



A Guide to

# Understanding the Budget

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2014 - 2015

A young boy with dark hair, wearing a blue t-shirt, is seen from the side, pointing his right index finger at a chalkboard. On the chalkboard, the numbers "14" and "12" are written in white chalk, with a horizontal line drawn underneath the "12".

14  
12





## Hamilton County Department of Education

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Chattanooga, Tennessee 37421

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### To Our Community,

It is an honor to serve as Hamilton County Schools Superintendent. As Superintendent, I feel it is important that our community has an opportunity to better understand the school system's budget, thus the development of our first annual *Citizens Guide to Understanding the Budget*.

It is our hope that this document explains in simple terms the complexities of the school system's budget. This guide will help you understand where our funding comes from, what it pays for, and how we use it. You will also find information as to why some funding must be used to pay for certain programs and why other funding sources are more flexible.

I hope this guide is helpful. Thank you so much for your continued support as we provide for the future of our community's children.

Sincerely,

A handwritten signature in black ink that reads "Rick Smith".

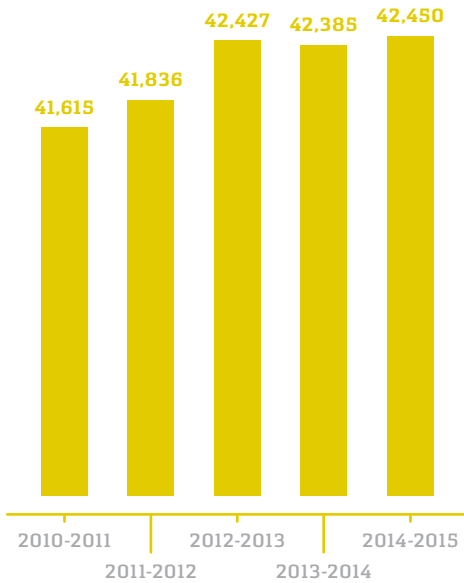
Rick Smith  
Superintendent

# District Overview

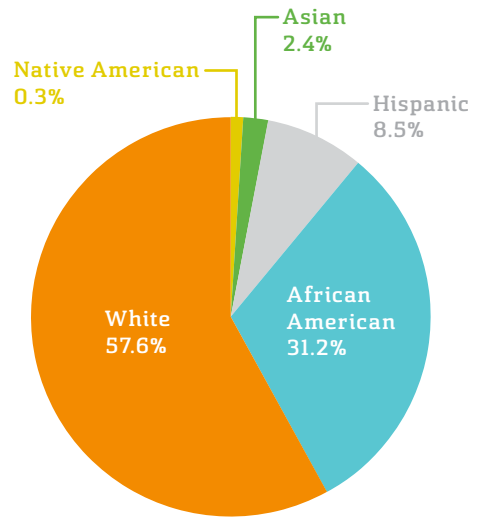
The Hamilton County Department of Education (HCDE) is the fourth largest school district in Tennessee. It is very diverse, with a mix of urban, suburban, and rural schools, and students that come from a range of different socioeconomic backgrounds.

Number of Schools:  
**78**

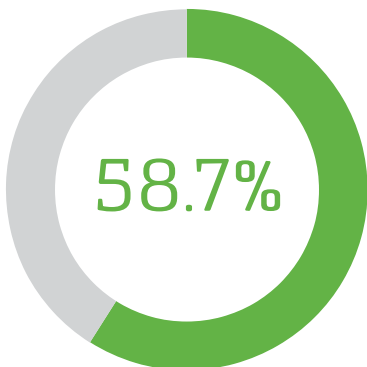
## Total Enrollment



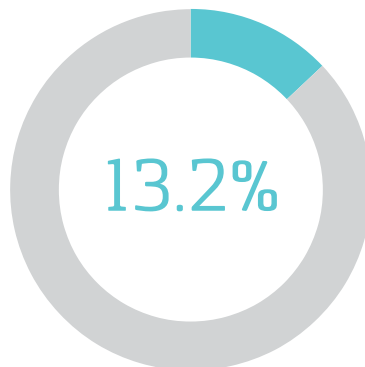
## 2013-2014 Race & Ethnicity



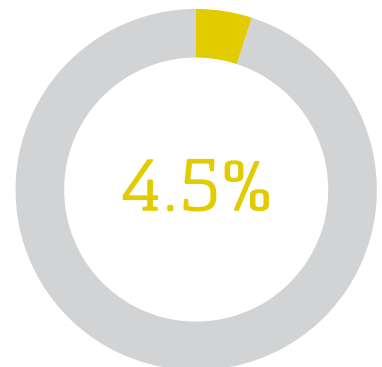
## Economically Disadvantaged Students



## Students with Disabilities



## English Learner Students



# District Priorities & Goals

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All budgeting decisions are tied to the achievement of HCDE's mission and strategic goals.

## Mission

The Hamilton County Department of Education is committed to the personal and intellectual success of all students.

## Vision

Our community is dedicated to providing a world-class education. We will foster the development of students who are creative thinkers, life-long learners and productive citizens.

## Strategic Goals

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### Principal Leadership Development

Every school will have an effective instructional, operational and community leader who has been supported through a leadership pipeline before and during their tenure as principal.



### Technology Fluency

HCDE believes that our graduates should be technologically fluent as part of being college and career ready. Therefore, every student will have the ability to access, use and apply knowledge through technology across the K-12 spectrum in order to support student growth.



### Focused Academic Support

Literacy is the foundation of teaching and learning. In order to ensure student growth in literacy across all subject areas, HCDE will provide educators and students with differentiated supports based on school and classroom needs.



### Accountability Systems

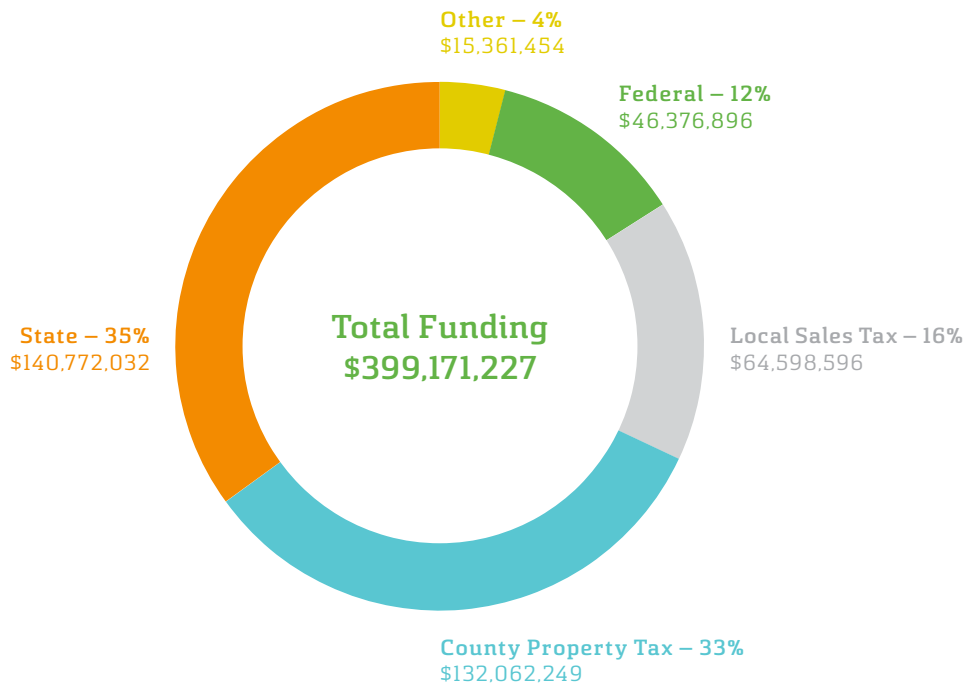
HCDE educators will strive to meet or exceed annual goals for achievement, achievement gap closures and success rate attainment by using support systems that identify and differentiate areas of strengths and needs within the school system.

# What are the Sources of Funding for HCDE?

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## Funding Sources

HCDE's budget is funded by four major sources: the State of Tennessee, Hamilton County property tax, local sales tax and the Federal Government. Lawmakers at each level determine the amount of funding received by the district.



## Explanation of Funding Sources

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### State Funding

The State of Tennessee provides the largest single source of revenue for the district. This funding is generated primarily by revenues from the State's 7% Sales Tax. In FY15, State funding made up 35% of HCDE's budget. The State allocates funding for school districts based on the Basic Education Program funding formula, which ranks Hamilton County as the third wealthiest in the State.

### County Funding

The second largest source of revenue for HCDE comes from the Hamilton County Property Tax. In FY15, funding from the Hamilton County Property Tax accounted for 33% of HCDE's overall budget.

### Local Sales Tax

State Law mandates that half of the 2.25% County-wide sales tax be allocated to the school system. In FY15, this amounted to \$64 million, or 16% of the HCDE's total budget.

### Federal Funding

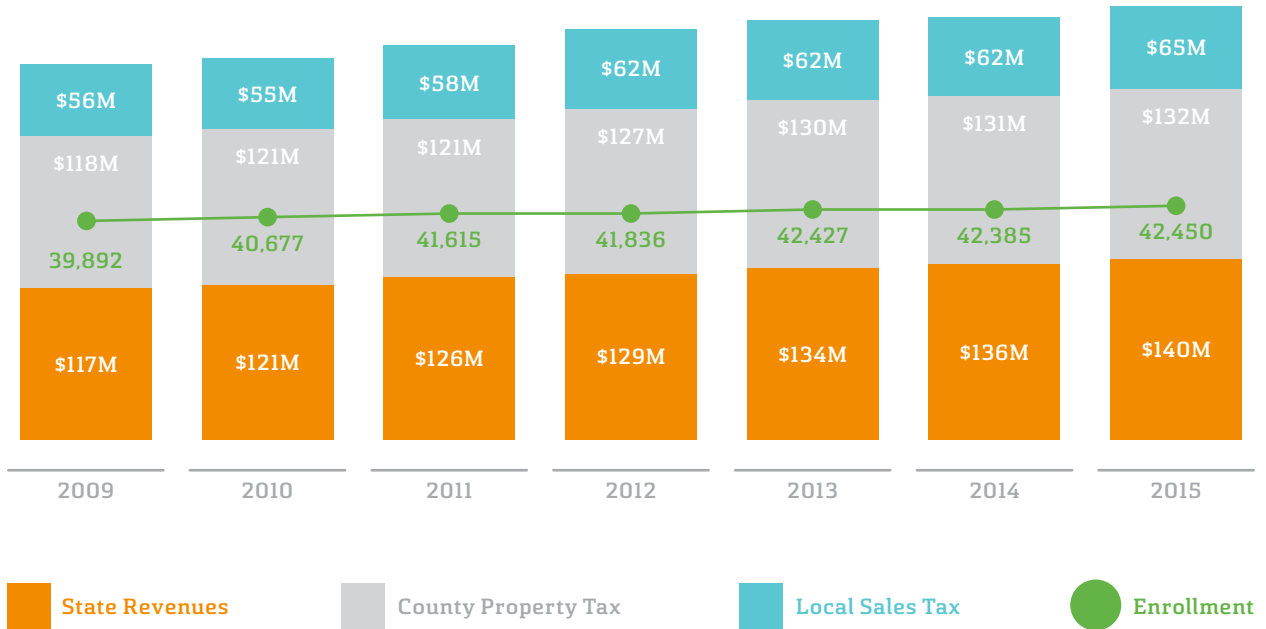
The Federal Government allocated almost \$47 million to HCDE in FY15. This accounted for about 12% of HCDE's overall budget. About \$33 million in Federal Funding is designated for specific programs, including Title I, which supports low-income students. Another \$14 million in funding is designated for the school nutrition program. It is important to note that federal funds cannot be used for general operations of the district.

### Other Funding

This category includes grants and donations from community organizations and businesses (\$4 million), as well as fees for lunches and before/after school childcare (\$9 million). These funds are designated for specific purposes and are not used for general operations. In addition, in FY15, nearly \$2 million in reserves from HCDE's fund balance were used to balance the budget.

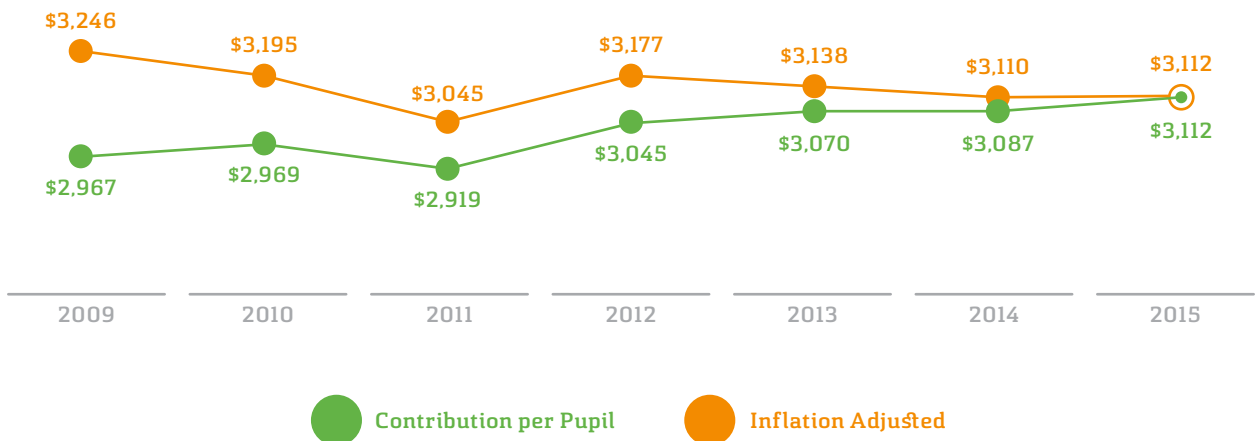
# Change in State and Local Revenues, 2009-2015

Since 2009, the total revenues coming from State and local sources have increased by about \$66 million. When accounting for increased student enrollment and inflation, this amounts to an increase of about \$126 per student.



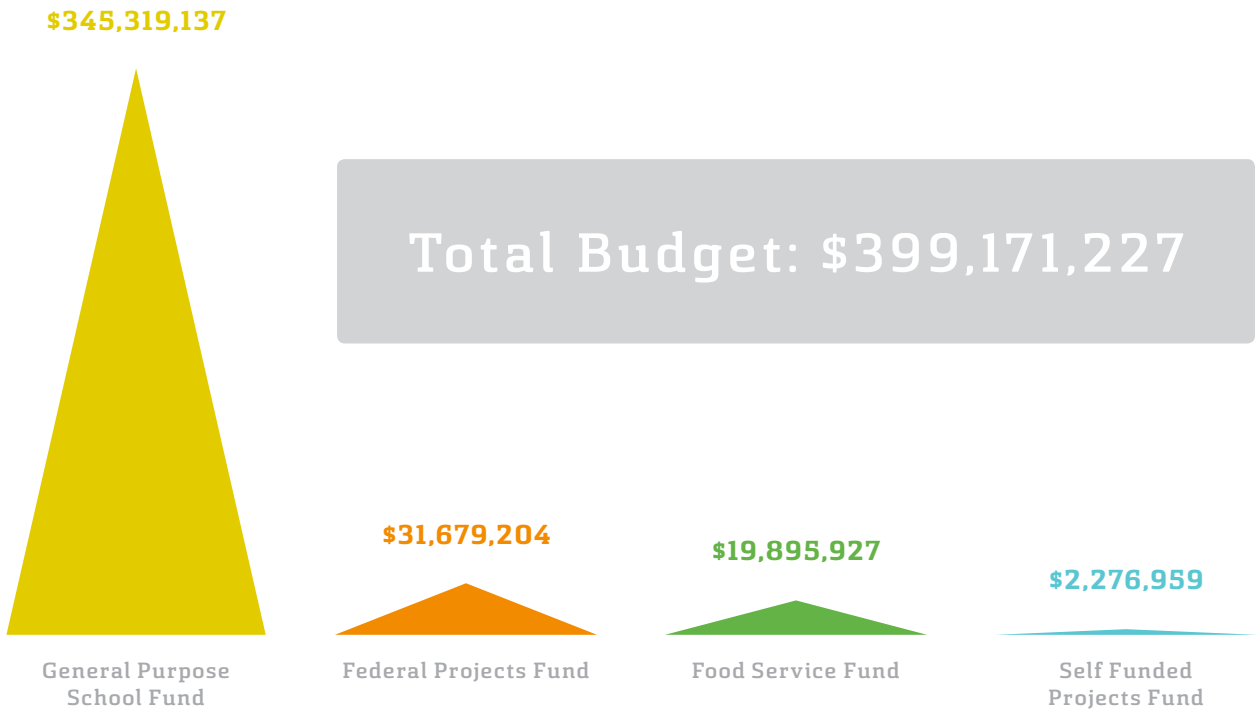
## Change in County Revenues

Since 2009, the portion of funding coming from Hamilton County has decreased by about \$134 per student, when adjusted for inflation.



# How does HCDE spend its money?

HCDE's total budget is comprised of four funds: General Purpose, Federal Projects, Food Service, and Self-Funded Projects.



## General Purpose School Fund

Funds all general operations of the school system.

## Federal Projects Fund

Funds are provided mainly by the Federal Government and are designated for specific, federally-mandated programs. Most of this pass-through funding must be used to support economically disadvantaged students or students with disabilities. Not every school or student qualifies for these funds.

## Food Service Fund

These pass-through funds are provided primarily from the Federal Government and are designated to be used for operating the school nutrition program.

## Self-Funded Projects Fund

These are grants or donations from community organizations and businesses. These pass-through funds must be used for designated purposes. Not every school or student qualifies for these funds.



The following information and explanations of expenses will focus on the \$345 million General Purpose School Fund, which funds the daily operating expenses for the school system.

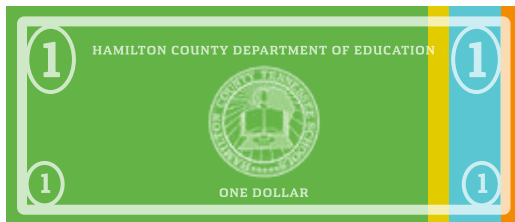


# Expenses

## Where does your dollar go?

Of each budget dollar, 82¢ is allocated directly to fund school based personnel and materials, 4¢ to transportation, 10¢ for facility operations and maintenance. Central Office support and administration services account for 4¢ per budget dollar — representing the lowest administration cost per pupil among the four largest Tennessee school systems.

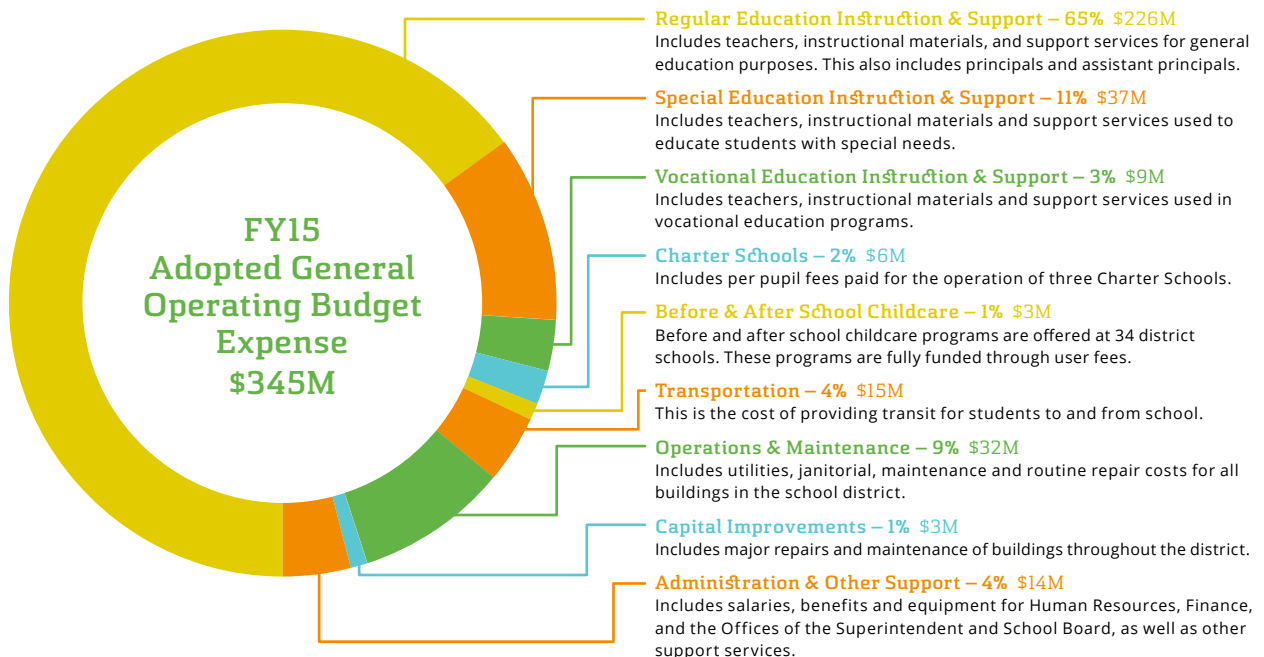
*(Analyses from the Offices of Research & Education Accountability)*



- 82¢ School-Based Personnel & Materials
- 4¢ Transportation
- 10¢ Facility Operations & Maintenance
- 4¢ Central Office Support & Administration Services

## The bulk of expenses for HCDE are focused on supporting instruction.

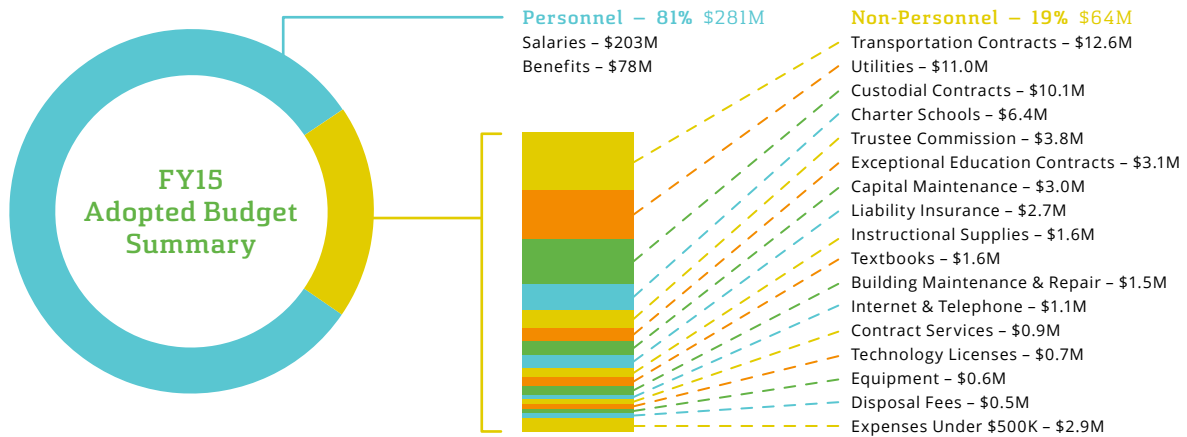
Nearly 80% of all HCDE expenses support regular, special and vocational education in the schools. After educational expenses, Operations and Maintenance of buildings and transportation for students comprise HCDE's next largest expenditures.



# Expenses (continued)

## HCDE's largest expenditure is employee compensation.

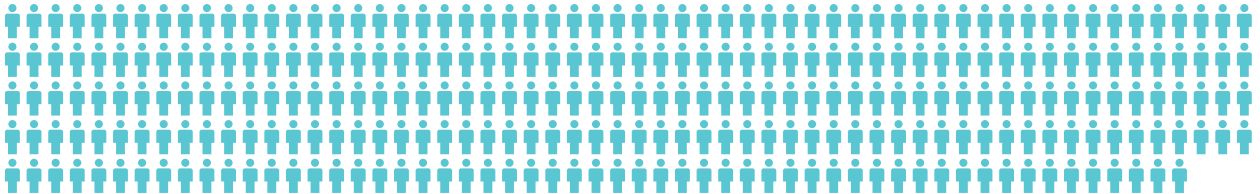
In FY15, over 81% of expenses are attributed to salaries and benefits for HCDE employees.



## Personnel

The great majority of our personnel are school-based. Approximately 93% of HCDE's personnel work in schools as teachers, principals, guidance counselors, librarians and school support staff.

### 2,933 Teachers



217 School Clerical Staff



216 Education Assistants



157 Principals & Assistant Principals



98 Guidance Counselors



71 Health Services



71 Librarians



52 Pre-K



25 After School Childcare



24 Psychologists



20 Social Workers



### NON-SCHOOL BASED PERSONNEL

117 Central Office Support Staff



97 Operations & Maintenance



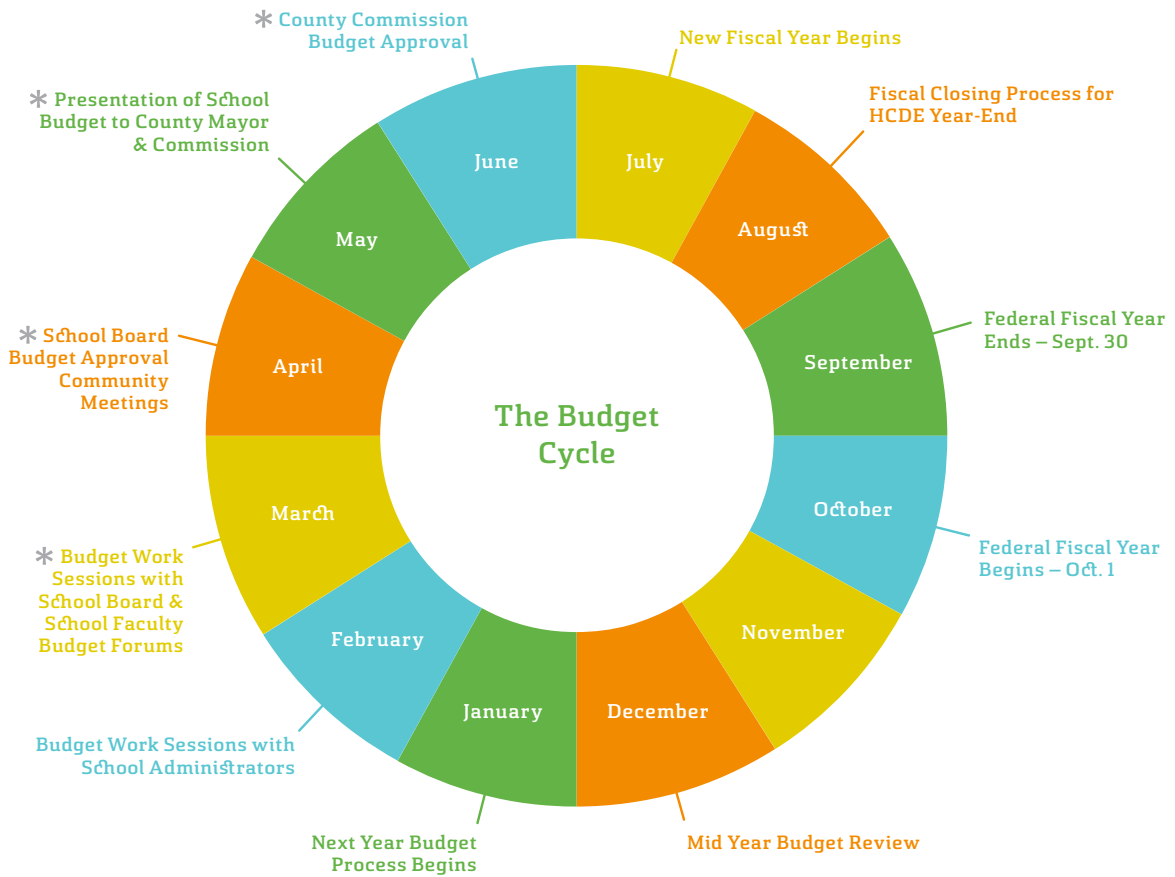
53 Transportation



21 Superintendents & Directors



# Annual Budget Cycle



\* Denotes opportunities for citizen engagement

## Questions & Answers

### What is a Fiscal Year?

A fiscal year is the time period we use for budgeting and accounting purposes. HCDE follows the State and Hamilton County's fiscal year, which begins each July and ends the following June. For example, the FY15 budget began in July of 2014 and will end in June 2015.

### What does Economically Disadvantaged mean?

Students who qualify for free or reduced lunch prices, due to their family income, are considered economically disadvantaged. Currently, any student whose family earns up to 85% above the federal poverty level (or about \$44,000 for a family of four) can qualify for reduced price school meals.

Any student whose family earns less than the federal poverty level (or about \$23,000 for a family of four) can qualify for free meals.

### Why adjust for inflation?

Because the prices for goods and services tend to increase over time, it is important to adjust for this change when comparing amounts of money from different years. Adjusting for inflation allows us to more accurately compare the spending power of an amount in one year with another. In order to adjust for inflation we used the Consumer Price Index Inflation Calculator, which is provided by the United State Bureau of Labor Statistics.

### What is the Basic Education Program?

The Basic Education Program (BEP) is the funding formula through which state education dollars are generated and distributed to Tennessee schools. For more information about the BEP you can visit the state website at [www.tn.gov/sbe/bep.shtml](http://www.tn.gov/sbe/bep.shtml).

### What about funds for building and expanding schools?

Capital Maintenance & Repair Fund budget covers repairs and minor improvements to buildings. Selection and funding of new schools, and major renovations or improvements, are determined by County Government and not included in HCDE's budget.

