

## Why is the budget being revised?

Using projections from Knox County and the State of Tennessee, the Board of Education approved a \$717 million operating budget for FY27 in April 2026. Recent reductions at both the state and local level have resulted in a nearly **\$7.8 million shortfall** compared to the originally approved budget.

### LOCAL REVENUE REDUCTIONS

On June 15, County Commission voted to redirect two pennies in county property taxes (approximately **\$4 million**) away from Knox County Schools—reducing the district’s operating budget from \$717 million to \$713 million.

### STATE REVENUE REDUCTIONS

The State of Tennessee does not finalize TISA allocations until June. Final allotments from the state reduced KCS’s TISA allocations by **\$3.8 million** compared to the amount in the approved budget. Reductions were due to the state’s reassessment of local fiscal capacity—the ability of a county to raise funds for education. Based on the state’s spring assessment, Knox County’s fiscal capacity index increased from 7.72% to 7.8%, thereby reducing the state’s contribution.

## SHORTFALL

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**\$4 million**

*in Local Property Taxes*

**\$3.8 million**

*in State TISA Allocations (approximate)*

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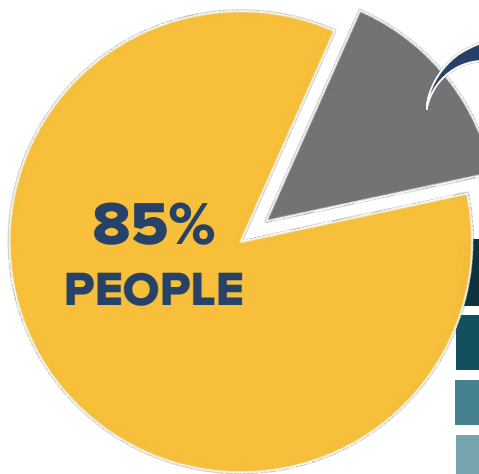
**\$7.8 million**

**TOTAL**

## BUDGET AT A GLANCE

*When it comes to student outcomes, our best strategy is a great educator in every classroom.*

The KCS budget reflects that priority: **approximately 85%** of the FY27 GP Budget is dedicated to people—including salaries and benefits for teachers, administrators, and critical support staff.



The remaining 15% of the GP Budget is largely committed to fixed expenses and other essential operating costs.

Highest Dollar Non-Personnel Costs

Bus contracts .....	24%
Electricity .....	15%
Trustee’s Commission & Retirement .....	10%
Building Repairs & Maintenance.....	4%

## What are reserve funds? Are they a solution?

KCS currently has approximately \$71 million in Fund Balance (or “reserve funds”), which amounts to **just over 1 month of operating expenses**—less than the 2 months recommended by the GFOA (Government Finance Officers Association). These funds are intended to be used in the event of unforeseen emergencies, unexpected disruptions, or one-time expenses. Reserve funds, by nature, are not a sustainable solution to addressing budgetary shortfalls. Using reserves for recurring costs would only delay and compounds the problem by ensuring the district begins the next fiscal year without the necessary operating funds to support recurring costs.

# CLOSING THE GAP

A range of options were considered to close the \$7.8 million shortfall. **Revising a Board-approved budget weeks before the start of a school year is an unprecedented endeavor.** Any solution proposed at this point will have an impact on schools and staff. Considerations that risked fulfillment of the KCS mission or required more time to execute were eliminated as viable options.

**Rejected considerations:** *reducing or eliminating already approved raises (ranging from 2% to 2.5% on the general and certified scales); altering at-risk percentages in school staffing formulas; reducing preschool services; reducing campus security by assigning officers to multiple sites; reducing instructional support positions from schools; eliminating Region 5 extended contracts; reducing KCS benefits coverage for staff; and reducing the planned increase to bus contracts.*

**KCS is therefore recommending a multi-prong approach to close the \$7.8 million shortfall and balance the district's FY27 operating budget.** These recommended revisions distribute reductions across each grade band as well as the district office to mitigate the overall impact on individual schools and classrooms.

## Local Shortfall: \$4 million - KCBOE Revised Budget

**FURLOUGH DISTRICT OFFICE & ADMINISTRATION ..... \$1,280,000**

All staff on a 255- or 260-day contract will be furloughed for 5 days. This includes year-round systemwide employees.

**REDUCE CONTRACT DAYS FOR ELEMENTARY APs ..... \$134,000**

Contract days for Elementary School Assistant Principals will be reduced from 221 to 216.

**ADJUST SECONDARY SCHOOL STAFFING ALLOCATIONS ..... \$2,606,000**

KCS has made an intentional effort to staff schools below state-mandated ratios, and to maintain school staffing formulas year-over-year. To balance the budget, KCS is recommending the following changes to staffing formulas:

- Shifting **Middle School staffing formulas** from a 4x6 staffing model to a 5x7 staffing model. Depending on school schedules, student-to-teacher ratios may increase slightly.
- Increasing **High School student-to-teacher ratios** by 0.5 students per teacher.

To mitigate the impact on schools, teacher reductions will be capped at a *maximum of one teacher per school*. Together, the recommended adjustments will result in a reduction of 29 teaching positions across the district (16 middle school, 13 high school). *The KCS Human Resources Department will work directly with any impacted staff to place them in available vacancies to the extent possible.*

## State Shortfall: \$3.8 million - District Adjustments

The district will need to further adjust spending to address the \$3.8 million shortfall in the state's final TISA allocations. These adjustments will include a **one-year moratorium on device replacements for students and staff** in addition to leveraging:

- higher-than-expected sales tax projections;
- unspent summer learning dollars; and
- a one-time fund balance designation for maintenance vehicles.

KCS will bring a final update to the Board, including any additional action (fund balance designation, etc.) needed in August.