



April 22, 2019

Hamilton County Mayor Jim Coppinger
Hamilton County Schools Budget Working Group
625 Georgia Avenue
Chattanooga, TN 37402

Dear Mayor Coppinger and Hamilton County Schools Budget Working Group:

We are very grateful for your work and partnership over the past two years.

As the school board begins consideration of the fiscal year (FY) 2020 budget, we are pleased to report significant progress by our students, teachers, faculty and staff as we continue our mission to become the fastest improving school district in Tennessee.

Outlined for you below are a series of actions we have taken since May 2017 to address many of the recommendations outlined in your report.

Budget Working Group Recommendation: Consolidate for Efficiency

“Over the next four years, HCDE and the County should consolidate and re-zone schools to enable the system to achieve a system-wide teacher-student ratio of 16:1.”

Hamilton County Schools Actions:

- With \$125 million of additional capital funding, the district is currently building two new schools – a new Harrison Elementary and East Hamilton Middle.
 - While East Hamilton Middle School is slated to purely address growth in the eastern part of the county, the new Harrison Elementary is contemplated to consolidate Hillcrest Elementary, Lakeside Elementary, and the current Harrison Elementary.
- In January 2019, the district engaged MGT Consulting to conduct a demographic study and facilities review. The results of this work are expected in July or August of 2019. MGT has been charged with making recommendations to the district for a 10-year building plan that addresses growth, consolidation, and maintenance.
- Currently, FY 2020 projected average teacher-student class size ratios are 17.1:1, 17.5:1, and 17.9:1 for elementary, middle, and high schools, respectively.



Budget Working Group Recommendation: Fewer Teachers + Better Compensation → Higher Teacher Quality → Better Results for Kids

“Operating savings from reductions in the number of teachers should be dedicated to improving teacher salaries and improving teacher quality. Beyond increasing salaries, HCDE needs a new compensation strategy to recruit and retain quality teachers and principals.”

Hamilton County Schools Actions:

- As the district has worked to improve compensation and pay, we have experienced improved results. In 2018, the district achieved its highest graduation rate in five years at 86.5%.
- Additionally, the district met student growth expectations – the first time we had been at or above student growth expectations since 2013.
- The district has adopted a rigorous benchmarking process this school year, and based on our final benchmark in March 2019, we are poised to see academic gains in 27 of 29 grade-level content areas. We will receive our full academic results after the spring 2019 state assessments are complete.
- The district implemented a retirement incentive last year and repurposed approximately 35 teaching positions that were vacant due to retirements and/or resignations. These strategies yielded \$5.6 million in budget savings, which meant the base budget started \$1 million less than the previous year.
- Through internal efficiencies and natural revenue growth, the district made over \$11 million in investments to support the Future Ready 2023 plan.
- The district is currently building a base staffing model that considers magnet status, special programs (e.g. IB), combo schools (K-8 or 6-12), the proportion of economically disadvantaged students and overall projected enrollment to allocate positions to schools for the upcoming year.
 - Implementing this staffing model will allow the district to more efficiently and equitably distribute teacher, counselor, support services, administrative, and clerical positions to schools. The model also will ensure that the district reduces or adds staff in response to population or demographic shifts. Teaching positions will only increase when there is student enrollment growth, which should result in additional Basic Education Program (BEP) funding to pay for those positions. The model also will address any issues that have arisen with federal grants versus local and state funds. The district began this implementation with FY 2020 staffing allocations and will continue towards full implementation in the FY 2023 budget.



- The district recently concluded collaborative conferencing with the Hamilton County Education Association and is poised to restructure the teacher salary scale to increase competitive compensation. Key changes include:
 - reducing the salary scale from five to three "lanes" – bachelors, advanced degree, and doctorate;
 - reinstating step zero through three so that salary increases will be earned for early career teachers and not frozen for the first three years;
 - increasing steps for advanced degrees to recognize all experience up to year 30;
 - increasing starting salary for first year teachers to compete with Cleveland City Schools and Bradley County Schools;
 - providing experience credit beyond 15 years for veteran teachers with experience in other districts and/or states; and
 - increasing flexibility with differentiated pay that will enable the district to build on strategic compensation and career pathways that enhances pay of the most effective teachers while allowing them to stay in the classroom.
- The district has made some progress on competitive pay over the last three years, increasing salaries a total of 7.5% (plus compounding) over three years, however, even with these increases, our starting pay still trails some neighboring counties:
 - FY 19: 2.5% plus \$250 one-time bonus
 - FY 18: 3.0% plus \$250 one-time bonus
 - FY 17: 2.0% plus \$250 one-time bonus
 - The prior three years (FY 14, FY 15, FY 16): a total of 5%

Budget Working Group Recommendation: "C" Curb Costs

"HCDE needs to create a real 'C' suite that supports the business operations of the school system – including a CIO (Chief Information Officer), COO (Chief Operating Officer) and CTO (Chief Talent Officer) to achieve additional efficiencies."

Hamilton County Schools Actions:

- In December 2017, the superintendent announced the reorganization of the senior leadership team to include a chiefs structure. New roles include:
 - Chief of Staff: Overseeing accountability, federal programs, communications, engagement, policy, and supporting all chiefs to carry out the district's strategic plan
 - Chief Operations Officer: Overseeing technology, facilities, maintenance, school nutrition, custodial services, and transportation
 - Chief Business Officer: Overseeing finance, budgeting, procurement, accounts payable, payroll, and risk management



- Chief Talent Officer: Overseeing recruiting, hiring, compensation, benefits, and employee relations

Budget Working Group Recommendation: Hold HCDE Accountable

“County should use General Fund resources to support hiring two FT performance auditors to regularly report on opportunities for savings and on overall HCDE performance, thereby increasing efficiency and accountability.”

- Though the district has not hired additional personnel in the form of performance auditors, it has increased efficiency and accountability through internal structures.
 - Future Ready 2023 included key performance indicators for all functional areas, in both operations and academics.
 - Future Ready 2023 includes baseline performance data and targets for each of the five years of the plan.
 - The Focus Five performance targets of the Future Ready 2023 plan are part of the superintendent's performance evaluation.
- All departments are now required to create action plans that outline performance goals for the year aligned with Future Ready 2023 goals and key performance indicators. Additionally, the accountability and research team is completing program evaluation for key academic initiatives to measure expected outcomes and return on investment.
- The district implemented “improvement teams” to look at key processes/areas in the district towards increasing efficiency. For example, a team is looking at the student enrollment and registration process, as well as the code of acceptable student behavior.
- The district has implemented a performance evaluation and 360 review for chiefs and directors. Historically, there has been no individual performance management tool for senior leadership in the district.
- In the absence of full-time internal auditors, the district has had expert help to evaluate key areas for additional efficiency, including:
 - Transportation: Lean Frog has been engaged since November 2018 to support the request for proposal (RFP) process that has resulted in a new vendor contract being awarded in March 2019. They are currently undertaking a review of bus routes and supporting the implementation of new routing software. There are plans for Lean Frog to tackle other operational areas after completing transportation review.



- Human Resources: TNTP is a national leader in talent management for K-12 education. Their consultants engaged with the district in fall 2018 and delivered a set of recommendations to improve the human resource function in the district through more efficient operations.
- Facilities: As noted above, MGT is a nationally renowned expert helping school districts across the country create long-term capital plans. The district has engaged them for both a demographic and growth study as well as a building assessment. Their final recommendations will include suggestions for consolidation, closings, additions, and rezoning.
- The district has implemented a *priority-based budgeting* process this year. Priority-based budgeting is an alternative version of zero-based budgeting and is recognized by the Government Finance Officers Association as a public finance best practice. Priority-based budgeting does not simply assume a “roll-forward” budget from year to year. Budgets are tied to specific focus areas and activities; spending increases and/or decreases are not just spread evenly across budgets; funding is targeted to focus areas and activities that align with the strategic plan.
- The new administration and school board has begun a comprehensive policy and procedure review to enhance efficiency across the organization. Since fall 2018, the district has reviewed all policies related to school board operations, fiscal management, support services, and the instructional program. The district has also reviewed nearly all personnel policies and will complete that review along with the student policies by the end of summer 2019. Thus far, over 75 policy revisions have been adopted by the school board in FY 2019.
- Comprehensive policy review had not taken place in the district for several years before undertaking this process with the board and administration this year. The follow-up work will include the development of a comprehensive administrative procedures document that transparently defines processes related to our board policies. Currently, the district does not have an administrative procedures document aligned to board policies that defines internal processes. This work began in spring 2019 and will continue through the next school year, with a goal of completion by fall 2020.

Budget Working Group Recommendation: Plan Smart for Progress

“HCDE needs a multi-year capital plan that addresses all of these infrastructure and capital maintenance needs. The capital planning process – along with a review of school zoning – can also be an important mechanism for reducing the concentration of poverty in schools, thereby improving student performance.”



Hamilton County Schools Actions:

- The district has engaged MGT Consulting to complete a demographic study and facilities review toward the creation of 10-year capital plan. This report is due in July or August of 2019.

Budget Working Group Recommendation: Invest in the Future

"County should create a new tax levy dedicated to Schools Infrastructure, Technology and Innovation. Funding for the Schools ITI Fund would: (a) Fund school consolidations, freeing up savings for teacher quality, reducing concentration of poverty and improving student performance; (b) Double funding for capital maintenance and building repair, eliminating deferred maintenance; (c) Absorb the current cost of debt service funded through the General Fund."

Hamilton County School Actions:

- The district and/or school board does not have the authority to levy taxes or issue bonds. However, the county commission allocated \$110 million toward capital improvement in the district in November 2017. In addition, the district allocated \$15 million from fund balance to support capital projects. A total of \$125 million has been designated to new capital projects since the budget working group's initial recommendations.
- The district has leveraged its assigned fund balance, natural revenue growth, and retirement incentive savings to help fund 1:1 technology initiatives in all middle schools this year and plans to expand to all high schools in 2019-2020. Nearly 20,000 new student devices have been purchased in FY 18 and FY 19 for 1:1 technology in middle school, high schools, and Future Ready Institutes.
- The district also plans to leverage unassigned fund balance to jumpstart capital maintenance projects and address deferred maintenance backlog as part of FY 20 budget proposal.

As you can see, in the 23 months since the budget working group released its recommendations, we have utilized all the resources at our disposal to help our students, teachers, faculty, and staff excel.

The district has celebrated 17 state Reward Schools, 25 state Level 5 growth schools, 17 digital fabrication labs (making Hamilton County Schools a national leader), 10 merit finalists, and 53 National Board Certified teachers. Hamilton County families have more than 40 school choice options, including 27 Future Ready Institutes and 15 unique magnet schools,



and the district has the highest graduation rate at 86.5 percent since the method for calculating the rate was adjusted in 2013.

While these successes are important and must be celebrated, much more work remains for our children to be successful and for our community to prosper.

As we have traveled the district in recent months to hold listening sessions in each of our district's learning communities, we have heard common challenges that require bold solutions.

The district and school board will soon begin in earnest a much-needed conversation about the path forward. We value your input and look forward to continuing to work with you and members of our community to make Hamilton County Schools the fastest improving school district in Tennessee and realize the great promise this school district possesses. Our children deserve no less.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryan Johnson".

Dr. Bryan Johnson
Superintendent
Hamilton County Schools

A handwritten signature in black ink, appearing to read "Joe Wingate".

Joe Wingate
School Board, Chairman
Hamilton County Schools

