

Notes of Interest

March 2026 Financial Report

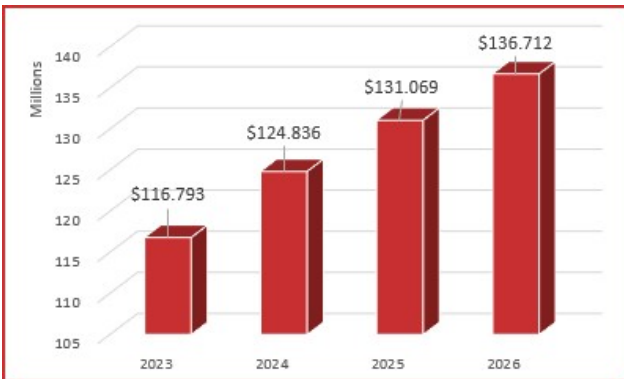
Monthly Update: Schools and students are gearing up for spring break as March comes to an end. This is a critical month for schools for budget development. All schools determine how they will use their allocated funds during the next school year. With 75% of the fiscal year completed, many financial trends are emerging, and the data is becoming more meaningful.

Property taxes are the largest revenue source for the District. Since tax bills are mailed at the beginning of November, we receive most of these payments between November and February 1 of each year. By March, we can now see how the year's collections compare to previous years.

Property Taxes
March-to-March

Increase over
2.85%
2024-2025

Occupational taxes are continuing their strong trend into the 2025-2026 school year,



increasing **4.31%** over the previous year to day as of March, 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.

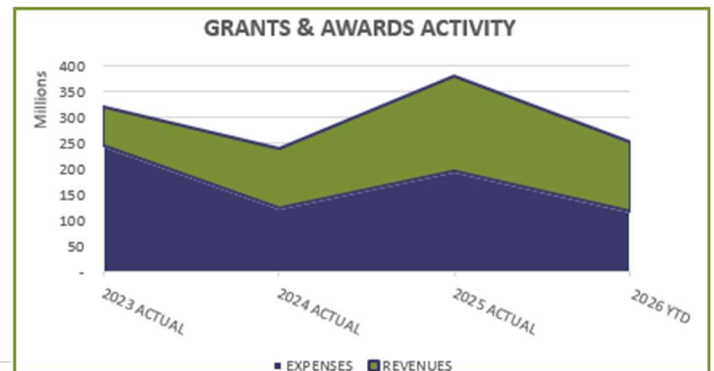
State SEEK revenues (Support Education Excellence in Kentucky) are the largest source of funds we receive from the state. The formula is designed to reduce the state SEEK payments as local assessments increase. Fortunately, the legislature increased base SEEK by 2% and increased SEEK Transportation to 100% for 2025-26, which was much needed and appreciated.

2023 YTD	2024 YTD	2025 YTD	2026 YTD
\$165.2M	\$148.2M	\$148.0M	\$164.0M
0.30%	-10.29%	-0.10%	10.77%

Did you know?

JCPS receives and expends hundreds of millions of dollars in grants each year, handled by our eight Grants & Awards team members. In addition, this team is responsible for maintaining the District's compliance by reviewing the contracts, awards, and use of

these funds. Part of this work includes filing 17 monthly and 40 quarterly reports to Federal and State agencies and the Grantors. We currently have 199 active grants that our team is managing.



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

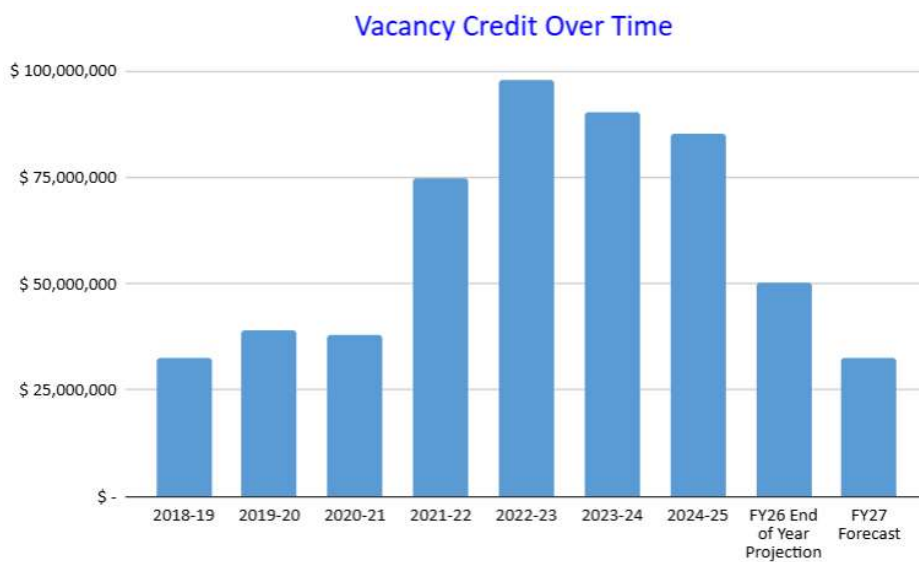
- Property taxes are projected to meet forecasted levels.
- Occupational taxes are projected to exceed forecast by approximately \$10 million.
- Interest on investments is projected to fall short of the forecast by about \$3 million.

Expenses

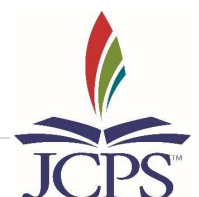
- Salaries are projected to be below forecast due to vacancies across multiple positions throughout JCPS. Teacher salaries represent 51.7% of total salaries.
- Other professional services are projected to be approximately \$5M below forecast.
- Contract bus services are projected to be approximately \$5M below forecast, primarily due to a reduced reliance on outside drivers.

Budget status updates:

This month, we would like to highlight the topic of unused budget-to-actual salaries and fringes, more commonly referred to in JCPS as “vacancy credit”. First, we want to make clear that this is not a “credit” (revenues/assets), but simply unused salary allocations (liabilities) due to retirements, resignations, intermediate periods between filling a position and the inability to fill 100% of all needed positions. Therefore, vacancy credit is largely affected by the economy as well as decisions made by the Board, the Superintendent, Departments and Schools on creating/allocating positions that may go unfilled.



In the aftermath of the pandemic, we saw our vacancy credit spike to an unimaginable high largely attributed to retirements, social fears about returning to work and increased staffing needs in response to the post-pandemic environment. Vacancy credit is now projected to



plummet and stabilize within the next two years. However, the new vacancy credit “standard” will likely be even less than the years immediately preceding the pandemic due to the recent staff allocation reductions, intentionality behind creating positions that can be filled in the current economy, and JCPS efforts at recruiting and retaining employees.

Some takeaways on vacancy credit:

- Vacancy credit has dropped significantly in just the past two years.
- Because we are running a fiscal deficit, these allocations did not have new annual funding sources that are going unused. Instead, the projected vacancy credit was offsetting the magnitude of the fiscal deficit reported at the time of the Working Budget in September. Therefore, as vacancy credit falls, the impact/seriousness of the remaining fiscal deficit becomes greater.
- We weren’t spending these allocations to begin with, so a decrease in vacant positions or a drop in vacancy credit does not directly impact our annual Fund Balance nor Cash Flows. Instead, Fund Balance and Cash Flows over time are impacted by the recurrent annual expenses (actually spent, or “actuals”) that exceed our recurrent annual revenues.

Fortunately, the *JCPS Forecasting Model* steering the direction of fiscal stability and recovery accounts for the projected changes in Vacancy Credit over time.