

Audit and Risk Management Advisory Committee
Jefferson County Public Schools
January 3, 2024
Stewart Auditorium

ARMAC Members Present: Chairperson James Rose and Pedro Bryant

JCPS Staff Present: Eddie Muns, Dr. Tom Aberli, Dr. Katy DeFerrari, Kevin Brown, Hannah Lehman, John Sewsankar, May Porter, John LeMaster, Chalynn Comage, Sonya Miller and Shari Mattingly

Board Members Present: none

Public Present: none

Chair Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:03 p.m.

Approval of Minutes

A motion to accept the minutes of the November 8, 2023 meeting was made by Chair Rose and seconded by Mr. Bryant. The minutes were approved by a unanimous voice vote.

Chair Rose gave an overview of the meeting agenda which included a review of the draft budget that will be going to the Board. Mr. Muns explained that there are generally three readings of the budget by the Board. The three types of documents included: an Operations document from Dr. Rob Fulk and Brent West, which has school enrollment projections, a School Allocation Standards document from Dr. Aberli, and the third is the draft budget, which is the starting point for next years' budget.

The second version of the budget will have a lot more locked-in to help with 2024-25 budget planning. A working budget will go to the Board in September. Each iteration will show where we currently stand, plus any updates made since the previous iteration. Budget dates are set by KDA.

Annual Budget Presentation – Eddie Muns, CFO and Dr. Tom Aberli, Executive Administrator, Budget

Mr. Muns stated that all documents presented today are drafts. He explained that having a presentation in January is difficult due to the holidays and personnel taking time off when school is out for winter break. Dr. Aberli introduced himself, described his role in the district and his background in school leadership.

Operational supplies, Section 6 of the draft School Allocation Standards document, are flexible funds to the schools. Sections 4, 5 and 6 are for staffing support, and Section 7 has KAR-set district requirements. Chair Rose asked if the funds for mental health are required, and Dr. Aberli explained that they are not. JCPS goes above and beyond the statement minimum requirements. Mr. Bryant asked how the 2024-25 budget will consider enrollment increases since COVID. Mr. Muns explained that additional funds will be allocated, if needed. If enrollment should drop significantly, funds will be taken back. The budget does allow for general mobility, but more typically occur early in the school year.

Mr. Bryant inquired about the transportation challenges the district will face next year, along with student population changes, and if the Tiers will be impacted along with the budget. How do these things get considered when drafting the budget? Dr. DeFerrari explained if the board decides to reduce transportation, every JCPS family will be surveyed for their feedback, and schools will be advised how this will impact their enrollments.

Section 8 is specifically examined by the state with regards to staffing projections. Dr. Aberli explained that JCPS goes above and beyond with racial equity funds. We look at different elements of school demographics. For example, with middle and high schools, comparatively similar schools are identified for extra support while still being flexible. Elementary schools use a different formula, which includes the same middle/high school formula but also considers the number of students of color. When working on the formula, once Choice Zone and AIS schools were pulled out, everything flowed and the formulas matched well. Employees at Choice and AIS locations receive additional funding. Choice is designed to protect the mobility of teachers and try to supplement equity in resources. The MacKenzie Scott grant provides funding for this. Dr. DeFerrari explained that there is a students of color component to every school, with multilingual students being the fastest growing population in the county. The district is creating an equity model specific to these students for 2025. Examples of how racial equity funding is used includes increasing family engagement, and purchases (wishes not needs) for classrooms that directly impact instruction. Dr. Aberli stated that prior to the budget restructuring, AIS funds were provided in a non-standard way. The goal over the last two years has been to standardize a formula. Racial equity and AIS funds do not overlap. Funds should be used for the identified purpose. Strategic and innovative thinking is required to provide educational support to students. The standardized formula is for this. Dr. Aberli works with DEP on all allocation standards. An investment tracking system is in place to track performance and how outcomes are impacted. Schools must use the funds now and not keep them as a carryover for future purposes.

Mr. Muns stated that the most important part of the draft budget is the funds coming in and the funds going out. The number one source of income for the general fund is property taxes. And the way the state allocates funds for schools means JCPS gets less and less funding each year. Assessments rise faster than SEEK, with richer districts paying a larger percentage than the SEEK formula. Smaller county's taxes are not high enough to cover their student expenses, therefore the bulk of funds come from higher assessment counties. The smaller counties do not want to fight the battle with their taxpayers for a higher rate, so they get funds from higher taxed counties.

The chart on page 10 demonstrates how account codes are used to track spending. Seventy-six percent of funding is spent at schools and for school supports. JCPS has the lowest spending in the state on district administration. We have taken a hard look at savings from vacancies (page 13 of the draft). COVID has caused the district to evaluate what was added during the pandemic and if it is still required. Mr. Bryant noted that higher ed has found savings on facility costs by becoming more efficient (virtual), but Dr. DeFerrari stated that a huge service JCPS provides is to families, and these cannot be done virtually, they must be face to face.

Mr. Bryant asked if the district has looked to other states that have been successful in getting rural counties to understand how funding could be more equitable with urban counties, and if the legislature could have an impact. Dr. DeFerrari explained that environmental shifts are going to have an impact on vacancies, that there is an ebb and flow to all of it. Vacancy funds will be repurposed. Dr. Aberli stated the annual per pupil investment to educate a student is \$10 to \$12,000.00 but SEEK states it is \$4,200.00. It is about establishing a formula because the SEEK formula only provides 16% of funding. Mr. Bryant believes the two documents presented today are very powerful and would be enlightening to certain groups if presented by Dr. Pollio. The Board will also give voice to the underfunding the district is facing. Mr. Muns stated that JCPS has had a revolution in budget allocation and assigning/directing resources to where they are needed.

Mr. Bryant understands the importance of racial equity but wonders if that can cause some in Frankfort to turn a deaf ear. Dr. DeFerrari said that most recently it is the LGBTQ and SB150 issues that have been the most caustic. Lack of neutrality and a shared interest are issues. The reality is that JCPS has an obligation to educate all its students, and Mr. Bryant believes the negative environment needs to be neutralized. These are obstacles that JCPS does not need. Chair Rose stated that ARMAC is trying to focus on outcomes and differentiation of needs versus requirements. Mr. Muns observed that kids overcome barriers all the time, and that students experiencing multiple barriers can be grouped by those with similar needs. The facts are that JCPS is a majority minority district, with multilingual learners being the highest student population.

ARMAC would like to assist, and Chair Rose would like to know what questions they should be asking the Board. Mr. Muns stated that these are working documents but would like ARMAC to identify items that may not be reasonable, and if there are any problems with the documents, those should be addressed. Also, if there is additional information needed by ARMAC to please ask. The Board will spend at the most five minutes on each of the three budget versions. General Counsel, Kevin Brown, is ensuring that we have items required by the Goals and Guardrails set forth by the Council, with the budget being a huge component which the Board must properly support.

Proposed 2024 ARMAC Calendar and the Internal Audit Update – May Porter, Director of Internal Audit

Chair Rose asked that these agenda items be moved to the next ARMAC meeting due to time constraints in today's meeting.

Adjournment

Chair Rose made a motion to adjourn the meeting; Ms. Porter seconded the motion. The meeting was adjourned at 3:55 p.m.