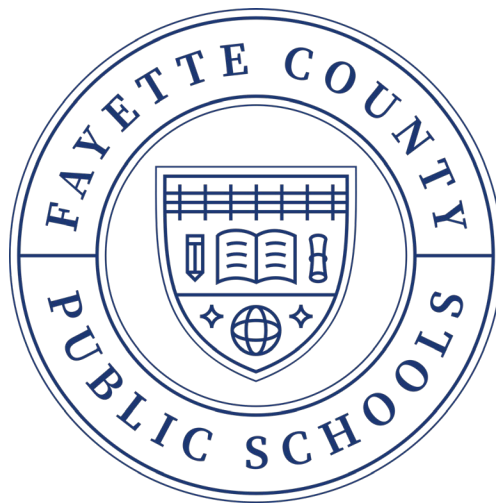
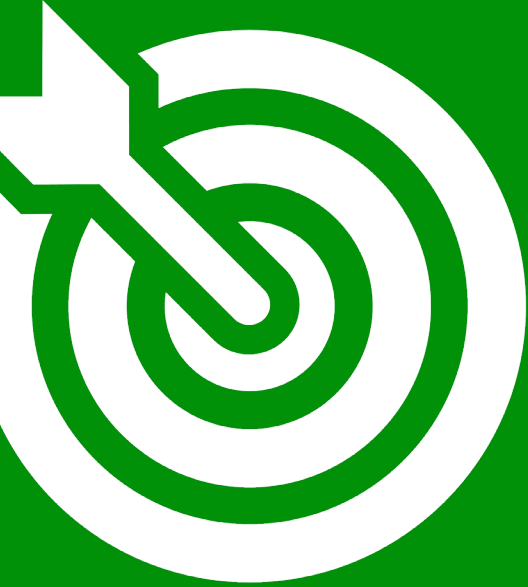




State of Resources Report

TALKING POINTS



Trends and Transparency as of January 31, 2025



- **Revenue Trends**

- Revenue is trending approximately \$6.5 million more than last year
 - Property taxes revenue \$8.4 million higher
 - Occupational license tax \$2.1 million higher
 - Motor vehicle tax revenue \$1.2 million higher

- **Expense Trends**

- Expenses is trending approximately \$860K more than last year, which is statistically flat. Great news and a very positive sign.
 - Salaries and benefits are slightly more because of higher starting salaries and a higher average staff salaries from new hires.
 - Vendor payments are trending significantly lower than last year because of a focused approach to spending to help offset an ever evolving inflationary cost.

Trends and Transparency as of January 31, 2025

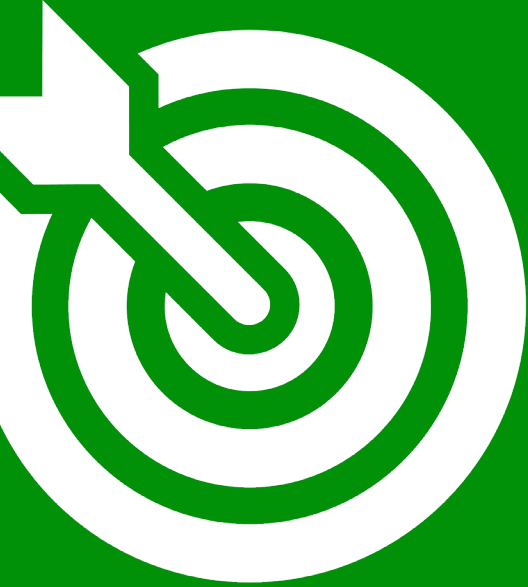


- **Cash Flow**
 - Cash flow is trending approximately \$1 million less than last year, which is statistically flat. Great news and very positive sign as well.
- **All Funds Balance (Fund 1 general fund through Fund 7000 trust funds)**
 - 2024 fiscal year revenue approximately \$607 million versus 2025 fiscal year \$624 million. Trending \$17 million MORE than previous fiscal year.
 - 2024 fiscal year Expenses approximately \$400 million versus 2025 fiscal year \$388 million. Trending \$12 million LESS than previous fiscal year.
 - Net overall fund balance of all funds is \$207 million for 2024 fiscal year versus \$236 million for 2025 fiscal year. Thus trending \$29 million better this fiscal year.



Budget Trends

- The District's General Fund budget has grown over \$100m from the FY20 Working Budget to the FY25 Working Budget.
- Revenue increases average \$8m to \$10m per fiscal year based on a 4% increase in revenue.
- County Employees Retirement Systems (CERS KPPA) approved a reduced employer contribution rate from 19.71% in FY25 to 18.62% in FY26 and projecting an estimated \$750k in savings.
 - The savings will decrease with each 1% raise and we do not have an estimate at this time for FY26.
 - FY25 savings of \$2.6m and for each 1% raise, the savings would have been reduced by \$156k.
- Maintenance and infrastructure needs continue to grow as buildings and systems age and restricted resource utilization is limited by law.
- Student growth has flattened, which affects state funding received, whereas those with special needs has increased.
- With the opening of two new school buildings, it's important to reduce current year and future year costs to support the additions to instructional and operational supports for these programs and the district as a whole in addition to the historical investments in salary.



Budget Trends



- For FY26, SEEK is predicted to fall between \$92m and \$94m.
- The per pupil rate is \$4,586 for FY26.
- SEEK transportation funding temporarily increased to 74% during the 2024-25 school year and for Fayette it was 73.58%. Although, prior year averages vary and hover around 50% to 54%, the prior biennium saw an increase in FY23 of 68.8% whereas FY21 and FY22 transportation was funded through SEEK at 55.17 and 53.89% respectively.
- Assessments and student populations across the state have grown in different areas which has affected total available funding from the Commonwealth of Kentucky.
- Fayette County's average assessment growth over the past 10 years is 4.67 and 5.47% over the last five years with several spikes of over 8% in FY23 and FY24.
- If assessments grow more than 4% in one fiscal year, districts are eligible to receive additional funding through the SEEK formula.
- Discussions are occurring at the state level regarding adding on-behalf into the SEEK formula equation - KDE will be updating districts on the effects of this legislation.



Budget Trends

- Insurance estimates for FY26 are currently unknown at this time.
- Utilities costs continue to increase:
 - For Mary E. Britton Middle School, utility costs are estimated to be \$180k as the building is the newest and will gain efficiencies.
 - Based on the other technical center utility data, the estimated cost for utilities in FY26 is estimated at \$300k.
 - Overall utilities will increase to \$15m.
- Work sessions are currently in progress and more information will be provided to the Board regarding needs as those conclude.
- Feedback for priorities is currently being collected from Budget and Finance Committee membership through respective represented groups and will be provided to the Board.



Staffing Trends

- Salaries and benefits typically range from 80% to 90% of a district's budget.
- The Fayette County Board of Education made a historical investment in salaries to become the highest paying district in the state thereby increasing teacher retention and bolstering recruitment efforts.
- Innovative workforce solutions included administering the Grow Your Own program to stay ahead of the workforce leaving the field of education.
- Salary and benefits forecast for FY26 is estimated to be \$593.8m.
- With a step increase only, the estimated additional costs per fiscal year for the next five years is roughly \$5.8m on average and depends on many factors including education and experience.
- Each 1% increase for FY26 is estimated to be \$4.5m for all funds.
- District Average Salary
 - For FY25, Fayette's estimated average teacher salary is \$70,813 which is higher than the state average of \$56,153.
 - For FY24, the estimated district average for a teacher was \$66,417.
 - For FY26, the estimated district average for a teacher is \$72,857.
 - District administrative costs for the General Fund are estimated to be at 1.67% for FY25.
 - The district provides over \$30m in additional resources to schools through discretionary staffing above the state formula.

State Impact Uncertainty Example



If we had received no relief from the SEEK shortfall, the shortfall amount would have been proportionally divided among ALL districts. Currently, the statutorily required portion has a \$14.7 million dollar shortfall. Budget language also allows for additional funds, if available, based on FY25 Property Assessment Growth relief and 4% Adjusted assessment under KRS 157.360(17). The statutorily required spreadsheet (Feb 11 SEEK adjustment) is the “final” calculation.

Fayette County portion was estimated at approximately \$621,079.

If additional funds are available, the district will receive \$124,207 which would have potentially offset the deficit by this amount.

Fortunately, the governor fulfilled the shortfall but this is an example of the uncertainty that districts face annually.



Federal Impact Uncertainty

While we continue to monitor education legislation introduced in the 2025 General Assembly, the flurry of executive orders and proposals to cut federal education programs coming out of Washington may be far more impactful than any of the legislation introduced so far this session coming out of Frankfort.

Title Programs and Other Federal Funds

- The House Appropriations Committee approved legislation July 12 to cut Title I funds by 25% and for complete elimination of Titles IIA and III. While this legislation did not pass both Houses of Congress in 2024, it likely represents the best indication of where the House stands on school funding as the new Congress negotiates a FY25 budget. These funds are critical to disadvantaged children and to improving academic instruction. The impact of the teaching jobs lost by cutting these funds will ripple through local economies where school districts are the largest employer.
- Final budget negotiations are expected to take place in February through mid-March. We need our congressional delegation to stand up for Kentucky's disadvantaged students and the federal programs on which they rely.
- The use of federal funds for education purposes is clearly set forth in statute and the federal budget. Any redirection of these funds should go through the legislative process.
- The E-Rate program that provides funding for broadband and internet connectivity could be eliminated. The Universal Service Fund that assesses internet providers for E-Rate is being challenged before the Supreme Court as unconstitutional. Should the plaintiffs in this case prevail, Congress will need to restore the \$4 billion dollars public schools will lose for internet connectivity.



Cautionary National Actions



Agencies may exercise their own discretion and authority to pause spending in abundance of caution but do so at the risk of the following:

- The grant funding period of availability for the use of funds is still running. Thus by not spending during the period of availability . The risk increase that the funds will not be able to make impact or used for intended purposes.
- Not paying for bills already in progress could put districts in jeopardy of being put on credit hold with vendors.
- Strongly advise not adding or applying for grants in the future, which require additional staff. (if staff is a requirement. Suggest the district fill such positions through resource reallocation of existing staff or through attrition vacancies)
- Finance office will drawdown funds on a more frequent basis to lower the risk of cash flow shortages.
- Suggest avoiding large item purchases or other items that cannot be delivered within two weeks as they will increase the risk of not being able to receive funding for them if delays occur.



IMPORTANT NOTES

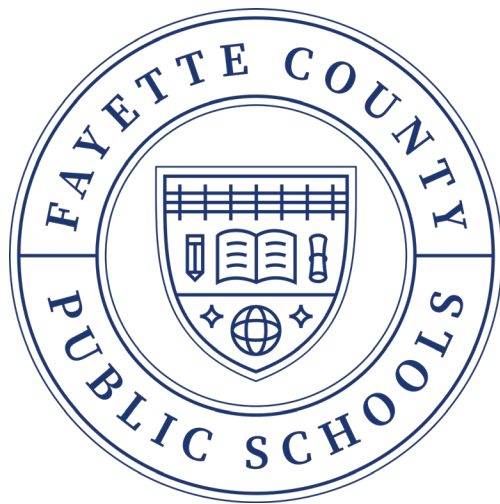
- 4% rate adoption is necessary to maintain solid financial standing in addition to all considerations.
- State income tax revenue percent to decrease to 3.5% and the effect that could have on statewide funding is uncertain.
- Unfunded state mandates impact on school finances.
- New schools being added and the associated cost to open and run them.
- Maintaining district bond rating
- The ability to continue repairs and maintenance throughout the district.
- Construction costs of new schools.
- Inflationary costs continue to rise. Using Insurance as an example. It has increased from \$2.7mil in 2023FY to \$3.4mil in 2024FY to \$4.3mil to date in 2025FY.



Local Response Suggestions through “7R” protocols



- **Resource Reallocation:** Don't increase expenses but instead use resource reallocation as a standard operating procedure.
- **Restructuring:** Do analysis of departments, grants utilization and district processes to identify potential opportunities to create efficiencies and effectiveness with both that maximizes taxpayer dollars already allocated.
- **Rightsizing:** Start at district level with each departmental leader justifying to admin their staffing level and resources and superintendent or designee make final decisions of final levels by department, keeping in mind the recommendations of previous studies and board investments and priorities.
- **Reevaluate:** Programs and processes by analyzing return on investment that impacts Attendance, Achievement and Acceleration
- **Restrict:** Spending to NEEDS spending versus WANT spending. Purchase order cut-off and P-card spending following with minimal exceptions related to deadlines set.
- **Reimagining:** The Portrait of a Graduate as district's north star.
- **Reset:** The culture to maximize efficiency and effectiveness throughout the entire district under the leadership of superintendent and the Board



Questions?