

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 11, 2012

Subject: Fiscal Year 2013 Budget

“We can do better. We must do better... and together we *will* do better.”

At our inaugural State of the Schools address in January, I spoke these words after noting that despite steady, solid academic progress over the past several years, the Knox County Schools remains considerably short of reaching our ambitious student outcome goals. While we have seen increases in value-added student growth, gains in achievement in all four subject areas on state TCAP assessments, and notable growth in our high school graduation rate, some of our student outcome statistics are disquieting:

- Only 38% of our incoming freshmen graduate four years later with both a high school diploma and a score of 21 or better on the ACT,
- As we have moved to higher academic standards, achievement gaps defined by income, race, disability and language are beginning to emerge,
- Only 47% of our third grade students scored proficient or advanced in reading / English language arts on the Tennessee Comprehensive Assessment Program (TCAP) last year, and
- Merely 19% of the class of 2011 met all four of the ACT’s college readiness benchmarks.

These results are simply not acceptable for our children. Indeed, we can do better and we must do better. However, to ensure that we *will* do better will require our community to collectively commit to further investing in the education of our children.

Fiscal Outlook

The past four years have been financially challenging for many individuals, businesses, and organizations in our community, including the Knox County Schools. In 2009, the portion of local sales tax that supports public education dropped by about 10% or approximately \$10 million in a single year. Similar negative dynamics have plagued our revenue position in each of the past several years. Our response has been to cut costs, restrict the growth of our budget, manage our spending conservatively, and relentlessly focus our resources on our core mission of educating children.

Since Fiscal Year 2009, our general fund operating budget has grown by a total of \$14.7 million, an average increase of just over 1% annually. Our analysis shows that the vast majority of these increased resources have been committed to classroom instruction and instructional support. Notably, these relatively modest increases have been funded almost exclusively by additional revenue from the BEP. In fact, over the past four years, Knox County government, experiencing deep reductions in sales tax revenue, has not committed any additional local funding to public education in our community.

As we begin the budget development process for Fiscal Year 2013, two significant dynamics will define our revenue outlook: 1) as we have known since the outset, federal *Education Jobs Bill* funding is only available through the current fiscal year, representing a known revenue loss of approximately \$7 million going into FY13, and 2) revenues from all sources are beginning to trend in a far more positive direction than we have seen since 2008. In fact, strong local sales tax and property tax trends, coupled with likely modest increases in the state's Basic Education Program (BEP) are projected to more than offset the known revenue loss of \$7 million.

Over the past few years, we have been fortunate to have the benefit of short-term infusions of federal monies, such as the *American Recovery and Reinvestment Act* (ARRA) stimulus dollars, *Race to the Top* funding, as well as resources from the federal *Education Jobs Bill* to help us manage through these challenging economic times. The federal *Education Jobs Bill* was intended to save and preserve education jobs in schools until the economic outlook improved. We

utilized these funds precisely as they were intended, and it appears that the strategy of the *Education Jobs Bill* may have worked exactly as it was designed.

In the attached documentation, you will see the revenue estimates that we have developed and worked with the County Finance Department to refine. State BEP funding, sales tax revenues, and property tax revenues are all projected to increase, in some cases substantially. These projections suggest that natural revenue growth would support a FY13 budget increase of as much as \$12.5 million.

A Good Investment

Over the last four years, we have carefully managed our resources to ensure that we are spending every dollar in our budget wisely and to the greatest benefit of our students. In the difficult economic times of the past few years, we have made significant cuts to our central office and other operational and administrative functions, in order to protect expenditures in our schools and classrooms. While we cut fully 8% of our central office positions moving into the current fiscal year, we continue to identify administrative savings and efficiencies. Even as enrollment has increased, we have held our budget growth in check; and we have been disciplined in reallocating funding to support our most important education priorities and strategies for accelerating student academic growth. In short, we have been responsible stewards of the dollars entrusted to us by the tax payers of our community.

Further, because the Knox County Schools has made the hard decisions and difficult tradeoffs to allocate resources to where they will have the greatest educational impact, we have seen a strong return on our instructional investments. Attached is a detailed “return on investment” analysis and report on the educational investments that we have made, the resulting outcomes, and recommendations for the future. The steady, solid academic progress we have achieved is a testament to the student learning dividends that have been realized through careful utilization of resources. We have proven that our school system, our schools, and our students are good investments.

Need to Accelerate Results

Having demonstrated that the Knox County Schools is a good steward of public funds, and an excellent investment, we now must face the reality that in order to meet the radically higher academic standards adopted by the State of Tennessee and achieve our ambitious goal of *Excellence for All Children*, we must accelerate our work and our results. At a recent joint retreat, the Knox County Board of Education and the Knox County Commission unanimously agreed that their collective goal would be (at a minimum) to make the Knox County Schools the best school district in the Southeastern United States. In order to meet these incredibly ambitious benchmarks, we will need to maintain our intense focus on instructional quality and invest in several additional proven educational strategies to enhance student learning.

Five-Year Budget Proposal

While the improving revenue landscape could support an incremental FY13 general fund operating budget of \$397 million (an increase of \$12.5 million), which would allow us to continue to make incremental academic progress, I believe that we must take a bolder approach to ensure the future success of our children. Therefore, I am recommending that the Board of Education approve, and the Knox County Commission appropriate a structural (annually recurring) revenue increase of \$35 million over our expected natural revenue growth. These resources would be integrated into our general fund operating budget gradually over the next five years (\$7 million per year) and invested in specific strategies to significantly enhance student learning and success.

Because most methods of structurally increasing the budget for the Knox County Schools would be best effectuated at one time rather than in five separate incremental changes, I am recommending that this structural increase of \$35 million be fully approved starting with FY13, thus allowing the school system to make a major investment in instructional technology and school facilities improvements over the next several years (\$28 million in FY13) without incurring additional debt. Please see the details of this recommendation in the attached documentation.

In terms of a specific recommendation for the coming fiscal year, this proposal would translate into a FY13 general fund operating budget of \$404 million (a 5% increase over our current budget) as well as a supplemental appropriation of \$28 million for school facilities improvements and technology investments. In addition, I will recommend a separate FY13 Capital Budget of approximately \$15 million prior to your April voting meeting.

This five-year budget proposal is critical to accelerating our student academic success, and I believe it is a reasonable and necessary investment of resources. An additional \$7 million added to our general fund operating budget over natural revenue growth in each of the next five years represents an additional increase of less than 10% over a five year period. I believe that the future success of our children, and indeed the future vitality of our community demand such an investment.

Key Investments

This five year budget proposal would allow us to continue to our intensive educational improvement efforts, continue our success in identifying efficiencies, reallocations and administrative budget cuts, and support several strategic instructional investments that are called for in our strategic plan and that will assist us in accelerating student success.

These key investments include:

- Instructional Technology
- Expanded Performance Pay
- More Instructional Time
- Enhanced Instructional Support for Teachers
- Student Supports (interventions & enrichment)
- Consistently Excellent Magnet Schools
- Support for Community schools
- Full-Day Kindergarten

In addition, this five-year budget proposal would allow for a significant investment in school facilities improvements to enhance the physical structures of our schools, as well as our instructional technology infrastructure. Please see the attached documentation for more details on each of these important investments.

Expected Outcomes

Based on the best available research and our own experience, we believe that these initiatives will help substantially accelerate student learning and success. If implemented, we would specifically expect to see significant positive changes to the trajectory of our 3rd grade reading proficiency scores, an increased proportion of incoming high school freshmen who graduate with a 21 on the ACT four years later, narrowing achievement gaps, and a growing percentage of our graduates who meet the ACT's college readiness benchmarks.

Over the past three years we have continued to make progress on most of the ambitious and detailed performance targets that are delineated in our strategic plan, *Excellence for All Children*. However, in several goal areas, most notably those delineated above, we have not yet met these high standards. Embracing the initiatives that we have proposed will allow us to accelerate our efforts and our performance so that we can attain the important student achievement benchmarks outlined in our strategic plan.

Conclusion

Over the past four years, we have concentrated our efforts on effective classroom instruction, worked diligently to meet higher academic standards for our students, increased our efficiency as we have done more with limited resources, and most importantly kept our focus squarely on our educational mission of providing a great education to every child in our school system. A truly outstanding public education will help our students to be academically successful, economically competitive, and personally fulfilled. We believe this five-year budget proposal will bring us substantially closer to being able to meet these essential goals for our children.

We are at a defining moment for public education in Knox County. No less than the future of our children, and the vitality of our community depend on our success. I believe that an incremental approach to our school system budget will continue to support incremental progress, but a bold investment in our schools, our teachers, and our young people at this critical juncture will yield an enormous educational dividend for our children and our community.

I would respectfully request that the Board of Education approve this Knox County Schools FY13 Budget recommendation and this five-year budget proposal. I look forward to our continued work together, as we seek to achieve *Excellence for All Children*.

cc: KCS Executive Team