

# KNOX COUNTY SCHOOLS

ANDREW JOHNSON BUILDING

*Dr. James P. McIntyre Jr., Superintendent*



## MEMORANDUM

To: Chair and Members  
Knox County Board of Education

From: Dr. James P. McIntyre, Jr.  
Superintendent

Date: March 28, 2014

Subject: Preliminary FY15 Budget Recommendation

A handwritten signature in black ink, which appears to read "James P. McIntyre, Jr.", is positioned to the right of the "From:" field.

This memorandum and the documents that follow represent the preliminary budget proposal for the Knox County Schools Fiscal Year 2015 (FY15) General Fund Budget. As you will see in this package, we have presented the Board of Education with a preliminary recommended budget of \$433.7 million, which represents a total increase of \$ 13.8 million (3.3%) over the current FY2014 Budget. While this budget proposal does not contemplate major new instructional initiatives due to fiscal constraints, it will allow us to maintain the educational improvement efforts we have put in place in recent budgets, and sustain the strong academic progress our students are making.

Revenue growth in FY15 is expected to be limited, creating significant budgetary pressures. Since our last discussion on the budget, we have employed a number of strategies to reduce the preliminary gap between expected revenues and likely expenditures. We have worked diligently to craft a budget proposal that prioritizes and protects school-based instructional positions, and closely aligns our limited resources with our ambitious educational aspirations.

## **Fiscal Outlook**

Revenue for the Knox County Schools general fund budget comes primarily from local sales tax revenue, county property tax revenue, and state revenue provided through the Basic Education Program (BEP) funding formula. The current revenue picture is somewhat mixed, making for a potentially challenging budget development process. Property tax revenues appear to be trending higher than forecast while local sales tax revenue collections are substantially lagging. Complicating this picture is the fact that we will not have an initial estimate of our BEP allocation from the state until sometime in April. Because all of these sources of funds have the potential for variability from year to year, we are estimating revenues based on the best information available to us at the moment.

In our preliminary discussions with Knox County finance officials, we have collectively determined that it is prudent to project budgeted sales tax revenue at the same level that was established in the FY14 budget. This means our budget will reflect no growth in sales tax revenue from this year's budget to next year's budget. Since property tax collections are trending higher than projected, we believe it is reasonable to assume an increase of about \$3.1 million in this area. Our assumptions on state revenue are based on historical trends and the Governor's budget proposal. Our FY15 budget recommendation assumes a \$6 million increase in BEP funding. In total, we estimate that our revenues will increase by approximately \$10.5 million in FY15.

The fiscal outlook for this budget is very different from where we were even two years ago. At that point in time, unexpectedly strong sales tax collections led to a surplus which increased the school system's fund balance. At the time, we believed this growth would likely continue, and that it would be reasonable to allocate some of the accrued fund balance to important school facilities projects. With sales tax collections now remaining relatively flat, I believe it would be prudent to shift at least one major project – Pond Gap Elementary School – from being financed by fund balance resources, back onto the capital plan. This action would free up just over \$3 million in fund balance dollars, giving us greater flexibility to address one-time resource needs, and helping to better balance the FY15 budget.

## **Priorities: Teacher Compensation & Career Magnet Academy**

With limited financial means, and a significant number of important instructional efforts already on-going in our school system, this budget proposal largely focuses on sustaining our current educational initiatives, with additional resources primarily targeted toward two priorities: teacher compensation and our new Career Magnet Academy.

We expect additional revenue of approximately \$10.5 million in FY15. While I typically would present a budget where our proposed expenditures are consistent with estimated revenues, I believe it is important to try to make more progress with regard to enhancing teacher salaries in the coming year's budget. Our teachers have done an extraordinary job of facilitating student learning and success in an era of great change and enhanced expectations. Our school system ranks 35<sup>th</sup> in the state in terms of our average teacher salary. In order to retain our outstanding teachers and recruit the next generation of exemplary educators, we must insure that we offer a more competitive and professional level of compensation for our teachers.

Therefore, this budget includes an additional \$3.3 million over expected revenue estimates in order to increase teacher compensation. If funded in its totality, including supplemental appropriations over expected revenues, this budget recommendation would include a 3% salary increase for teachers. If funds are only appropriated for our budget at the level of anticipated revenues, the raise for teachers would only be 1.7% of total salary, consistent with the proposal in the Governor's budget.

Consistent with the philosophy of "multiple pathways to success" outlined in our school district's strategic plan, *Excellence for All Children*, we have long planned to develop a high quality magnet high school that would offer unique Career and Technical Education opportunities. This fall, we will open the *Career Magnet Academy (CMA) at Pellissippi State*. The CMA is a true partnership between the Knox County Schools, Pellissippi State Community College and regional leaders in business and industry.

Students from all over the county will have the opportunity to learn through the lens of one of four high-demand career strands offered at the CMA: Advanced Manufacturing, Sustainable Living, Homeland Security, or Teacher Preparation. This exciting high school will be located on the Strawberry Plains campus of Pellissippi State, allowing for a level of collaboration and integration that will greatly benefit our students in preparing them for post-secondary learning and rewarding careers! With a first-year resource requirement at just over \$2 million, this leading-edge career-oriented magnet high school is a significant priority in the FY15 Budget.

### **Sustaining Educational Efforts**

While fiscal constraints preclude significant additional educational initiatives in the FY15 budget, this recommendation will allow us to focus on implementation of the many educational enhancements and initiatives that we have put in place over the past several years. This proposed budget will allow us to continue and sustain our important efforts in the classroom, including:

- continuous instructional improvement
- rigorous academic standards
- early literacy
- personalized learning supported by instructional technology
- professional growth through a developmental evaluation
- implementation of the TAP System at 18 schools
- teacher leadership
- educator collaboration, and
- high quality professional development and support.

In addition, this budget recommendation will allow us to transition and integrate into our General Fund budget two valuable educational initiatives that have been incubated and financially supported by our local education fund, the Great Schools Partnership: our pre-Kindergarten efforts, and the remarkably effective Summer Bridge program, which successfully prepares struggling students for the academic transition from middle school to 9<sup>th</sup> grade.

## **Reductions**

While we have focused on preserving school-based instructional positions, this budget proposal is not without some pain points. For example, this recommendation includes the reduction of twelve (12) custodial positions, which we believe can be absorbed through attrition. It also proposes the elimination of several hundred thousand dollars from our already lean central office budgets. Some of those resources represent small subject-specific dollar allocations to schools, but central office positions will also be carefully examined and may be considered. Some after-school tutoring will be reduced, and the Project GRAD program will experience about a 15% cut to the resources that support this important partnership. Finally, the assistant principal positions at Austin-East and Fulton which have been at a 255 day contract since reconstitution was instituted six years ago, will revert back to a 221 day contract.

## **Future Considerations**

We are currently in the midst of finalizing our next five-year strategic plan. This strategic blueprint will inform and drive our resource allocation decisions for the next half decade. Fiscal Year 2015 will be the first year of the five year plan, and as such represents a time when there will be much exploration, planning, and design of the initiatives delineated in the strategic plan. In FY16 and beyond, as we begin to implement initiatives articulated in our next five-year strategic plan, our school system will face some significant decisions, and perhaps some hard choices.

In future fiscal years, if we want to make critical instructional investments in areas that have emerged as priorities in the strategic planning process - such as instructional technology, teacher compensation, and a balanced calendar - then we may need to identify additional revenues and/or spending trade-offs to fund these important educational investments. To this end, I plan to begin a conversation with our high school leaders this fall about the cost and value of four-by-four block scheduling, and if other models might be equally educationally sound, but allow for the reallocation of resources to other instructional priorities.

Additionally, prior to FY16, the Teacher Incentive Fund (TIF) grant will end, bringing to a close five years of substantial financial support for the TAP System in the Knox County Schools. As we look toward these future challenges, several pieces of analysis may help provide information to support sound decisions, including some of the research conducted under the *Smart Spending* grant, and our *2014 Educational Return on Investment (ROI)* report.

## **Conclusion**

Over the past several years, we have seen both tremendous change and strong academic progress in the Knox County Schools. By most academic measures we continue to see impressive gains in student learning and success. This budget recommendation, while not necessarily glamorous or eye-catching, solidly supports our instructional priorities and continues to tightly align our resources to our educational mission. With this proposed budget, we will be able to sustain the great work happening in our classrooms and keep pushing forward toward our ambitious goal of *Excellence for All Children*. In short, this somewhat unremarkable budget proposal will enable our teachers, leaders, and staff to continue to do remarkable work with our students.

I look forward to discussing this initial budget recommendation with you on March 31<sup>st</sup>.

cc: KCS Executive Team