complete. This is partly due to the strong real estate market, which continues to see new homes being built, as well as rising home prices. Louisville remains a top city of affordability compared to national averages while median home prices reported a 2.5% 1-year increase.



Occupational taxes are continuing their strong trend into the 2025-2026 school year, increasing 4.35% over the previous year, although the tax season is not complete. Occupational taxes are based on payroll tax withholdings and business profits in Jefferson County, so they are our revenue source that correlates most closely with the health and strength of the local economy. Overall, our economy has been strong, and we haven't seen signs of weakening yet.

YTD 2025
\$117M
 YTD 2026
\$122M

Interest income is projected to decline for the current fiscal year following the Federal Reserve's decision to reduce interest rates by three-quarters of a percentage point since September 2025. Some economists are expecting the rate to hold until at least December 2026. A key factor is inflation, currently at 2.4%, decreased in February from 2.71%. We continue to monitor Fed policy and reflect it in our forecasts. The 3rd and 4th quarters are when we see higher interest income because the bulk of the revenue is collected during that time.

The Accounting department partners with Southern High School's Financial Services pathway with a job-shadowing program. Over four days the student learns real world accounting. Our latest student wrote in his class reflection assignment, "One of my favorite parts of this semester was my shadowing experience at the JCPS Accounting Center. I got to observe professionals in action, learned about real-world accounting processes, and partook in their daily tasks." He continued, "The team didn't just look at spreadsheets—they discussed the impact on students, teachers, and the community. It clicked for me that finance is about making choices that affect people's lives, not just balancing a budget."

He wrapped up with, "Professionally, I am more interested in pursuing a career in finance or accounting, knowing it's a field where I can make a meaningful impact."

Did you know?

Budget to actual analysis is a key tool for long-term financial planning and for forecasting year-end results, particularly during periods of fiscal constraint. Currently, most expenditure accounts are tracking within their approved

budgets.

Revenues

- Property taxes are projected to meet forecasted levels.
- Occupational taxes are projected to exceed forecast by approximately \$10 million.
- Interest on investments is projected to fall short of the forecast by about \$3 million.

Expenses

- Salaries are projected to be below forecast due to vacancies across multiple positions throughout JCPS. Teacher salaries represent 51.7% of total salaries.
- Other professional services are projected to be approximately \$5M below forecast.
- Contract bus services are projected to be approximately \$5M below forecast, primarily due to a reduced reliance on outside drivers.
- Several utility codes are currently above forecasts. With winter costs typically increase, therefore, these expenses will be closely monitored.

Budget status updates: Senate Bill 1 has been the subject of much discussion this legislative session. The bill can be summarized as altering the balance of power from the Board to the Superintendent on budget amendments and contracts.

It increased the level where the Superintendent is the sole decision maker from \$20,000 to \$250,000 for contracts. In surveying other Kentucky school districts, most do not have a provision to permit the Superintendent to contract without prior Board approval. The one other district identified that permits the Superintendent to sign contracts prior to Board approval does so at a level that is comparable new \$250,000 threshold when that level is expressed as a percent of overall budget of each district.

The law established a Superintendent-approval threshold for budget amendments of \$250,000 total per quarter. On one hand, during the period when the JCPS budget was being spent beyond responsible budgeting, there was no such limit. The additional budgets that caused the budget crisis were far larger than \$250,000 per quarter (\$140 million of COLA; central office expansion of \$30 million over 2021-2025; new curriculum adoptions; transportation fixes; audio enhancement; turf fields; etc.). The new law would have provided *more controls over the budget* during this period, or, would have been more restrictive and Board-authority-centered than how JCPS operated for decades. On the other hand, the CFO in charge when the budget imbalance was corrected advocated for a policy change to 04.1 that any new budgets require Board approval, or the same shift to Board approval of all budget transfers except at a lower starting point.

Senate Bill 1 would undeniably make JCPS more efficient on contracting and require the Board to approve budget additions over \$250,000 total per quarter. Although there may be other considerations that cause affected parties to feel positively or negatively about the law, the changes at the levels proposed would not have caused the budget crisis we have just been through and would have required that the Board be notified of these major new budget items added.