

Knox County Schools



MEMORANDUM

To: Chair and Members
Knox County Board of Education

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

A handwritten signature in black ink, reading "James P. McIntyre, Jr." followed by a horizontal line.

Date: March 23, 2009

Subject: Fiscal Year 2010 Budget Proposal

Please accept this memorandum, and the documents that follow, as the proposed Knox County Schools Fiscal Year 2010 (FY10) Budget. After two widely-publicized community budget forums, several public discussions about the budget development process with the Board of Education, and much internal analysis and deliberation, I offer this proposal that supports and addresses our educational vision and student academic needs, while recognizing our limited financial means.

Like many organizations and institutions in our region, the Knox County school system is not immune to the difficult economic conditions that are impacting our community, our state, and our nation. As we have discussed publicly over the last few months, revenue forecasts for the coming fiscal year are not promising. Given the somewhat grim short-term economic outlook, we believe it is prudent to plan for very limited revenue growth as we develop a budget for next year. Even though local and state leaders have expressed their strong desire to preserve funding for public education to the greatest extent possible, we simply do not expect to see a significant increase in general fund dollars for the Knox County Schools in FY10.

This general fund budget proposal, which will total \$374 million, acknowledges our fiscal constraints, while supporting and maintaining key instructional investments, and also seeking to focus and align our resources around our most important educational priorities.

Revenues

Local sales tax revenues for the current fiscal year are down, but property taxes are projected to come in modestly over our projections. The net impact of these two dynamics is a current projection of local revenues under budget by more than \$2 million in the 2008-2009 school year. Given this challenging revenue environment, we do not expect that substantially increased local resources will be available to fund public education. However, we do expect that the Knox County Schools will receive at least the same level of local resources that are budgeted for the current year.

From the state revenue perspective, the Governor has signaled that preserving “pre-K through 12 public education” funding will be among his highest priorities. We are reasonably confident that next year’s Basic Education Plan (BEP) funding will be at least equal to the current year. In addition, we have recently been notified by the state that our *current year* BEP allocation will be increased by more than four million dollars (\$4.6 million) due to increases in our student enrollment. We expect, and state officials have indicated, that this level of funding will be sustained next year, thus increasing our estimate for BEP revenue in FY10.

The state of Tennessee will also likely be in a position, particularly with the receipt of economic stimulus dollars, to fund inflationary increases to the BEP formula. While we do not have official notification of the magnitude of resources associated with FY10 BEP inflationary increases for Knox County, preliminary estimates indicate an increase of about six hundred thousand dollars (\$600,000).

Extended Contract

We have not yet received a clear message regarding other state education funds such as the approximately \$1.3 million originally slated for the Knox County Schools (KCS) this year in “extended contract” monies to fund summer and afterschool educational experiences for our children. Our revenue assumptions for FY10, therefore, do not include extended contract funds. However, because these are high leverage expenditures that support critical summer instructional programs and afterschool tutorial initiatives, we have included a significant portion of the extended contract programming in our spending plan. If extended contract funds

do become available from the state, this will present an opportunity to reallocate the general fund resources currently committed to extended contract activities.

Federal Stimulus

Based on our current understanding of the dynamics around the federal *American Recovery and Reinvestment Act* (ARRA), we do not expect additional general fund dollars to come to the Knox County Schools as a result of the federal economic stimulus package. We do, however, believe that federal monies will put the state in a stronger position to fund public education, thereby avoiding any reductions to BEP, and likely funding inflationary increases to the Basic Education Program.

In addition, we do expect significant increases to federal Title 1 (No Child Left Behind) funds and the Individuals with Disabilities Education Act (IDEA) grant for special education students. We do not yet have an indication as to the exact dollar figures that will be available through these grants, but our priorities for these resources include:

- Intensifying our focus on literacy
- Increasing the number of Title 1 schools
- Investing in technology and instructional supports
- Expanding high quality professional development experiences
- Facilitating greater teacher collaboration through Professional Learning Communities
- Offering robust teacher leadership opportunities
- Training teachers in the inclusion of students with disabilities
- Enhancing our portfolio of alternative education options

The grant proposals for IDEA and Title 1 will come before the School Board once we have better information about our allocations and more specificity on budgeting the aforementioned priorities for spending. Since there has been no indication at this time that this level of funding will extend beyond two years, it is prudent that we do not use the funds in ways that commit us to recurring expenses that would have to be absorbed into the operating budget when the revenue decreases.

Revenue Summary

Given the known increases in BEP funding for the current year, conservative estimates of inflationary growth, and potential loss of extended contract dollars, we are presenting a preliminary budget of \$374 million at this time. Any extended contract funding, or BEP inflationary adjustments greater than our current estimates, would serve to increase that total.

Expenses

With limited growth in revenues expected, the Knox County Schools will face significant fiscal challenges, especially in light of expected fixed costs increases. Fixed costs are those expenses that are essentially non-discretionary in nature, some of which experience cost increases even if our services remain at current-year levels. Known fixed cost increases for FY10 are estimated at just over \$12.4 million, and include utilities payments, the annualized cost of the 2% mid-year salary increase given to employees this past January, and expanded debt obligations based largely on capital spending in prior years.

Limited increases in predicted revenue, coupled with substantial growth in fixed costs, will create a budget gap between revenues and expenses, now estimated at approximately \$11 million, that must be closed in order to present a balanced budget.

To close this gap between likely revenues and expected spending, we must make budget reductions, reallocate resources to higher priorities, and/or identify operational efficiencies. This budget proposal was built using a three-pronged strategy:

- 1) We examined **district-wide** programs, initiatives and commitments for their applicability to the goals of the Knox County Schools and for efficiency and effectiveness in supporting student academic success.
- 2) We scrutinized all expenditures of the **central office**, including organizational structure and positions, and will make reductions wherever feasible to reallocate to instructional spending.
- 3) We developed a rational methodology for the allocation of resources to schools that both recognizes the educational needs of our students, as well as the difficult fiscal circumstances in which we find ourselves.

Strategies to Balance our Budget

The development of this budget proposal has forced difficult choices and challenging tradeoffs. It has required a thoughtful examination of every dollar we spend and every activity we undertake, to ensure that we are maximizing the funding we have to best support high quality instruction and strong student achievement.

While we certainly would have preferred to develop our school staffing methodology in a resource-neutral environment, this was not possible. Current certified and classified personnel allocations reduce the overall school level force by 83 positions (69 teaching, two assistant principals, one educational assistant, and 11 clerical) combined from regular instruction, career and technical instruction and the office of the principal. Our school based budget is reduced by \$3.9 million from FY 2009 levels. Should we receive funding beyond what is currently projected, my first priority will be to apply these funds toward reinstating critical instructional positions at the school level.

The reductions at the Central Office and from system-wide support total about \$5.29 million. This includes the reduction of 71 personnel positions as well as significant cuts to various supplies and material budgets across all functional areas. It does however provide for educational supplies and materials support to the schools.

Two other significant strategies to assist in balancing our budget are worth noting:

- 1) I am recommending substantially restructuring our custodial services unit to make our own internal provision of custodial services more competitive with outside vendors. We believe there is a value in retaining this function within the KCS given our current quality of service, but the economic advantages of outsourcing could not be ignored. This proposal reduces custodial services by thirty-eight (38) positions, approximately seventeen of which are currently vacant, thereby saving more than nine hundred thousand dollars (\$930,000). Our maintenance department will continue to work diligently and creatively to meet our high standards for clean and well-maintained school facilities.

- 2) This budget proposal includes a recommendation to move several of our high schools to a later start time (9:30 a.m.). National research and our own educational experts tell us that later school start times may be beneficial educationally for high school students. Based on where young adult students are in their biological development, more sleep and a later start may allow for high school students to better focus on their studies. This proposal has the added benefit of saving an estimated seven hundred thousand dollars (\$700,000) in consolidated transportation contracts, through more efficient use of fewer buses and operators.

Budget Highlights

While we have had to recommend reductions to spending in a number of areas, this proposal seeks to continue the critical investments we have made to sustain broad educational opportunity for all our children and to support universally successful student learning (see Appendix A). Despite our financial challenges, this proposed budget takes an ambitious step in further aligning our resources with our academic goals and educational vision. There are important investments and purposeful improvements and enhancements recommended in this proposal. Specifically, the proposed FY10 budget:

- Establishes a rational, equitable and transparent method for allocating personnel resources for all schools.
- Establishes later start times at many of our high schools as both a transportation savings and an academically sound measure that research has shown can improve high school student performance. Since this is not an economical strategy for our high schools that share a campus with a middle school, it gives us an opportunity to compare students' performance data and make a determination as to whether the national research findings will be experienced locally.
- Provides school principals a degree of autonomy, within established parameters, in the organization and assignment of school-based personnel resources.

- Reduces operational funding within the Central Office and in other system-wide school support areas, preserving funds for direct instructional services for children, and requiring creative solutions to increase efficiency and effectiveness.
- Expands the “Parallel Block” scheduling model to all of our elementary schools, allowing for more robust teacher collaboration and full implementation of Professional Learning Communities (PLCs).
- Maintains our commitment to and investments in the system-wide “Excellence Through Literacy” initiative, early childhood education programs, as well as in our urban and magnet schools. (see Appendix A for additional detail)
- Reconfigures and “re-tools” our Career and Technical Education programs as we continue to upgrade our course offerings to reflect both emerging career opportunities and student interest.
- Anticipates future efficiencies as we develop an information management structure that will allow us to make many of our management processes more effective and transparent. The ongoing data warehouse project is the cornerstone of this effort.

Although we have had to build this budget proposal with a constant eye toward savings and efficiencies, I believe that this budget recommendation organizes our somewhat limited educational resources creatively and effectively. Throughout the budget development process we have approached every difficult decision and every unattractive tradeoff with a clear and unwavering focus on achieving our most important educational objectives: high quality teaching and successful student learning. While these are trying economic times, this budget proposal sets us on a course toward realizing the educational vision to which we aspire: excellence for all children.

Appendix A:

Significant Academic Investments in the FY2010 Budget Proposal

Excellence Through Literacy

We continue our investment in ensuring and enhancing literacy at all levels that began two years ago. While we are not yet able to commit resources to expand the initiative fully to what we envisioned as Phase II, the “Excellence Through Literacy” initiative has been protected during the staff realignment process. We are committing about \$2.5 million on an annual basis specifically to address the needs of our students who may be under performing in any of the components of literacy such as reading, comprehension, oral communication and writing. Many of our students make significant progress in a very short time as we have implemented various interventions including the “Language!” program, learning centers and assigning literacy coaches for teacher support and training.

Human Capital

Outstanding people are at the heart of what we do. High quality instruction requires a commitment to recruiting, selecting, inducting, developing, supporting, compensating, promoting, challenging and valuing talented professionals, particularly our teachers. While this budget does not make substantial gains on the compensation front, it will support:

- A reorganization of our human resources department to allow for greater efficiency and customer service
- Teacher leadership opportunities through our expanded Title 1 funding
- Enhancements to instructional quality through greater teacher collaboration – made possible through our implementation of parallel block scheduling at all elementary schools
- Continuing investments in the successful Teacher Advancement Program (TAP) through the Great Schools Partnership
- A new “Talent Transfer Initiative” funded through a federal grant that will match some of our most accomplished teachers with the greatest student need.

Career and Technical Education (CTE)

CTE is a vital and vibrant part of the Knox County Schools curriculum. We continue to work with the business community to make our course offerings responsive to market demand, as well as reflective of student interest. With new academic standards under the Tennessee Diploma Project restructuring CTE as a concentration starting next year, and with budget challenges looming, we have taken the opportunity to do some reconfiguration and “re-tooling” of our Career and Technical Education programs.

Next year, we will open a new diesel mechanics program at Gibbs High School that will help meet a critical need in this community. This year we opened a new machining course at our Byington-Solway campus in partnership with the Oak Ridge National Laboratory. We are also maintaining recently added courses in carpentry and Gibbs High Schools and cosmetology courses and Powell, Gibbs, Central and West High schools. We will continue to regularly review and upgrade our over 240 CTE course offerings to ensure they are relevant to both evolving career opportunities and student interest.

Early Education

Providing educational experiences to our youngest residents is a very wise and forward-thinking investment. Early education is a critical area where every dollar we spend provides a significant return in student learning both at the early elementary years and throughout a student’s education experience. Over the past few years, the Knox County Schools has offered three highly successful early education programs: 1) the Birth-to-Kindergarten initiative, 2) the Governor’s voluntary pre-Kindergarten program, and 3) our Kindergarten Intervention program. Together, we believe these initiatives form an effective support and intervention system for our youngest student’s who may be at risk of falling behind early in their formal education experience.

While we do not anticipate expanding our early education offerings in FY10, we are budgeting with an eye to maintaining the levels of service that currently exist. The Knox County Schools commitment, state grants and contributions through the Great Schools Partnership amounted to about \$4.2 million in the current budget, and we expect to maintain this level of funding.

Magnet Schools

Our Magnet school program has not yet achieved its promise and full potential. In many school systems across the nation, robust and vibrant magnet school programs are providing students with high quality instruction and opportunities to excel. A well defined and supported magnet program can be a critical element as we strive to achieve our vision of excellence for all children. We have maintained a commitment of resources to our magnet schools through our staffing formula (12 positions above the standard allocations at a price of approximately \$600,000), as well as supplies and materials funding. This places us in a strong position to achieve our aspirations for our magnet schools through the implementation of our district's strategic plan. The plan is under development and will be published later in the spring.

Project GRAD

Project GRAD provides a framework for urban school reform focusing on academic success, student support and an intense emphasis on college-going. Our relationship with the Project GRAD model remains in place through this budget. We are in the seventh year of our 12 year engagement, and while in recent years we have had to trim costs a bit, we are budgeting over \$1.5 million this year to continue to fund the school system's portion of the work that Project GRAD is doing in 14 of our urban schools.

The evaluation research we have commissioned has shown somewhat mixed results, but there is also a great deal of promise in what we have seen. Several enhancements and improvements have been made to the program based on the outcome data, and we will continue to closely examine the efficacy of this investment. We are fortunate to have a great deal of community interest in and support for our urban schools. We are initiating a public dialogue with the community and various service and support organizations about our urban schools and how we can better align and focus the efforts of every organization and individual that has an investment in these schools. Project GRAD will be a key component of this discourse.

Teacher Collaboration/Professional Learning Communities

Professional collaboration is one of the cornerstones of success in business and industry as well as most forms of human endeavor. However, this has not traditionally been the practice in public education, but it is absolutely crucial to our ability to continuously improve our pedagogical skills and deliver high quality instruction in every classroom every day. The proposed budget expands our commitment to collaboration and Professional Learning Communities (PLCs) by providing additional resources at a number of our elementary school to allow them to schedule time for collaboration and developing strong PLCs, through a model called a “parallel block schedule.” Specifically, our staffing formula provides for an additional 10 related arts teachers at the remaining elementary schools without parallel block, at a cost of approximately \$500,000. This reinforces both the related arts and our collaboration efforts as both areas are strengthened in the affected schools.