

Attachment A
Memorandum

Date: April 24, 2018
To: Bob Thomas, Superintendent
From: Gary Spencer, Executive Director, Finance
Subject: Update to General Purpose Fund Revenue Forecast for Fiscal Year 2019

Since the revenue forecast of \$483,300,000 dated April 4, 2018, the following have occurred—

Property Taxes

On April 19, 2018, Knox County Finance informed us that their latest analysis of projected property tax collections could only support a Fiscal Year 2019 forecast of \$99,760,000 for the Schools General Purpose Fund. This is \$516,000 lower than the \$100,276,000 included in the April 4 forecast.

Sales Tax – Telecomm

At the same time, Knox County Finance informed us that “Sales Tax – Telecomm” is going away for Fiscal Year 2019, which is another \$40,000 reduction.

Other Sources – Miscellaneous Items

We increased this line item by \$47,000 to include a \$27,000 forecast for “Sales of Excess Solar Power” which has not been included in previous years and an additional \$20,000 in interest earned from the Trustee’s investments due to our efforts to reduce idle cash balances for payroll.

Tennessee Basic Education Program (BEP) Allocation

Late on April 20, 2018, Maryanne Durski, Executive Director, Office of Local Finance, Tennessee Department of Education, emailed the state’s first Fiscal Year 2019 BEP estimate for Knox County. As we have noted many times in the past, this is the first monthly estimate, and there will be three more leading up to a final allocation in mid-July. During this three-month long process, as Ms. Durski points out in her covering memo, the estimate is subject to change. In any case, the Department of Education’s April estimate of Fiscal Year 2019 state BEP funding for Knox County is \$219,036,000, which is \$1,916,000 (or 0.9%) higher than the \$217,120,000 included in the April 4 forecast.

The principal source for the higher revenues over what we projected on April 4 derives from a fiscal capacity index for Knox County of 8.043% in this first Fiscal Year 2019 estimate. The 2019 index is 0.06% points lower than the 8.105% index the state used to make the final Fiscal Year 2018 allocation to Knox County. A lower index means that the the state share percentage of the full funding calculation in each of the BEP component areas will be higher for Fiscal Year 2019. For example, in the April estimate, the state share percentages for the “Instructional” and “Classroom” components increased by around 0.49% points. The determination of the fiscal capacity index is based on local taxing capacity for each county in the state, and we have no way of estimating changes in the Knox County index. Consequently, in our Fiscal Year 2019 forecast, we used state share percentages found in the final Fiscal Year 2018 allocation.

If we had known these higher state share percentages, our forecast would have been \$2.3 million higher.

Additionally, the BEP funding for “At Risk” and student transportation are derived from what I would call “black box” systems that the state maintains using data from all school districts in the state. We have no way of replicating these calculations locally. Consequently, in our Fiscal Year 2019 forecast, we included, for these two line items, the corresponding amounts from the final Fiscal Year 2018 allocation without adjustment. Comparing the April Fiscal Year 2019 BEP estimate to the final Fiscal Year 2018 allocation shows a \$517,000 reduction in “At Risk” funding and an increase of \$289,000 for student transportation.

We have also just learned that the CTE enrollment numbers we downloaded from the state’s Education Information System (EIS) and used in our forecasting model were inflated due to a “programming issue” in the state’s EIS. This caused a 700 student overstatement in the CTE enrollment numbers that we used in our forecast, an over estimate of 11 teaching positions, and a net \$405,000 overstatement in our forecasted number.

The remaining \$192,000 difference in our forecast and this first estimate is made up of a large number of small differences between the two.

Summary

The net impact of these updates is an increase of \$1,407,000 in the total revenue forecast for Fiscal Year 2019.

Historically, we have seen these types of issues between the date of the initial forecast and the final BEP allocation in mid-July. We will continue to keep you informed.