

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: April 5, 2015

Subject: Proposed FY16 General Fund Budget (Final)

A handwritten signature in black ink, reading "James P. McIntyre Jr.", with a long horizontal line extending to the right.

This memorandum will outline my final revised FY16 General Fund Budget recommendation to the Board of Education. As part of this final recommendation, I am suggesting two changes to the preliminary budget proposal.

The first adjustment is that we restore funding for APEX strategic compensation payouts scheduled for November of 2015. As has been pointed out by a variety of stakeholders, including School Board members, teachers, principals, the president-elect of the Knox County Education Association, and our representative from the Law Director's Office, we made a public commitment to the APEX strategic compensation initiative for the 2014-15 school year. Eliminating these financial payouts more than halfway through the school year in which they are earned would potentially jeopardize the trust that we have worked so hard to build with our teachers over the past few years.

Unfortunately, restoring this \$3.2 million budget item will require a reconsideration of the level of overall pay raises that I will be able to recommend to the School Board. The second change, therefore, is to reduce the proposal for across-the-board salary increases for teachers commensurately.

There is some potential good news, however, in that Governor Haslam has proposed an amendment to his FY16 budget, which would commit an additional \$30 million to more fully recognize the cost of health insurance to public school systems across the state. Based on historical trends, this would likely translate to approximately \$1 million in additional BEP revenue for the Knox County Schools. I would recommend that we apply part of that expected additional revenue to the teacher raises, so that we still make considerable progress on enhancing educator compensation.

I would also recommend that we not commit all of this anticipated revenue, as there is a possibility that implementation of the Community Eligibility Program (CEP) could potentially have a small negative impact on our overall Basic Education Program (BEP) allocation from the state. The Community Eligibility Program is a federal effort to allow all students to be provided free meals in high-poverty schools. In CEP schools, families do not have to fill out the Free and Reduced Lunch application, as all students are considered eligible for the program. Instead, families are identified as economically disadvantaged through a separate “direct certification” process. Through the change in methodology for identifying students living in poverty associated with the CEP, KCS may be seen to have fewer “at risk” students in the BEP calculation, and therefore could receive slightly less funding.

My final recommendation, therefore, is that our FY16 budget funds the APEX payouts for the fall of 2015, and also includes a 3% salary increase for certified educators. Specifically, these adjustments would raise the total FY16 budget recommendation by \$700,000 to approximately \$441.5 million. I believe this proposal strikes an appropriate balance of being fiscally responsible and keeping our word on strategic compensation, while still making considerable progress toward ensuring appropriate and competitive pay for our hard-working and successful teachers.

I would respectfully request that the School Board approve this final FY16 Budget recommendation, which will enable continued progress toward achieving our ambitious goal of *Excellence for Every Child*. Please let me know if you have any questions.

cc: KCS Executive Team