

A Financial Study of the Hawkins County School District

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Table of Contents

Abstract..... 3

A Financial Study of the Hawkins County School District 4

Enrollment Profile of the School District and Schools..... 4

Cost Analysis of Schools and Other Buildings 6

 Analysis of Teacher Salary Schedule.....11

 Analysis of 2019 -- 2020 Budget12

 Reduction of Costs14

 School Consolidation.....17

 School Culture19

 Findings of Study.....21

 Conclusions of Study.....22

References.....27

Abstract

An investigative study was conducted in the Hawkins County School District by employing observational methods and interviews. The descriptive study included findings and conclusions that identify strategies for reducing recurring expenditures in the school district's budget

A Financial Study of the Hawkins County School District

The purpose of this study is to provide financial information to the board of education and director of schools that should:

- Assist them in rendering an informed decision about reducing and reallocating resources for the 2020 – 2021 school budget.
- Assist them in rendering an informed decision to enhance the teaching and learning environment.

This study generates a snapshot of the financial status of the district by exploring methods of conserving fiscal resources. Strengths and weaknesses will be identified in the school budget that enables the school board and director to modify and reallocate expenditures in a prudent and efficient process.

The financial study does not yield recommendations or conclusions and is submitted without predispositions and biases by the Tennessee Education and Management Services (TEAMS) or the consultant.

Enrollment Profile of the School District and Schools

The Hawkins County School District is located in upper East Tennessee. The school district has 19 schools (PreK – 12), an enrollment of 6,399 students, 558 professional positions, and spend \$10,642 per student. (Hawkins County Board of Education, 2020)

Since the state of Tennessee funds PreK from state dollars that are separate from the Basic Education Program funding, PreK funds are not included in the calculations for the following schools in the Hawkins County School District.

The Hawkins County Virtual Academy (HCVA) and Pathways Alternative School (PAS) are not defined as independent schools within Hawkins county Schools. Due to this to special designation, HCVA's profile nor PAS's profile are included in this study.

Below is a list of regular, certificated classroom teachers. This list excludes related arts teachers, special education teachers, librarians, and counselors, as funding for these positions are not exclusively derived from BEP funds

Schools

Bulls Gap (K – 8) – Enrollment: 242	BEP Positions: 15.38	Teachers: 21
Carter's Valley Elem. (K – 4) Enrollment: 249	BEP Positions: 11.95	Teachers: 15
Cherokee High School (9 – 12) Enrollment:1092	BEP Positions: 49.2	Teachers: 73
Church Hill Elem. (K – 4) Enrollment: 309	BEP Positions: 14.80	Teachers: 19
Church Hill Intermediate (5 – 6) Enrollment: 369	BEP Positions: 14.76	Teachers: 18
Church Hill Middle (7 – 8) Enrollment: 394	BEP Positions: 15.76	Teachers: 16
Clinch School (K – 12) Enrollment:125	BEP Positions: 5.52	Teachers: 13
Hawkins Elem. (3 – 5) Enrollment: 245	BEP Positions: 10.47	Teachers: 15
Joseph Rogers Primary (K – 3) Enrollment: 335	BEP Positions: 14.10	Teachers: 15
Keplar Elem. (K – 5) Enrollment: 78	BEP Positions: 3.59	Teachers: 6
McPheeters Bend Elem. (K – 4) Enrollment: 90	BEP Positions: 4.31	Teachers: 5
Mooresburg Elem. (K – 5) Enrollment: 147	BEP Positions: 7.14	Teachers: 12
Mt. Carmel Elem. (K –4) Enrollment: 249	BEP Positions: 11.93	Teachers: 15
Rogersville Middle (6 – 8) Enrollment: 506	BEP Positions: 20.24	Teachers: 24
St. Clair Elem. (K – 5) Enrollment: 138	BEP Positions: 6.51	Teachers: 12

Surgoinsville Elem. (K – 4) Enrollment: 319	BEP Positions: 15.27 Teachers: 20
Surgoinsville Middle (5 – 8) Enrollment: 331	BEP Positions: 13.24 Teachers: 15
Volunteer High School (9 – 12) Enrollment: 1084	BEP Positions: 47.50 Teachers: 72

An analysis of the school profiles reveals that the Hawkins County School District has 386 teachers employed in grades K – 12, and the Basic Education Program (BEP) paid for 281.67 teachers. Subtract the number of teachers that the BEP funded 281.67 from the number of teachers hired equals a difference of 104.33 teachers that the district is paying their full salaries and spending a total of \$3,722,181 local revenue (estimated amount \$35,677 for a teacher at Step 1 with a BS degree on the HCBOE salary schedule X 104.33 = \$3,722,181).

It is normal for Tennessee school districts to have more teachers outside of the BEP distribution formula at middle schools and high schools. For example, Cherokee High School has 23.8 instructional teaching positions that are not funded by the BEP funding formula, and Volunteer High School has 24.5 instructional teaching positions that are not funded by the BEP funding formula.

The Hawkins County Central Office generates 5.4 supervisors of instruction that is funded by the Basic Education Program, but the Hawkins County Board of Education employs 4 supervisors of instruction. The central office exhibits a positive variance of 42.3% (Tennessee State Department of Education, 2018 – 2019).

Cost Analysis of Schools and Other Buildings

A review was conducted to determine the cost of water, natural gas, and electricity. The following summary of utility costs is given for each building in the Hawkins County School

District. The billing period started on July 2018 and ended June 2019. Utility costs vary from year to year due to the weather. Costs may be higher one year and less the next year (HCBOE, 2019).

All buildings in the school district are displayed and give the name of the building, the cost of electricity, natural gas, water/sewer, and total utility costs.

<u>Building</u>	<u>Cost of Electricity</u>	<u>Natural Gas</u>	<u>Water/Sewer</u>	<u>Total Cost</u>
Admin.	\$25,247.73	\$5,413.50	\$1,470.27	\$32,131.50
Bulls Gap	\$66,509.69	\$8,643.51	\$8,279.21	\$83,423.41
Bus Shop	\$14,263.07	\$7,597.73	\$615.04	\$22,475.84
Ch. Hill Elem.	\$44,702.37	\$5,671.02	\$4,855.40	\$55,258.79
Ch. Hill Inter.	\$69,382.43	0	\$5,331.74	\$74,714.17
Church Hill Mid.	\$96,674.86	\$10,549.99	\$9,591.35	\$118,171.22
Cherokee H.S.	\$197,171.28	\$26,636.58	\$37,140.95	\$260,948.81
Clinch School	\$78,172.29	0	0	\$78,172.29
Carter V Elem.	\$34,767.48	\$7,623.68	\$5,297.58	\$47,688.58
Hawkins Elem.	\$37,128.54	\$13,413.01	\$3,492.65	\$54,034.20
Joseph P Prim.	\$63,316.47	\$8,267.50	\$4,949.29	\$76,533.26
Keplar Elem.	\$25,766.03	0	\$3,682.73	\$29,448.76
M. Bend Elem.	\$20,578.37	0	\$2,331.79	\$22,910.16
Moor. Elem.	\$57,760.55	0	\$1,899.76	\$59,660.31
Mt. Carmel Elem.	\$33,213.33	\$8,546.72	\$7,518.44	\$49,278.49
New Maintenance	\$3,900.52	\$1,007.63	\$195.67	\$5,103.82

Pathway Alter,	\$6,391.92	\$1,359.63	\$501.98	\$8,253.53
Rogersville Mid.	\$72,115.75	\$15,946.41	\$6,153.14	\$94,215.30
Surgoinsville El.	\$55,021.07	\$3,712.19	\$7,942.00	\$75,454.01
Surgoinsville M.	\$47,802.11	\$6,273.79	\$1,861.60	\$3,125.65
Saint Clair Elem.	\$33,117.03	0	\$4,108.18	\$37,255.21
Volunteer H. S.	\$166,222.42	\$26,304.03	\$24,282.65	\$216,809.10

An analysis of the utilities did not reveal any extraordinary expenditures. An energy retrofit for schools would yield long term savings, but short term savings would be absorbed in the cost of the equipment and labor for installation.

The Hawkins County School Board has an implementation plan for routine repairs and renovation of school buildings. The district’s maintenance department will do the routine repairs and renovation. Major renovations and repairs will require outside contractors due the lack of time or expertise of the school district’s maintenance personnel.

Phase IV renovations have or will be done in the following areas roofing, water and sewer line and treatment replacement, security, and paving at a total estimated cost of \$8,622,400.00. A list of the schools, project/job, and estimated cost is given in the columns.

<u>Building/School</u>	<u>Job</u>	<u>Cost of Job</u>
Ch. A. Fuller Board/Bus Shop	Roof	\$250,000
VHS	Roof	\$2,250,000
CHS	Roof	\$2,500,000
CVES Gym (coating)	Roof	\$54,000

MBES Gym (coating)	Roof	\$54,000
SCES Gym (coating)	Roof	\$54,000
BGS (completion of sections)	Roof	\$190,000
Mt. Carmel (original section)	W/S Line	\$165,000
Carter's Valley (original section)	W/S Line	\$118,000
MBES (sewer/kitchen)	W/S Line	\$85,000
All Schools (5yr. old estimate)	Security	\$1,402,300
Central Office	Security	\$17,000
Keplar Elementary	Paving	\$120,000
Keplar Elementary	Sewer Treatment	\$260,000
Ch A. Fuller Board/Training	Paving	\$200,222
Cherokee High School	Paving	\$625,000
Volunteer High School	Paving	\$525,000

Energy saving retrofit and renovations are included in Phase IV renovations. The total cost of these projects or jobs is \$2,813,000. These projects are listed in columns labeled building/school, job, and cost of job (estimated).

<u>Building/School</u>	<u>Job</u>	<u>Cost of Job</u>
Hawkins Elementary	HVAC/Window Replace	\$500,00
Energy Management Controls	Installation	\$100,000
Church Hill Middle Gym	R&R of Ceiling Tile	\$240,000
St. Clair Elementary	Construct Fence	\$25,000

Keplar Elementary	Renovation of Kitchen Floor	\$173,000
VHS/CHS	Replacement of HVAC Duct	\$1,600,000
VHS/CHS	Office Enclosure	\$50,000
RMS (7 th grade wing)	Floor Tile Replacement	\$125,000

The total cost for the Phase IV strategic plan for maintenance is \$11,175,400.00. The maintenance plan may be phased in over a period of time to reduce the annual budget cost of a large capital outlay expense.

Documents from the Maintenance Department revealed that the Hawkins County School District has spent a total of \$1,094,105.84 at Keplar Elementary and McPheeter’s Bend Elementary. Future projects at both schools will cost a total \$1,506,492.00. At Keplar Elementary future projects will cost \$834,432.00, and future projects at McPheeter’s Bend Elementary will cost \$412,060.00.

The utilization of the unassigned fund balance will lessen the financial impact on the taxpayer. The unassigned fund balance may be utilized for recurring expenditures, but the school district must maintain the mandatory 3% requirement of reserves.

Safety for students and staff should be the variable that guides the school board and director of schools in determining how soon to expedite the maintenance plan.

A representative from the Tennessee Division of Fire Prevention Codes Enforcement Section has inspected all schools in Hawkins County. All schools were approved.

A facility checklist was utilized for each school. The facility checklist was congruent with the state safety inspector's findings and validated the number of students at each school and the number of classrooms not being utilized by students.

Analysis of Teacher Salary Schedule

The teacher salary schedule in Tennessee is based on two factors. The amount of experience (Steps) and the type of degree (BA, MEd, EdS, EdD, or PHD) that the teacher possesses will determine the amount of pay for the teacher. For example, a beginning teacher in Hawkins County will receive \$35,677 with a BA degree at Step 1.

A teacher's salary consists of revenue given by the state and the local education agency (LEA). A state salary is based on earned positions from the Basic Education Program (BEP). The state gives 70% of the revenue for earned BEP positions based on the Instructional Component of the BEP handbook. Salary improvements from the state are given for earned BEP positions, and the salary improvements are given only on the state portion of the teacher's salary. All positions, not earned or required by the Basic Education Program, are paid by the school district.

According to a report from the Tennessee Education Association, Hawkins County ranks 113 in the state in salary paid to their first year teachers with a base degree and 101 with a Bachelor of Science/Arts Degree for teaching at step 10. The school district ranks 112 for teachers with MEd with maximum experience and 112 for teachers that possess an MEd at Step 15. The Hawkins County school district ranks 99 for teachers with a MEd and minimum experience (Step 1).

A review of the salary schedules of the contiguous school districts finds the Hawkins County School District surpassing Claiborne County on a consistent basis. Ten school districts (Grainger, Hamblen, Greene, Greeneville City, Sullivan, Bristol City, Johnson City Kingsport City, Washington, and Rogersville City) have teacher salary schedules that pay their teachers more than Hawkins County. Hamblen, Greene, Greeneville City, Sullivan, Bristol City, Johnson City, Kingsport City and Rogersville City School Districts exhibit salary schedules with a range of \$500 to \$6,000 for a first year teacher with a BS degree. The same eight school districts unveil a greater disparity for a beginning teacher with a PhD with a pay range from \$,2000 to \$8,000. The Hawkins County School District is losing teachers due to an uncompetitive salary schedule.

The Hawkins County school district routinely loses teachers to other county school districts due to an increase in pay. According to the personnel supervisor of Hawkins County schools, the school district received 39 resignations at the end of the 2019 school year. Twenty of the teachers were Level 4 or 5 on the teacher evaluation system. Likewise, at the end of the 2018 school year, the school district received 32 resignations with 19 of the 32 teachers leaving the district being Level 4 and 5 teachers (Drinnon, 2020).

Teachers that have achieved a Level 4 or 5 status are considered master teachers, and master teachers have the greatest effect on students' achievement and growth scores. If the current trend of losing twenty to thirty teachers with the majority of those teachers resigning being the best in the school district, student scores will not increase.

Analysis of 2019 – 2020 Budget

The director of schools and the school board are to be commended for maintaining a quality teaching and learning environment and for being good stewards of the budget. The

pupil/teacher ratio is excellent, and the school district has two Reward Schools (Church Hill Elementary and St. Clair Elementary) and an outstanding CTE program for high school students. The 2019 – 2020 budget reflects the desire of the board of education and director of schools to maintain this foundation of academic excellence by constructing and approving a \$55,511,152 budget for the current year.

In analyzing the 2019 – 2020 budget, one finds a trend developing the last and current budget years. The unassigned fund balance has been reduced without violating the required 3% rule that has been mandated by the Tennessee State Department of Education. A school district should avoid utilizing their unassigned fund balance for recurring items and only utilize their unassigned fund balance for nonrecurring items.

According to the Tennessee Comptroller of the Treasury's Annual Financial Report and the Hawkins County 2019 –2020 Budget, the 2017-18 budget had a surplus of \$378,439 and yielded an unassigned fund balance of \$12,254,931. Whereas, the 2018-19 budget exhibited the use of \$716,673 to balance the budget and lowered the unassigned fund balance to \$11,387,883. The current 2019 – 2020 budget reports that the Hawkins County School District will utilize an estimated \$3,449,279 from the unassigned fund balance to balance the budget, and the unassigned fund balance has decreased to \$7,967,200.

The trend of utilizing unassigned fund balance to balance the budget is not a good practice for recurring expenditures. Two years of utilizing the unassigned fund balance to balance the district's budget indicates that the Hawkins County Board is using its funds for recurring expenditures and not for nonrecurring one-time expenditures.

Several reasons may be causing this reduction in the unassigned fund balance. A school district may have a number of teaching and administrative positions outside the Basic Education Program. Hypothetically, a school district may qualify for 300 teaching positions that are funded by the state, but the school district may have hired 400 teachers. The district is paying for the salary and fringe benefits for 100 teachers (400 teaching positions – 300 BEP teaching positions = 100 teaching positions). If the 100 teachers are rehired by the district, this expenditure becomes a recurring expenditure.

Licensed teachers and administrators salaries are listed on the school district's salary schedule with the base salary and a local supplement. For example, a first year teacher receives a base salary of \$30,000 with a Bachelor of Science degree, and the local supplement is \$5,000 dollars. The state gives a 2% salary improvement for the \$30,000 that yields a \$600 salary improvement, but the district has the revenue without using the unassigned fund balance to give a 2% salary improvement for the first year teacher's entire salary of \$35,000. With this scenario the teacher's salary improvement has gone from \$600 to \$700. If a school district has 100 teachers at Step 1 of the salary schedule that are outside the Basic Education Program, the 2% salary improvement costs the district \$10,000 per year ($\100×100 teachers). School Districts with declining enrollment have been known to use unassigned fund balance to give teachers a salary improvement over their entire salary. This cost is a recurring cost and must always be paid to teachers.

It is apparent that the Hawkins County School District has reduced their fund balance for the last two years. The possible cause of this reduction will be given later in the report with methods to correct this problem.

Reduction of Costs

Many methods have been recommended by school finance experts, and school districts have utilized those methods (Alexander, 2015). The methodology that a school district implements is dependent on the financial situation of the local education agency (LEA). The following menu of strategies have been put into practice to reduce costs in Tennessee school districts.

- 1) Elimination of curriculum programs that have become obsolete and not used by teachers
- 2) The use of technology (labs, software, virtual classrooms)
- 3) Energy management systems
- 4) Reduction in force (RIF)
- 5) Elimination of sports
- 6) Elimination of transportation
- 7) Consolidation of schools
- 8) Increasing the pupil/teacher ratio
- 9) Four day week
- 10) Outsourcing janitorial and cafeteria services

Some of these practices to produce cost savings in a school district are draconian (four day week and reduction in force). Several of these practices are for a short period time without a reduction in costs (elimination of transportation and sports). A school district should implement practices that will save revenue and not interfere with closing the student achievement gap.

Energy management will procure long term savings, but short term or immediate savings will not be realized. The short term revenue that has been saved will be absorbed for the purchase of equipment, controls, software, and installation. The school district will save revenue after the vendor has been paid with short term savings. Depending on the size of the district, a cost saving for reallocation in the school budget should be achieved in a ten or twenty year period.

The use of technology will prove to be a cost saving practice. A virtual school may add new revenue to the school district's budget by enrolling students from private schools, or students taught at home. School districts that are unable to hire a foreign language teacher/teachers to accommodate more than one high school have utilized long distance learning. Chemistry, physics, and biology labs avoid dangerous and expensive chemicals and supplies for experiments by purchasing software for computer labs.

Increasing the pupil/teacher ratio may assist in reducing the operational costs of a school district. Tennessee school districts must stay within the mandated pupil/teacher ratio. For example, a school district may have a pupil/teacher of 18 students for each 4th grade teacher for the coming school year. Since the BEP yields a 4th grade teaching position for every 25 students, an increase of the pupil/teacher ratio in the fourth grade for the school district may serve as a cost reduction. Teachers that resign or retire may not need to be replaced. The school district has had

a reduction in force without giving teachers a furlough that have tenure or in their first year as a teacher.

School Consolidation

School consolidation is the practice of combining two or more schools for educational or economic benefits. A consolidated school can offer an expanded curriculum and reduce costs through economy of scale. On the other hand, consolidation can incur numerous liabilities, especially if the schools to be closed are the sole providers of community services.

Consolidation of schools has both curricular and financial advantages. First, it often enables the consolidated schools to share courses and facilities. Sharing results in a more varied curriculum because fewer classes are dropped due to low enrollment. Expenditures for capital improvements and basic maintenance are reduced because there is no need to upgrade or maintain duplicate facilities (Nelson, 1985).

Because consolidation often combines classes and increases their size, fewer teachers need to be employed. Consolidated schools do not normally employ as many administrative personnel as did the separate schools. Thus, school closure is usually an immediate savings for the school district.

A greater savings is realized when the vacated building is sold to a corporation or another business at market value for redevelopment. If the school district keeps the building, the saving of revenue for closing the school is lost on keeping the building maintained or using the building for other school purposes.

According to educators (Beckner and O’Neal 1980) the liabilities of consolidation are the loss of interaction between faculty and administration, loss of the “family atmosphere” within a school, and the loss of smaller pupil/teacher ratios.

Small schools have a family atmosphere. Every administrator and teacher that work at the school know the names of all the students in the school. Every administrator and teacher at the school know the names of the parent/guardian and grandparents of the students. Support staff may actually have gone to the school and live in the community.

The opinions of parents, teachers, business leaders, board members and concerned citizens were solicited for this report. A summary of the interview protocol and the responses of the interviewees are given below:

Background

The interviews were done to explain the purpose of the study and to provide data defining the culture of the communities and schools and to determine the positive and negative perceptions about school consolidation.

Process

Citizens, principals of Kelpar Elementary (K-6) and McPheeter’s Bend Elementary (K-4 schools), parents, board members were interviewed. A tour of both schools was conducted.

The following questions were asked of the interviewees:

- 1) Do you know the purpose of the study?
- 2) From your perspective, what are the positives of school consolidation?
- 3) From your perspective, what are the negatives of school consolidation?

- 4) What would change your opinion of school consolidation?
- 5) Do you have other comments or questions that you wish to add or ask the interviewer?

Interviewees' Comments

- Positive Comments
 - Consolidation would save money.
 - Consolidation would improve student achievement.
 - Consolidation would improve the curriculum with more course offerings.
 - The Hawkins County School Board and director of schools would be able to focus resources.

- Negative Comments
 - Transfer of teachers
 - Elimination of jobs
 - Low morale of teachers
 - Loss of one on one teaching
 - Loss of family atmosphere
 - Increase in pupil/teacher ratio
 - Lower student achievement
 - Transportation – Students would be waiting on the bus before daylight.
 - Loss of existing grants
 - Waste of revenue – Schools have recently been renovated.
 - Loss of the community's identity

All citizens and parents are concerned about what the school board will do with the saved revenue from consolidation.

School Culture

The term school culture generally refers to the beliefs, perceptions, relationships, attitudes, and written and unwritten rules that shape and influence every aspect of how a school functions, but the term also encompasses more concrete issues such as the physical and emotional safety of students, the orderliness of classrooms and public spaces, or the degree to

which a school embraces and celebrates racial, ethnic, linguistic, or cultural diversity (The Glossary of Education Reform, 2013).

Like the larger social culture, a school culture results from both conscious and unconscious perspectives, values, interactions, and practices, and it is heavily shaped by a school's particular institutional history. Students, parents, teachers, administrators, and other staff members all contribute to their school's culture, as do other influences such as the community in which the school is located, the policies that govern how it operates, or the principles upon which the school was founded.

Broadly defined, positive school cultures are conducive to professional satisfaction, morale, and effectiveness, as well as to student learning, fulfillment, and well-being (Bolman and Deal, 1987). According to Lee Bolman and Terrance Deal, the following list is a representative selection of a few characteristics commonly associated with positive school cultures:

- The individual successes of teachers and students are recognized and celebrated.
- Relationships and interactions are characterized by openness, trust, respect, and appreciation.
- Staff relationships are collegial, collaborative, and productive, and all staff members are held to high professional standards.
- Students and staff members feel emotionally and physical safe, and the school's policies and facilities promote student safety.
- School leaders, teachers, and staff members model positive, healthy behaviors for students.
- Students are consistently held to high academic expectations, and a majority of students meet or exceed those expectations.
- Educational resources and learning opportunities are equally distributed to all students, including minorities and students with disabilities.
- All students have access to all the academic support and services they may need to succeed.

Every school district has a culture. Every school has a culture. All school cultures are unique. Therefore, a consolidation of a school must blend the culture of the consolidated school to the receiving school of the students.

Findings of Study

Finding #1. The Hawkins County School District has three schools with less than 130 students (Keplar Elementary – 78 students, McPheeters Bend Elementary – 91 students, Clinch School (K – 12) – 125 students).

Finding #2. The Basic Education Program funds 3.59 teaching positions at Kelpar Elementary, and the Basic Education Program pays for 4.31 teaching positions at McPheeter’s Bend Elementary. Keplar has 6 teachers and McPheeter’s Bend has 5 teachers. The BEP does not fund schools for a principal with less than 100 students. Both schools do not qualify for a guidance counselor, a librarian, or a music teacher (BEP Handbook).

Finding #3. The Basic Education Program funds the Clinch School (K – 12) for 5.52 teachers. The Clinch School has a total of 13 teachers.

Finding #4. The Basic Education Program funds only 281.67 teaching positions, and the school district has 386 teachers employed in K – 12. The Hawkins County School District is paying the total salary + fringe benefits for 104.33 teachers.

Finding #5. Due to a decline in student enrollment, the property tax rate for schools has declined. This year, the Hawkins County Commission reduced the tax rate

by .02, and in the prior two years, the property tax for schools was reduced a total .075 for a total of .095 over the last three years (Hawkins County Property Tax History, 2019).

Finding #6. In order to balance revenues with expenditures, the board of education is using unassigned fund balance. The 2018 – 2019 budget utilized \$716,673 of the unassigned fund balance to meet expenditures. The 2019 – 2020 budget has applied \$3,449,279 of the unassigned fund balance to meet this year’s expenditures. The district may or may not use this total amount as expenditures, but the trend has been established to apply unassigned fund balance for congruency between revenue and expenditures.

Finding #7. Communities believe that they lose their identity and the family atmosphere or culture through school consolidation.

Finding #8. The Hawkins County Virtual Academy will provide extra revenue for the school district by enrolling students from private schools and home schools.

Finding #9. Due to a low teacher salary schedule, the school district is losing master teachers (Level 4 and 5 teachers) to contiguous school districts.

Conclusions of Study

The Hawkins County School District must stop using their unassigned fund balance to fund recurring items. The unassigned fund balance should be used for nonrecurring items. The school district has not violated the 3% requirement that stipulates a school district must maintain 3% of the total amount of the current budget year expenditures. The unassigned fund balance of \$1,561,850 meets the 3% mandate, but a pattern or trend

has been set the last two years of using the unassigned fund balance to balance the school district's budget.

Over a period of years, the county commission has reduced the school district's portion of the property tax by .095 pennies. As a result of this reduction, it appears that the school district may have utilized the unassigned fund balance to replace the loss of revenue.

The diminishing unassigned fund balance may be caused by the number of teachers outside the Basic Education Program. 104.33 teachers are outside the state's funding formula for an estimated cost of \$3,722,181. One may assume that the school district is paying an extra amount for other staff that is outside the BEP funding formula such as teaching assistants and principals.

It is normal for school districts to be outside the state funding program for middle schools and high schools. Mandated courses to earn a high school diploma and a plethora of electives are needed for 21st century students. Smaller schools with an enrollment of less than 130 students are extracting a large amount of local revenue for paying the staff at Kelpar Elementary, McPheeter's Bend Elementary, and the Clinch School. Schools are not allowed to combine classes across grade levels to reduce staffing and stay below state maximum student to teacher ratios (Tennessee State Board of Education, Rule 0520-01-03, g,h,i).

In analyzing the staffing data of the other two high schools, one finds that Cherokee High School, Volunteer High School, and Clinch High School have more teachers than the

Basic Education Program funds. The district has invested a substantial amount of revenue at the Clinch School because of the school’s remote location and safety for the students.

School closures and the increase of the pupil/ teacher ratio will assist the school district in an immediate reduction of costs for next year and future years. The identified strategies will allow the school district to keep the integrity of the unassigned fund balance and should assist the school district in reallocating revenue to enhance the curriculum and improve the teacher salary schedule.

The closure of Keplar Elementary will reduce costs in staff and school operations.

<u>Building</u>	<u>Cost of Electricity</u>	<u>Natural Gas</u>	<u>Water/Sewer</u>	<u>Total Cost</u>
Keplar Elem.	\$25,766.03	0	\$3,682.73	\$29,448.76
Staff Salaries				<u>\$654,968.00</u>
Total Savings:				\$684,456.76

One has an immediate reduction in cost of \$684,456.76, and the district has eliminated future costs for building improvements of \$834,430.00 (estimated costs as of 2018). No buses will need to be added to transport the students, the school district has vacant rooms at Hawkins Elementary and Joseph Rogers Primary. Since the district has lost 30 to 35 teachers the last few years, a loss of teaching positions may not occur.

The closure of McPheeter’s Bend Elementary will reduce costs in staff and school operations.

<u>Building</u>	<u>Cost of Electricity</u>	<u>Natural Gas</u>	<u>Water/Sewer</u>	<u>Total Cost</u>
M. Bend Elem.	\$20,578.37	0	\$2,331.79	\$22,910.16
Staff Salaries				<u>\$616,545.00</u>

Total Savings \$639,455.16

An immediate reduction in cost is realized at McPheeter's Bend Elementary of \$639,455.00, and the district has eliminated future costs for building improvements of \$412,060.00 (estimated costs as of 2018). No buses will need to be added to transport the students, the school district has vacant rooms at Church Hill Elementary and Church Hill Intermediate. Since the district has lost 30 to 35 teachers the last few years, a loss of teaching positions may not occur.

If a school closure occurs the Hawkins County School Board and the director of schools need to create activities to blend the culture of the feeder school with the receiving schools. For example, students from the feeder school should have some of their classmates with them in their assigned classroom. This action will require planning, but this accomplishment will assist the feeder school students in adapting to the new school environment.

If the Hawkins County School has 30 teachers to leave the district next year, the school district would reduce costs by not replacing 20 of those teachers. The district will increase the pupil/teacher ratio. However, the school district has now reduced the number of teachers outside the BEP funding plan and saved and estimated \$713,540 (\$35,677 Step 1 with a BS teaching salary X 20 teachers).

In summary, the Hawkins County School District will reduce budget costs by closing Kelpar Elementary by \$684,457.00. Closure of McPheeter's Bend Elementary will reduce local cost by \$639,455.00. If the district transfers teachers at the schools to other jobs, the

reduction in expenditures will decrease to an estimated \$400,000 at Kelpar Elementary and an estimated \$400,000 at McPheeter's Bend Elementary.

If 20 teachers leave the system due to resignation or nonrenewal of their contracts, the district should save a minimum of \$713,540. The pupil/teacher ratio will increase, but planning should prevent a decrease in student achievement.

The Hawkins County Virtual Academy will bring in new revenue next year. The HCVA has enrolled 11 new students. Therefore, a conservative estimate of \$70,000 should be realized for the 2020 – 2021 school budget.

Depending on the decisions that are made, the Hawkins County Board of Education should be able to reduce costs and reallocate revenue resources.

References

Bolman, Lee G. & Deal Terrence E. (1987). Modern Approaches to Understanding and Managing Organizations. San Francisco: Jossey-Bass Inc.

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