



A Closer Look

Timing, accounting procedures, and unexpected shortages in child nutrition and preschool funding from 2024-25 will result in a lower than estimated beginning budget balance for 2025-26. Here's why.

State required budget and finance both deal with money, but they differ in approach and vocabulary.



Budgets

Budgets outline future plans.

A budget is a plan for how much money you think you will have and how you think you will spend it.

Budget processes use the term **Contingency Fund** to specify a set percentage of revenue they don't expect to spend.



Finance reports

Financial reports show past actions.

A finance report is an accounting of how much money you got and how you spent it.

Finance processes use the word **Carry-forward** to describe the actual, audited cash remaining in the General Fund at the end of a fiscal year after all revenues and expenses are finalized.

- They **both** use the term **Beginning Balance**. But from the budget standpoint, it's based on estimates and projections, and from the finance standpoint, it's an accounting of actual costs and revenue.

Why might the Beginning Balance for 2025-26 be lower than projected?

Child Nutrition debt.

A combination of inflation and state rules forced the general fund to cover child nutrition costs. Reimbursements will be too late to count in the Carry-forward and may not come at all.

Preschool transportation.

In Kentucky, preschool is funded by a separate state grant that is supposed to reimburse the General Fund for the cost of transportation. However, as state funding has not kept up with increased costs, those reimbursement payments have not been received.

Delayed tax collections.

The extension of the income tax deadline means some of the revenue will come in too late to count in the Carry-forward.

Retirement overages.

The retirement system for education employees requires a monthly contribution from both the individual employee and the district as an employer. Since payment calculations are individualized, those contributions are regularly reviewed. Discrepancies are billed and that amount is deducted from the Carry-forward. The estimated total for 2024-25 is \$2.7 million compared to roughly \$255,000 in 2023-24.