

MEMORANDUM

To: Chair and Members
Knox County Board of Education

From: Bob Thomas *BT*
Superintendent

Date: April 18, 2019

Subject: Preliminary FY20 Budget Recommendation

Attached please find my recommendation for Knox County Schools Fiscal Year 2020 (FY20) General Purpose School Fund Operating Budget of \$506,652,000. This is an increase of \$21,584,000 (4.4%) over the current year budget. We developed this balanced budget within the fiscal constraints of expected revenue streams, and I believe it represents the type of strong fiscal management that is expected of us as referenced in the Board-approved 2019-2024 Strategic Plan.

While we have continued to acknowledge our desire for additional resources throughout the budget development process, I believe we have the fiscal responsibility to develop a realistic budget proposal that will allow us to continue to focus our efforts toward increasing student achievement, eliminating disparities in both academic and discipline outcomes, and creating a positive culture.

Revenues – Projected Increase of \$21.6 million

The majority of the General Purpose budget is funded from public dollars using a combination of State and Local sources: 1) State Revenue (Basic Education Program, or BEP) and 2) Local Tax Revenue (Sales Tax and Property Tax collections). Following are the projected revenue increases:

State Revenue - \$10.1 million (\$7.2 million FY20 increase)

We recently received the State's April BEP estimate, which reflects a \$7.2 million increase to Knox County Schools. As we have stated, our original projections of a \$12.2 million increase were based on the most recent three-year average. The state-wide BEP increase over that timespan averaged \$204 million annually; however, this year the increase amounts to approximately \$117 million. In this current fiscal year, we did receive an additional \$2.9 million in recurring state dollars due to adjustments to the BEP formula. This will be accounted for in next year's budget, allowing us to increase the BEP portion of the FY20 budget by a total of approximately \$10.1 million. Please note that additional State estimates will be forthcoming over the next several months.

Local Revenue (Sales Tax and Property Tax) - \$11.1 million

As we continue to work closely with Mayor Glenn Jacobs and his staff, we are in agreement that favorable collections experienced in the current year will allow for \$9.2 million of budgeted growth in sales tax revenue and \$1.9 million in property taxes.

Other Sources - \$0.4 million

The remaining portion of budgeted revenue growth is largely attributed to allowable increases in indirect cost charges to major federal grants and the School Nutrition Fund.

Expenditures – Projected Increase of \$21.6 million

In developing this budget recommendation, we have made a purposeful effort to align spending needs with our goals and objectives as outlined by the Board and our Strategic Plan. Following are areas contributing to projected expenditure increases (amounts are rounded):

Compensation Related - \$17.8 million

As Knox County Schools seeks to Create a Positive Culture among students, faculty and staff, we must strive, as the Strategic Plan references, to compensate our team of outstanding teachers, support staff and administrators at a level that reflects our high standards. This recommendation will provide an amount equivalent to a 3.5% base salary increase for both certified and classified staff (\$12.2 million), along with step increases for eligible employees (\$3.9 million).

Recently, we received good news from the State, notifying us that there will be no increase to health insurance premiums. However, there is a budget increase of approximately \$1.7 million for increases to employer-funded retirement costs and an increase in Workers Compensation insurance.

Staffing Additions for Critical Student Needs - \$5.2 million

The entirety of this cost addresses our Strategic Plan goal of Eliminating Disparities. Positions budgeted to Special Education services account for \$3.6 million of this total. A portion of these expenditures (\$0.4 million) have been incurred in the current year due to requirements included in Individualized Education Plans (IEP), creating the need to budget for these positions in the upcoming school year.

As we continue to “review, evaluate, and strengthen special education services for students with disabilities” as articulated under the Improving Student Access objective in the Strategic Plan, we will need additional special education positions (\$1.3 million) to again meet IEP requirements. Another \$1.9 million for positions will be earmarked in the budget to comply with federal regulations for early intervention services. These positions were previously funded by federal dollars.

This budget recommendation includes \$1.4 million for additional English-language Learners (ELL) teaching positions and school nurses. About half of this amount relates to expenditures incurred in the current year. We are projecting that we will incur a similar cost for the upcoming budget in order to add ELL positions based on required ratios.

System-wide Needs - \$0.7 million

Approximately \$0.7 million of non-discretionary needs relates primarily to increases in utility costs (\$0.4 million), a state-mandated requirement for additional bus aides (\$0.3 million), as well as increases in maintenance costs and information technology service contracts (\$0.1 million). These costs were partially mitigated through various departmental budget reductions and efficiencies (\$0.1 million).

Charter School Pass-Through Funding - \$0.5 million

State law dictates that public tax dollars are to be passed through to charter schools based on a school district’s average per pupil funding. The General Purpose budget passes both Local and State funding through to Emerald Charter Schools based on that school’s enrollment number. As a K-8 school, Emerald Academy will be adding its final grade level and will be fully enrolled in the upcoming school year.

Reserve Positions - \$0.3 million

Additional positions are typically needed during the start of school to meet unforeseen circumstances like BEP compliance needs, special education IEP requirements, ELL mandates, etc. The amount we are reserving in the budget will fund four school-based positions, if needed.

Asset Management System - \$0.2 million

In addressing the Strategic Plan objective of strong fiscal management and strengthening “financial procedures and practices at district/school levels to reduce audit findings,” we will be strengthening our asset management systems to more effectively and efficiently track school assets, with a particular emphasis on those assets purchased with federal dollars. The revenue growth generated from indirect cost charges (discussed in the Revenue section) will go toward this investment.

Project GRAD - \$0.2 million

The district currently contributes \$0.5 million toward Project GRAD. The additional \$0.2 million is needed in order to comply with the Memorandum of Understanding agreed to during the previous budget cycle. This investment will continue to address our Strategic goal of Eliminating Disparities by helping to improve graduation rates, increasing the number of students eligible for scholarships and increasing the number of students going to post-secondary schools.

Literacy Initiative - \$0.75 million (See Note 1)

Increasing Student Achievement is one of our three major Strategic Plan goals and we are committed to providing “dedicated and qualified instructional reading supports” to our schools. We will also continue to train early grade-level teachers to implement effective strategies in diagnosing barriers to reading.

While Knox County Schools ranks 28th out of 144 districts in the percentage of third graders reading on grade level, this represents only 39% of our third grade students. Our goal is for 75% of our third graders to be reading on grade level by 2025.

Mayor Jacobs is strongly considering a recommendation that the County fund up to \$0.75 million for our literacy initiative, which would cover the cost for the Year-Long Reading Course that provides focused literacy training and supports to early elementary classroom teachers. We have established accountability metrics to monitor the effectiveness of this literacy initiative.

College and Career Readiness Assessment Plan - \$0.1 million (See Note 2)

In order to create the necessary systems of support to track a student's college and career readiness, this budget dedicates \$0.1 million to launch a comprehensive middle and high school assessment initiative. This will allow schools to track each student's continuing progress toward increasing his/her ACT score. Included in this plan is access to ACT Aspire for middle school students, the PSAT or Pre-ACT exam for all freshman students, ASVAB for all sophomores and the ACT for all juniors and seniors. Additionally, the PSAT and Pre-ACT provides access to online ACT support.

Academically At-Risk Schools - \$1.1 million (See Note 3)

We are continuing to invest in our most academically at-risk schools. This includes extending the school day for students or providing additional time for professional staff development and investing additional personnel to support elementary reading initiatives at these schools.

Budgetary Savings - \$3.3 million

A savings of approximately \$2 million will be realized by staffing each school at the established district ratio. We have been careful, however, to maintain the level of staffing at each school so no school will be staffed below the existing ratios. We will closely monitor enrollment and how it might impact school staffing, especially during the beginning of school. We are also projecting a savings of \$1.3 million realized through the early retirement incentive, which includes the elimination of three central office supervisory positions.

Potential Fund Balance Designations

Based on favorable sales tax revenue trends, I am recommending that we utilize fund balance dollars to pay a portion of the \$4.2 million needed for textbooks and to request assistance from the County to help supplement that purchase. I am also recommending that we use fund balance dollars to purchase \$0.2 million of needed maintenance vehicles.

Conclusion

In closing, we remain committed to aligning all available resources with the goals and objectives identified in the Strategic Plan. These resources are provided by our community through public tax dollars and we take seriously the stewardship of those dollars. During the development of the Strategic Plan, the community helped us identify how their dollars can best be utilized to continuously improve and provide our students with the very best educational opportunities possible. I appreciate your consideration in approving this budget recommendation.

1: Literacy initiative to be funded by County Mayor

2: Approximate cost of \$0.1 million offset by budgetary savings in other areas

3: Approximate cost of \$1.1 million already included in the base budget; will represent no budgetary increase

Cc: KCS Executive Team