

Best Practices in School Budgeting and Smarter School Spending



Government Finance Officers Association

April 15, 2016



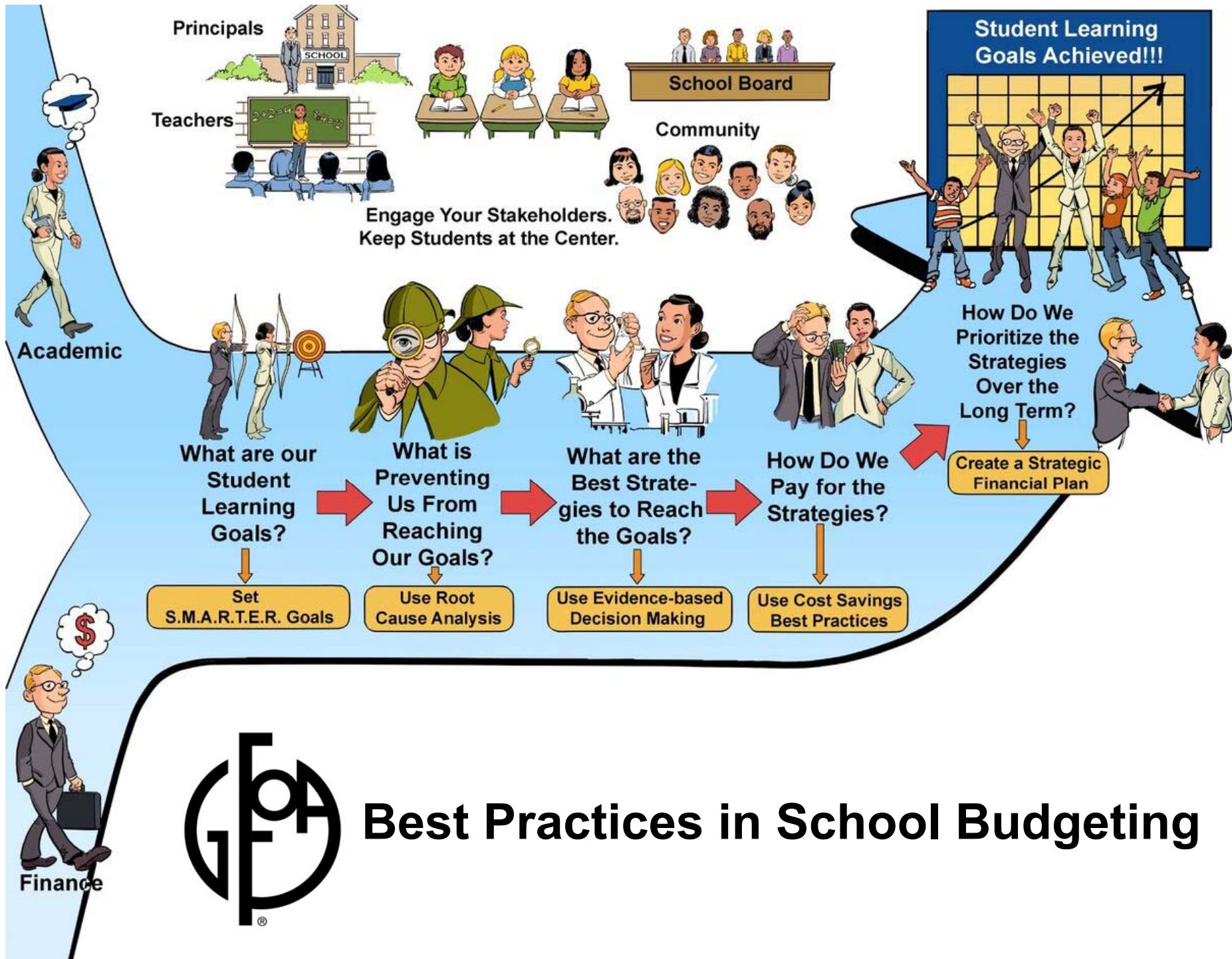
Current Budget Process

- **“Traditional” Budget Model**
 - Limited resources drive spending plan
 - More reactionary than pro-active
 - Incremental budgeting
- Budget process needs better alignment with student achievement
 - Some efforts have been made
 - May not be sustainable



Proposed New Process

- **Best Practices in School Budgeting and Smarter School Spending**
 - Pro-active and modernized approach
 - Budget driven by district's strategic plan and focusing on student achievement rather than limited resources
 - Credibility
 - Continuous improvement principles
 - Strategic Finance Plan





What the Best Practices are Not

- Not meant as an outright replacement of your existing budget process
- Framework to integrate current efforts to help move the bar forward



Project Development

- **Best Practices in School Budgeting** developed by GFOA in conjunction with the Smarter School Spending website with input of several districts and other experts
- **Smarter School Spending** developed in partnership with four districts working closely with consultants on their budget process (<http://smarterschoolspending.org/>)
- **Award for Best Practices in School Budgeting** is a new GFOA budget award based on the Best Practices in School Budgeting
- **Alliance for Excellence in School Budgeting** is an early adopter group of 35 districts formed by GFOA to aide in implementing the new Best Practices



Smarter School Spending

- Smarter School Spending (SSS) website was developed in conjunction with the Best Practices in School Budgeting
- SSS contains free information, tools, and an on-line forum
- In process of re-design to enhance search feature and improve user interface
- www.smarterschoolspending.org

Smarter School **SPENDING** FOR STUDENT SUCCESS

Free processes and tools that help districts use their resources to improve student achievement

SHARE

Search...

SIGN IN | REGISTER

GET STARTED FIND RESOURCES JOIN THE COMMUNITY LEARN MORE

GET STARTED

- Plan and Prepare
- Set Instructional Priorities
- Pay for Priorities
- 8. Identify Top Savings Options**
- 7. Analyze Top Savings Options

6. IDENTIFY TOP SAVINGS OPTIONS

In this step, your district will screen the many possible opportunities for shifting funds toward your strategic priorities to develop a shorter list worthy of deeper analysis. Throughout this step and the next ([Analyze Top Savings Options](#)), your district will move through an activity of screening opportunities for the most viable ones, sizing them to determine their potential savings, fully investigating the top options, and finally, taking action to achieve savings.

[Guide to Identifying Cost-Savings Options](#) [Learn More >](#) [DOWNLOAD](#)

What are the milestones?

Your district has read about the highest-impact resource reallocation strategies and reviewed a fuller list of resource reallocation opportunities to understand the breadth of possibilities.


Key resources

- [Spending Money Wisely: Getting the Most from School District Budgets](#) [Learn More >](#) [DOWNLOAD](#)
- [List of Cost Savings](#) [More guidance here >](#)

Example of SSS Resources

SPENDING MONEY WISELY

GETTING THE MOST FROM SCHOOL DISTRICT BUDGETS



by Nathan Levenson, Karla Baehr, James C. Smith, Claire Sullivan

DISTRICT MANAGEMENT COUNCIL®

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Screening and Sizing (6) - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View Add-Ins

Clipboard Font Alignment Number Styles Cells Editing

R18

SCREENING TOOL

Can the district address mild special needs differently?

Some students with mild-to-moderate disabilities require targeted special education services provided through Individualized Education Plans (IEPs). However, which students have been found eligible for IEPs can vary widely from school-to-school due to unclear or inconsistent eligibility criteria. Furthermore, in some cases, students who are referred for special education may not have been referred if they had had access to high-quality early intervention support. Some districts that have addressed mild special needs differently have ensured that only students who meet clear, rigorous, and consistently-applied criteria receive special education services, while all students have access to effective early intervention support, as needed, through general education. Since special education services are generally more costly than general education services, some districts may have an opportunity to shift some special education funds toward other district priorities while providing more effective services.

Instructions: Answer the questions below about the district. For each one, there is a drop-down menu in the gray-shaded cell to its right. Please select the score that corresponds to the points for your answer choice. The scores will automatically sum at the bottom to give your total points.

Question	Answers	Points	Score
1. Has the percent of students with IEPs increased in the past ten years?	Yes, by 2% points or more Yes, by less than 2% points No Do not know	50 20 0 50	
2. Is the district's identification rate for special education higher than the state average?	Yes No Do not know	30 0 30	
3. Are IEP eligibility criteria consistently applied from school-to-school and/or practitioner-to-practitioner (i.e. would a student found eligible in one school be found eligible in another school)?	Almost always Often Sometimes Rarely, if ever Do not know	0 20 40 60 60	
4. For students with IEPs transferring into the district, to what extent are IEPs reviewed centrally for alignment to the district's service	Almost always Often Sometimes	0 10 20	

Introduction Instructions A. Opportunities List B. Screening Tools Introduction B1. Transportation B2. Energy B3. Maintenance B4. Custodial B5. Food services B6. IT B7. Mild special needs B8. Paras

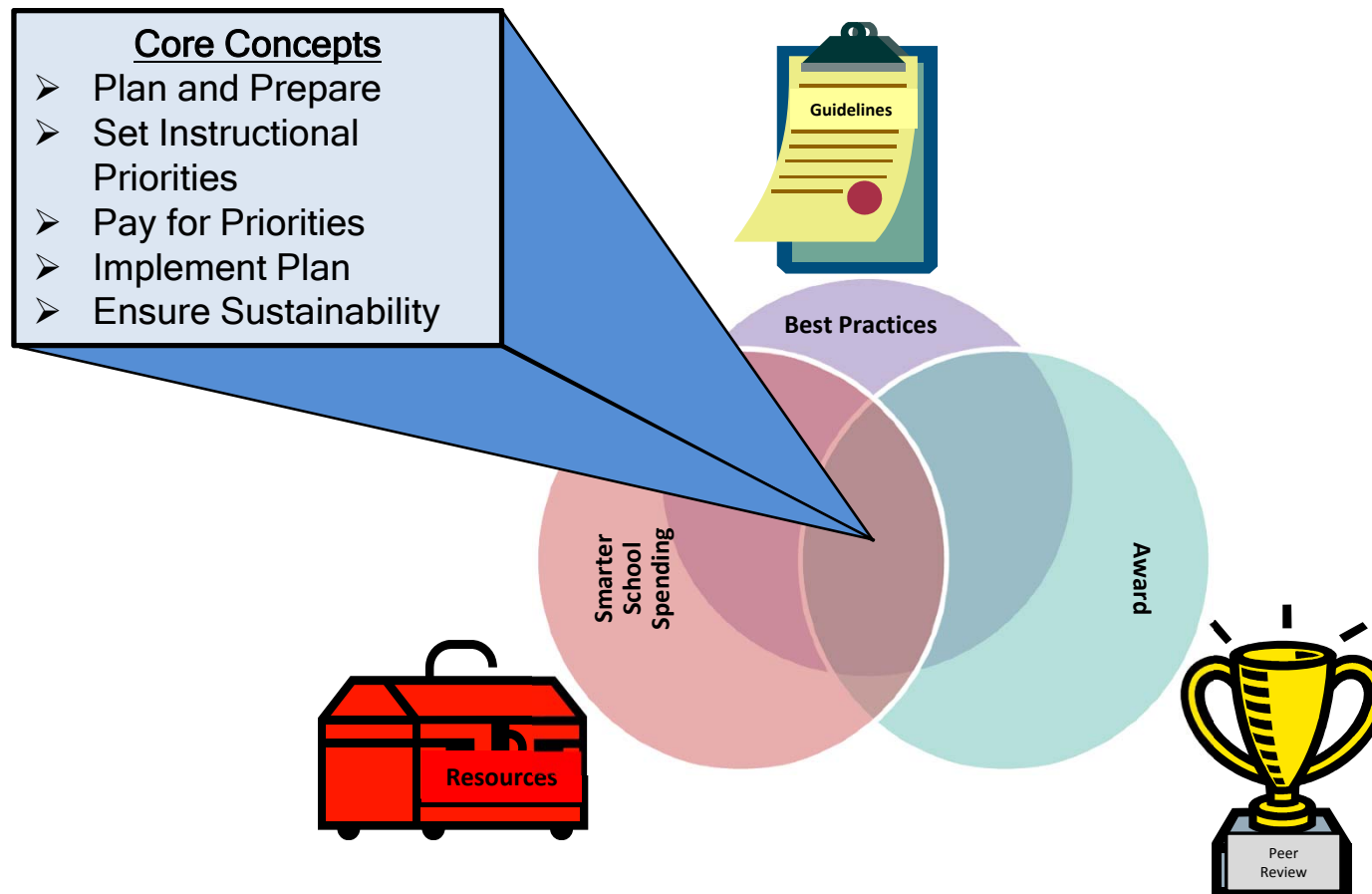
Ready

Start

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How are they related?





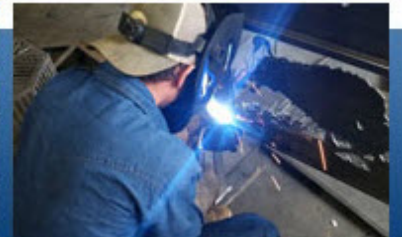
Alliance Members

AZ	Amphitheater Public Schools	NJ	Elizabeth Public Schools
CA	Hayward Unified School District	NY	Rochester City School District
	Pomona Unified School District	OH	Bexley City School District
	Santa Ana Unified School District		Columbus City Schools
	Tracy Unified School District		Dayton City School District
CO	Boulder Valley School District	OR	Beaverton School District
	Moffat County School District		North Bend School District
FL	Lake County Schools		Portland Public Schools (OR)
	Miami-Dade County Public Schools		Tigard-Tualatin School District
GA	Fulton County School System		Willamette Education Service District
IL	St. Charles Community Unit School District 303	PA	Upper Moreland School District
IA	Des Moines Public Schools	TX	DeSoto Independent School District
KY	Fayette County Public Schools		Wylie Independent School District
LA	DeSoto Parish School System	VA	Goochland County Public Schools
MD	Howard County Public School System		Hanover County Public Schools
MI	St. Johns Public Schools	WA	Bellevue School District
	Traverse City Area Public Schools	WI	School District of Fort Atkinson
NE	Beatrice Public Schools		



Bond Ratings Up

- DeSoto Parish School Board, Louisiana
- Budget transformed from not just a financial and legal document to mission-based, living plan to maximize student learning gains
- Quality of budget conversation is up
- Bond rating also up, thanks in part to new budgeting method





'It's a Beautiful Thing'

- Wylie Independent School District, Texas
- Entire leadership team developed a budget aligned with district goals
 - Board far more engaged
 - Resources used strategically
- Wylie has made the greatest gains in test scores in Texas last two years





Realignment of Resources

- Beaverton School District, Oregon
 - Below average graduation rates
 - Persistent achievement gap
- Coming back from the Great Recession, pressure to restore what had been cut
- Instead focused on limited set of interventions
- Results
 - 4-year graduation rates now at an all-time high
 - Highest growth in test scores in the state
 - Highest community satisfaction scores since 2005





Early Wins

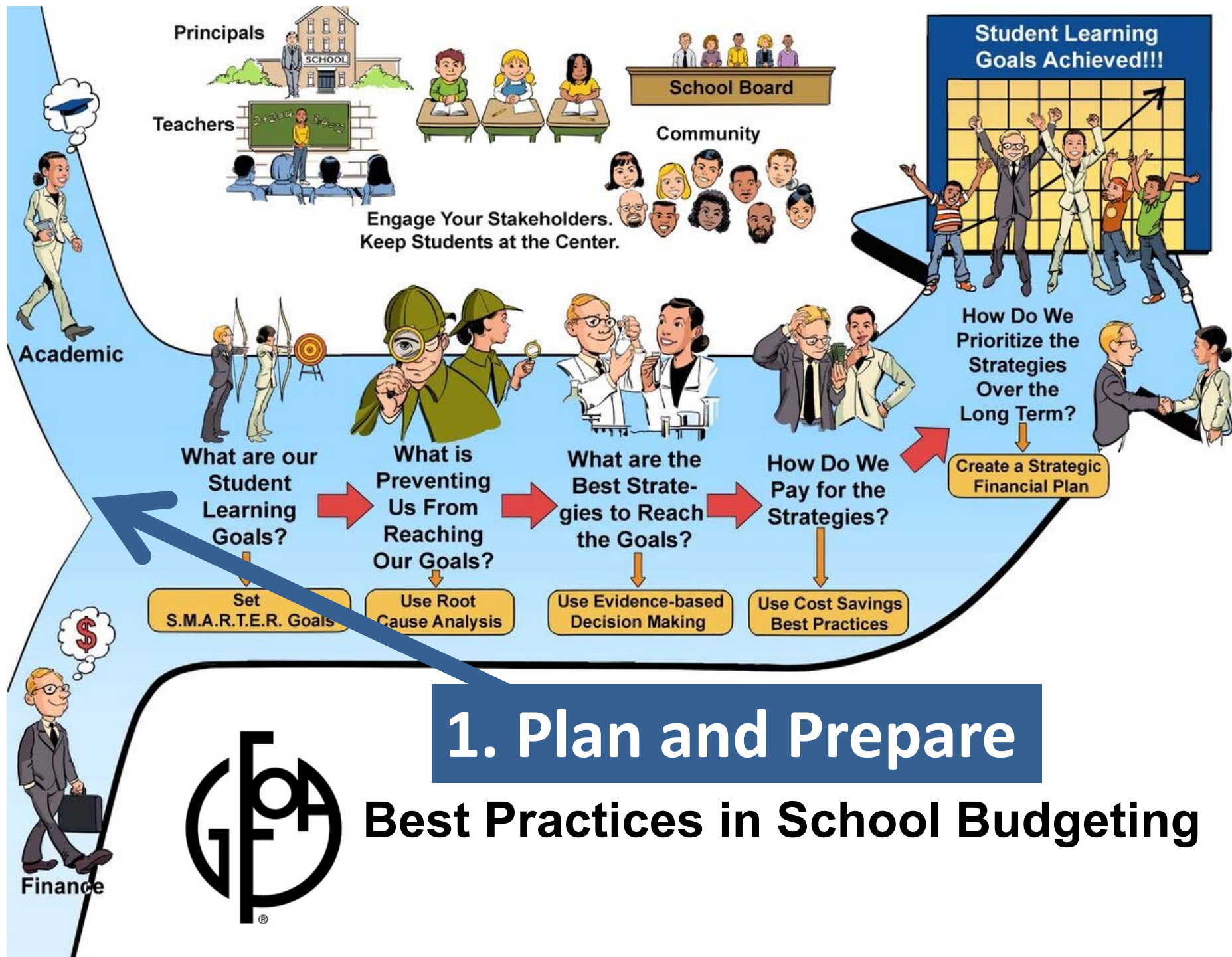
- Beatrice Public Schools, Nebraska
- Newer to project, joined last summer
- But still have early wins:
 - View budget and budget process differently now – group project, not in isolation
 - Examine budget together as whole as opposed to each piece of the pie
 - Board expressed interest and buy-in
 - Administration team feels more included
 - Solid strategic plan - ready to develop a strategic financial plan





Best Practices in School Budgeting

- Focus on 5 major areas:
 1. Plan and Prepare
 2. Set Instructional Priorities
 3. Pay for Priorities
 4. Implement Plan
 5. Ensure Sustainability





1. Plan and Prepare

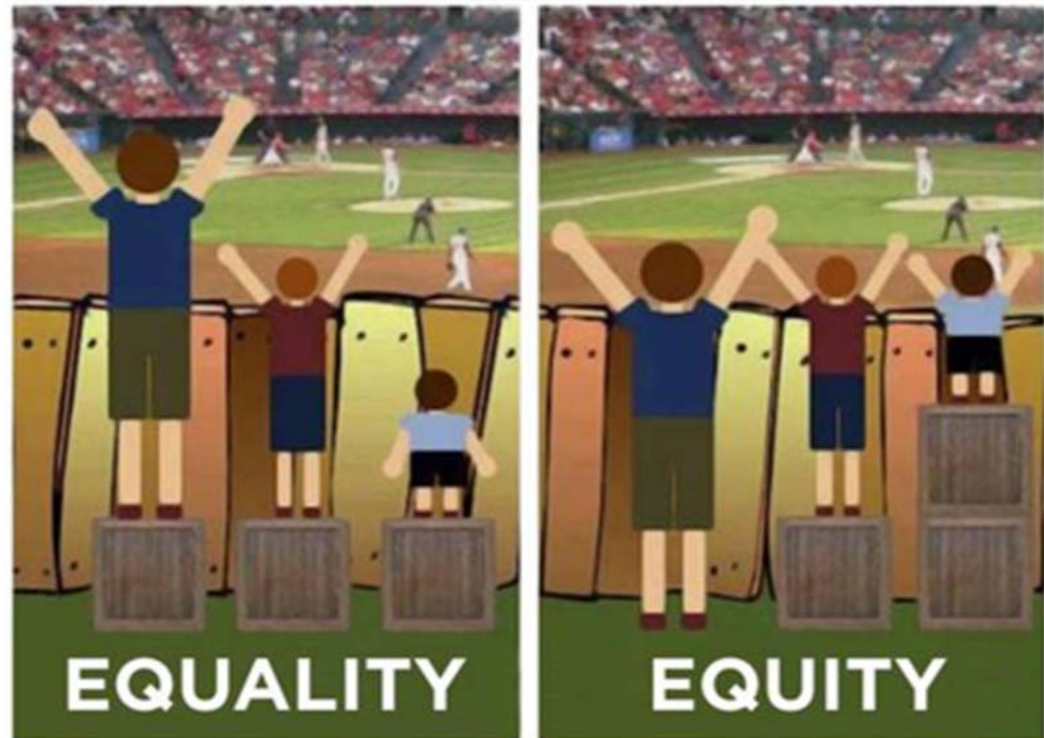
- A. Develop Principles and Policies to Guide the Budget Process
- B. Establish a Partnership between the Finance and Instructional Leaders
- C. Analyze Current Levels of Student Learning
- D. Identify Communications Strategy



Develop Principles and Policies to Guide the Budget Process

■ Principles

- Focus on Students
- Data
- Long-Term
- Transparency





Develop Principles and Policies to Guide the Budget Process

- Policies:
 - **General Fund Reserve**
 - **Definition of a Balanced Budget**
 - Financial Emergency Policy - School
 - Long-Term Forecasting
 - Asset Maintenance & Replacement
 - Budgeting and Management of Categorical Funds
 - Budgeting for Staff Compensation
 - Program Review and Sunset/Alternative Service Delivery
 - Year-End Savings
 - Funding New Programs



General Fund Reserve Policy

- Minimum amount of funds it will hold in reserve
- Form and timing of a periodic review and also a report of reserve levels to the Board
- Authority and conditions for use of the reserves
- Replenishment of the reserves should they fall below the minimum levels
- Disposition of excess reserves



Balanced Budget Policy

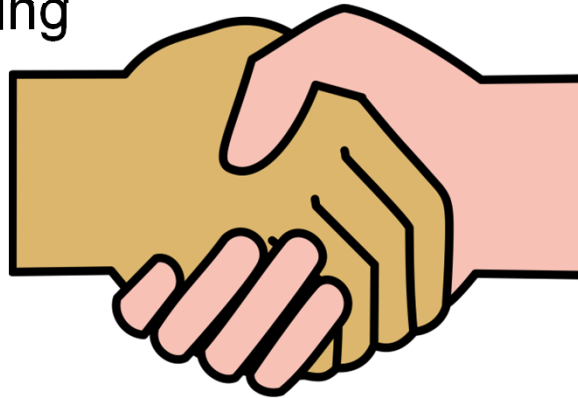
- Establish the definition of a 'balanced budget' as being structurally balanced when recurring revenues equal or exceed recurring expenditures
- Include parameters for achieving and maintaining structural balance
- Establish the policy for all operating funds
- Define recurring versus non-recurring revenues and expenditures



Establish a Partnership between the Finance and Instructional Leaders

■ Collaboration

- Collaboration between the Instructional and Financial leadership of a district is key to the Best Practices in School Budgeting



- Aligning the district's scarce resources to programs that have the greatest impact cannot be effectively or efficiently done with the district working in silos...



Analyze Current Levels of Student Learning

- **Collecting Performance Data**
 - Develop a well-rounded perspective on student performance
 - Ensure data is:
 - Relevant
 - Consistent
 - Can be disaggregated
- **Measuring Student Performance**
 - Comparison against a standard of proficiency
 - Relative improvement
 - Changes over multiple years



The Data Culture

- Foster a climate and culture of trust for effective use of data – be transparent about how data will be used to help promote this – throughout the district
- Gather data using the guidelines of relevancy, consistency and can be disaggregated
- Focus on data needs going forward - not wasting too much energy on pulling historical data



High Level Data Example

- Beaverton School District's College and Career Ready to help frame district's progress in key area

College and Career Ready: Are students completing high school ready for college or career?										
	9th graders of 2008-09	Traditionally Underserved#	9th graders of 2009-10	Traditionally Underserved#	9th graders of 2010-11	Traditionally Underserved#	9th graders of 2011-12	Traditionally Underserved#	9th graders of 2014-15**	Traditionally Underserved#
4-Year Graduation Rate	77.5%	64.3%	77.2%	64.2%	80%	68%	80%	68%	85%	75%
5-Year Completion Rate	86.1%	77.5%	89%	84%	89%	81%	91%	85%	96%	94%
Completing 3+ More College Courses			49.8%	33.7%			52%	36%	55%	40%
Post-Secondary Enrollment	72.4%	60.2%	75%	62%	75%	64%	77%	66%	81%	73%
Progression: Are students making sufficient progress toward college and career Assessment?										
	All 2011-12	Traditionally Underserved#	All 2012-13	Traditionally Underserved#	All 2013-14*	Traditionally Underserved#	Goal for All 2014-15	Traditionally Underserved#	4-Year Goal (2017-18)**	Traditionally Underserved#
Kinder Assessment Participation					97.3%	96.5%	95%	95%		
3rd Grade Reading Proficiency	79.9%	66.3%	74.5%	59.7%	75.7%	61.8%	85%	75%		
5th Grade Math Proficiency	74.6%	58.9%	70.4%	55.2%	72.2%	55.3%	82%	70%		
6th Grade Not Chronically Absent	89.6%	85.3%	92.2%	88.7%	91.0%	87.4%	92%	89%	94%	92%
8th Grade Math Proficiency	78.5%	63.6%	73.1%	56.8%	75.6%	58.4%	84%	74%		
9th Grade Credits Earned	80%	66%	77.8%	63.7%	79.5%	65.5%	85%	75%	89%	82%
9th Grade Not Chronically Absent	83.0%	75.0%	86.1%	79.1%	88.9%	83.1%	88%	82%	91%	87%



Identify Communications Strategy

- Communication Strategy Components:
 - Process overview
 - Explanation of decisions
 - Stakeholder engagement
- Implement Communication Strategy
 - Identify the messengers
 - Identify target audience and tailor messages
 - Select communication channels
 - Gather feedback and adjust



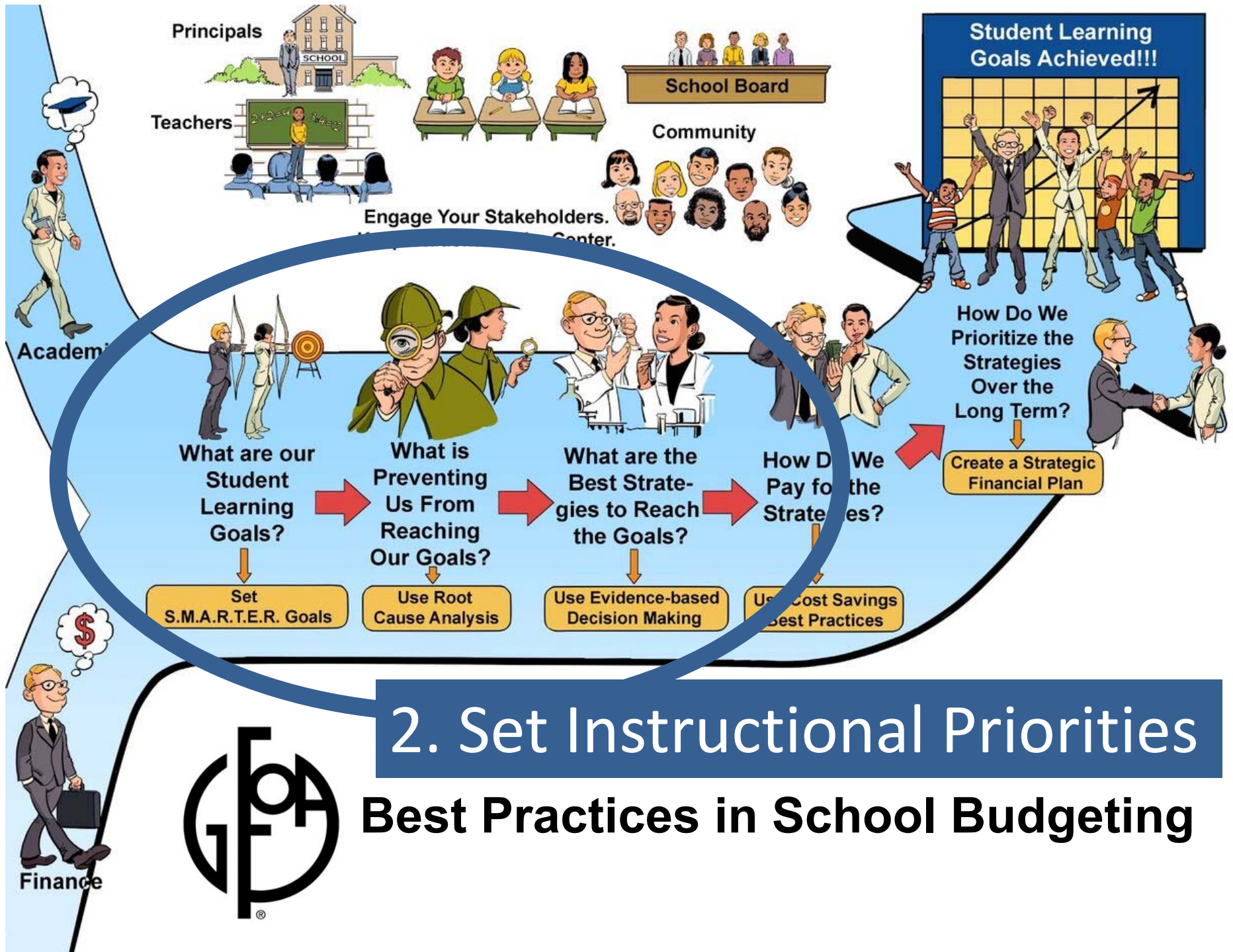
Develop an Elevator Speech

- Develop an Elevator Speech
- 'Made to Stick' framework from Dan Heath and Chip Heath's book
- SUCCESS
 - Simplicity
 - Unexpectedness
 - Concreteness
 - Credibility
 - Emotions
 - Stores
- Keep in mind – Why? How? What?



Example from Alliance Member's Budget Staff

- “We will never have all the funding we need and we are not delivering the outcomes for our students that they deserve. So it’s important that our budget process helps us to spend money in ways that have the largest impact for our students. We are adopting a national best practices framework that will make it possible for us to improve in three ways: we will increase the voice of educators in the budget development; we will be able to network with other districts; we will make greater use of data and review of outcomes. We will develop a budget that reflects what our community needs and wants.”





2. Set Instructional Priorities

- A. Develop Goals
- B. Identify Root Cause of Gap between Goal and Current State
- C. Research and Develop Potential Instructional Priorities
- D. Evaluate Choices between Instructional Priorities



Develop Goals

- **SMARTER Framework:**
 - **Specific** - precise outcome or result
 - **Measureable** - verifiable, ideally quantifiable
 - **Achievable** - grounded in reality
 - **Relevant** - focused on student achievement
 - **Time-bound** - short and long-term objectives
 - **Exciting** - reach for ambitious improvement
 - **Resourced** - finances aligned with goals



Example: Lake County Schools, Florida

Major Goal: Immediate Investment in Struggling Students

Specific - Adds Precision
to the Major Goal

Sub-Goal: ELL Students. Fund programs aimed at closing the achievement gap of English Language Learner (ELL) students

Relevant – says why this
goal matters

What is the need? LCS spends less on ELL students than comparison districts. The LCS ELL population is growing steadily as the student achievement rates continue to be low



Example: Lake County Schools, Florida

What will the District do?

- Determine programming options
- Compare options by potential A-ROI
- Select highest return option(s)

Achievable
Clear path
laid out

Resourced – Est. cost for
budget

What will it cost?

Year 1	Year 2	Year 3
\$1.9 million	\$2 million	\$2 million

Measureable,
Time-bound,
& Exciting

What gains does the district expect?

Measure	Proj. '15	Act. '15	Goal '16	Goal '17	Goal '18	Goal '19
ELL Grad. Rate	70%	57%	70%	80%	90%	95%



Develop Goals

- Additional points to consider:
 - Assess the District's strategic environment
 - Set SMARTER goals for multi-year district-wide improvement
 - Understand baseline performance at the school level
 - Set school site goals



Identify Root Cause of Gap between Goal and Current State

- Rationale for Root Cause Analysis
 - Move beyond addressing symptom level solutions
 - Find underlying true cause of issue
 - Results may be surprising
 - Process should involve different perspectives
 - not only to assist analysis - but also develop a broad base of support to implement solutions



5 Whys Overview

- Technique to question why a certain condition occurs
- Continue to question why each underlying condition given as an answer to the preceding “why?” occurs until the questioning reaches a point where there is no other underlying condition left
- This is the point at which the root cause has (hopefully) been discovered

Example: 5 Whys

PROBLEM: Lower-than-expected performance on a reading program

1. Why? Teachers weren't using appropriate instructional strategies.

2. Why? Teachers did not receive appropriate professional development.

3. Why? Insufficient pupil-free days to complete all needed training.

4. Why? The days weren't budgeted.

5. Why? The budget didn't identify the full costs of implementing the instructional strategy.

Solution: We need a Plan of Action that shows all the resources necessary to implement the strategy.

3. Why? The teachers received insufficient coaching after the training they did receive.

4. Why? Principal diverted coaches to administrative tasks.

5. Why? Principals are tasked with administrative duties for which they are unsuited, so they require extra help.

Solution: Redistribute responsibilities to other positions, freeing up principal time for instructional leadership.



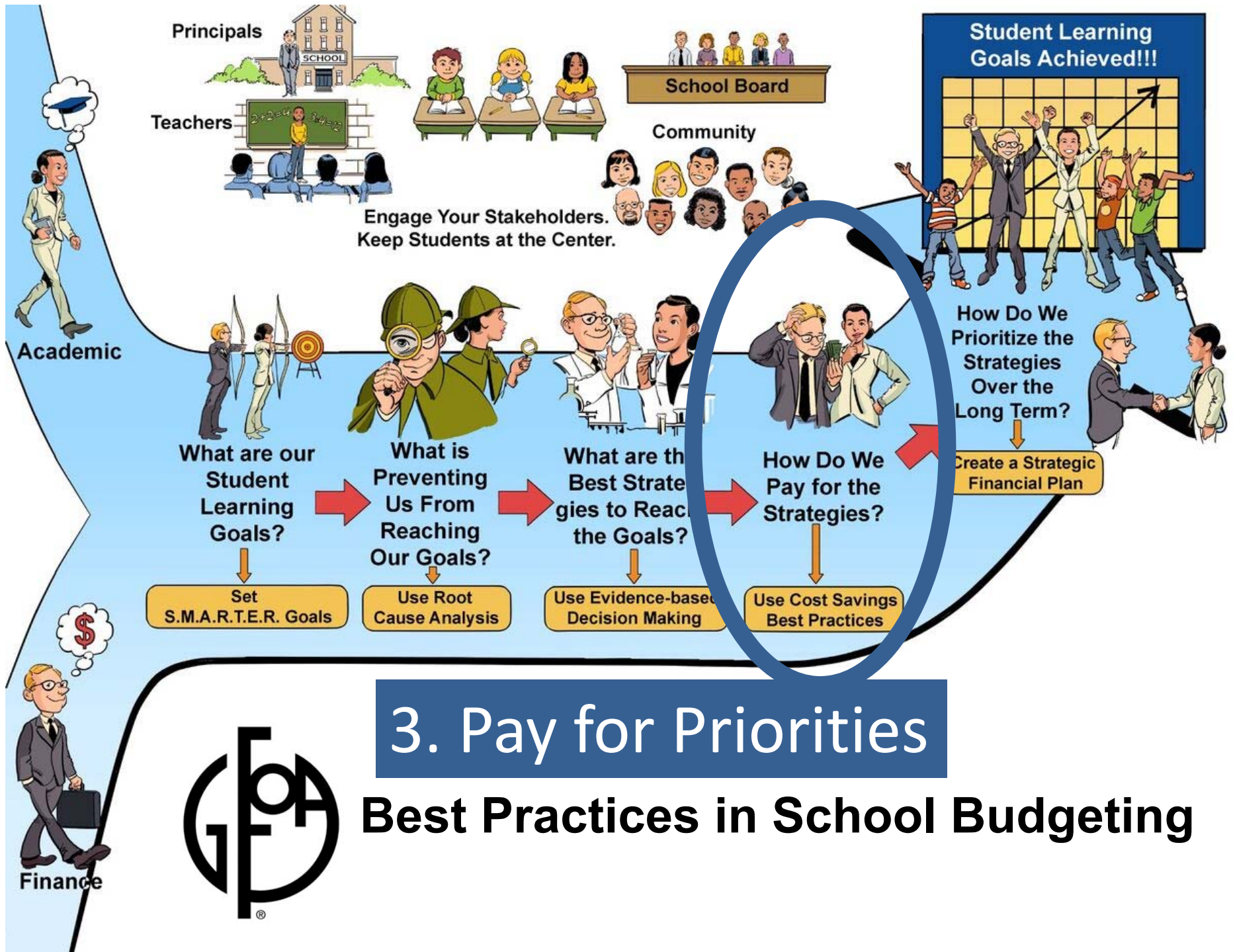
Research & Develop Potential Instructional Priorities

- What is an Instructional Priority?
 - *Strategy for overcoming identified problems and achieving stated goals*
- Research on Proven Effective Practices
- Articulate Instructional Priorities

Evaluate Choices between Instructional Priorities

- Identify the Options
- Describe Options
- Making the Consequences of Choices Concrete
- Public Engagement







3. Pay for Priorities

- A. Applying Cost Analysis to the Budget Process
- B. Evaluate & Prioritize Use of Resources to Enact the Instructional Priorities



Apply Cost Analysis to the Budget

- Staffing Analysis
- Cost of Service Analysis
 - Per unit costs
 - Cost per outcome
 - Relative cost per outcome
 - Academic return on investment (A-ROI)



Staffing Analysis – Points to Consider

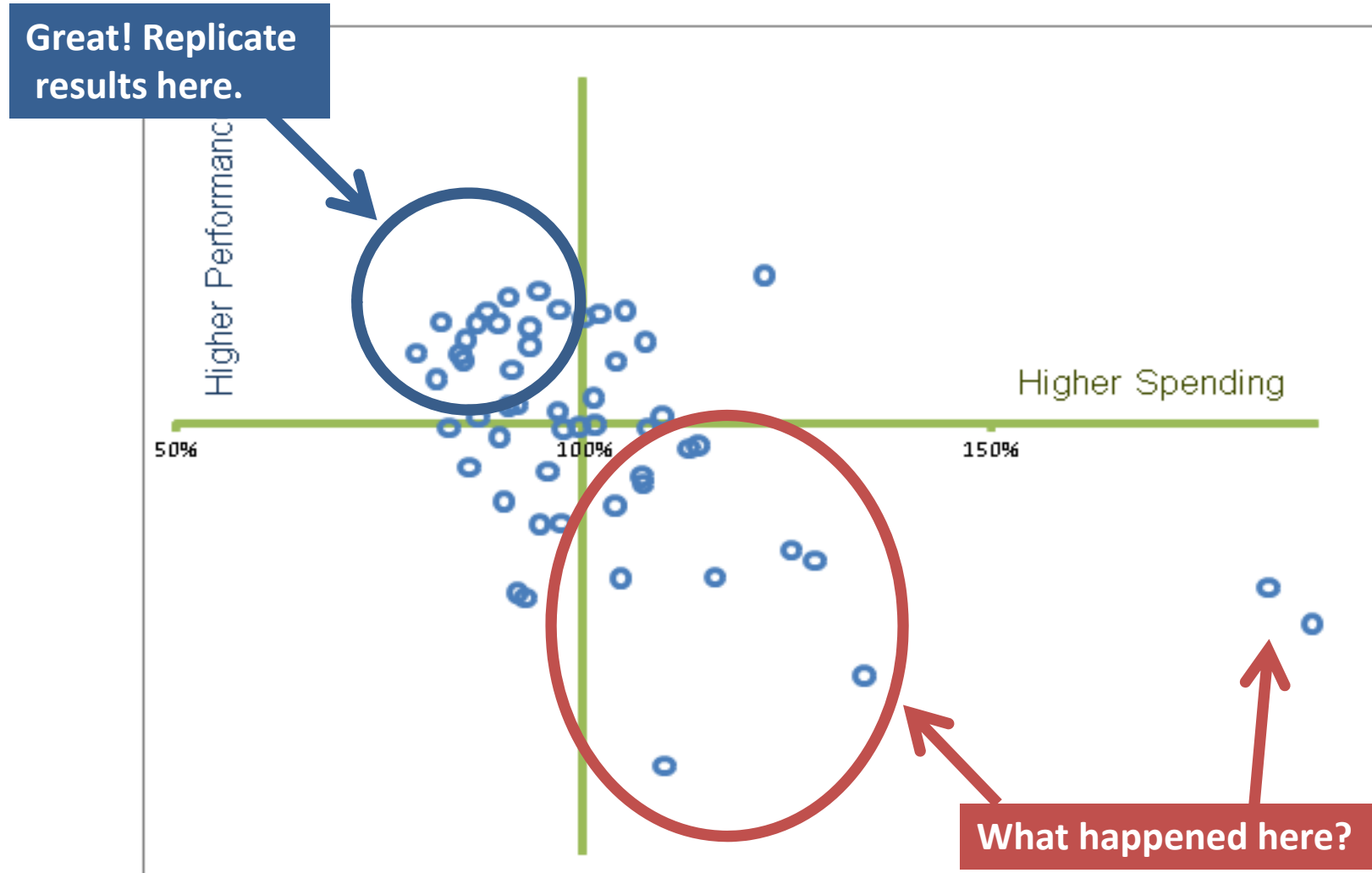
- Analyze staff by school site
- Also group staff by major functions or programs they support
- Additional practices to incorporate into a staffing analysis include:
 - Identify a clear analytical question to be answered
 - Use actual compensation – **not** average compensation
 - Develop a policy on how to account for centralized personnel – staff providing direct services at schools should be in a school's budget
 - Include all staff – not just general operating funded staff
 - Consider analyzing actual time teaching – analyze actual time teachers spend with students



Per Unit Costs

Teacher	Course/activity	Minutes/week	Enroll	Salary & Benefits	Stipend	Salary per activity	Cost per student
#1	Algebra 1, Sec 1	300	28			\$15,000	\$536
	Algebra 1, Sec 2	300	29			\$15,000	\$517
	Algebra 2, Sec 3	300	23	\$75,000	N/A	\$15,000	\$652
	Geometry, Sec 6	300	22			\$15,000	\$682
	Geometry, Sec 7	300	21			\$15,000	\$714
#2	Art, Sec 2	300	18			\$15,000	\$833
	Art, Sec 3	300	16			\$15,000	\$938
	Health, Sec 5	300	29	\$60,000	N/A	\$15,000	\$517
	Health, Sec 6	300	26			\$15,000	\$577
#3	Volley ball, Team 1	270	12			\$6,000	\$500
	Volley ball, Team 2	270	12	N/A	\$12,000	\$6,000	\$500

Relative Cost Per Outcome





Academic Return On Investment (A-ROI)

- Basic formula:

$$\frac{((\text{Learning increase}) \times (\text{Number of students helped}))}{\text{Dollars Spent}}$$



A-ROI Example

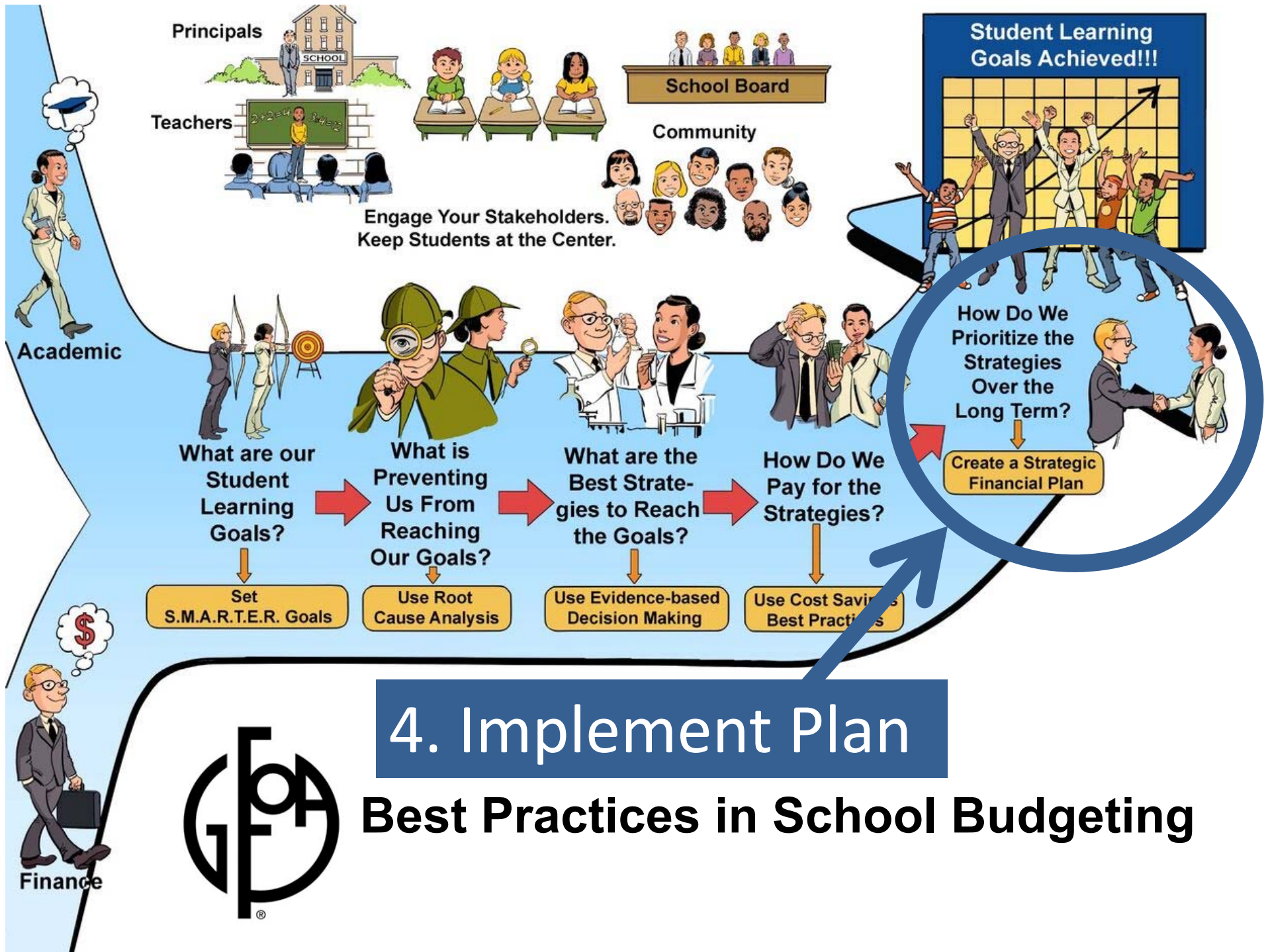
- Basic example showing CTE courses with outcomes in terms of certificate completion

	<u>Architecture</u>	<u>Engineering</u>
Students Enrolled	80	125
Certificates Granted	64	62
% Receiving Certificates	80%	50%
Cost of program:		
Teacher Salary plus Benefits	\$ 75,000	\$ 75,000
Supplies, etc.	\$ 13,000	\$ 25,000
Total	\$ 88,000	\$ 100,000
Cost per child	\$ 1,100.00	\$ 800.00
ARO	0.0007273	0.0006200



Evaluate & Prioritize Expenditures to Enact the Instructional Priorities

- Preparing to Evaluate and Prioritize Expenditures
- Finding Resources to Pay for the Instructional Priorities
- Weighing Trade-Offs
- Overcoming Constraints on Change





4. Implement Plan

- A. Develop a Strategic Financial Plan**
- B. Develop a Plan of Action**
- C. Allocate Resources to Individual School Sites**
- D. Develop Budget Presentation**



Adopt Strategic Financial Plan

- Financial in nature – but needs to provide greater picture
- Goals and strategies of organization inform financial future – not just external factors
- Prepare for future as best as possible – as opposed to react to foreseeable events

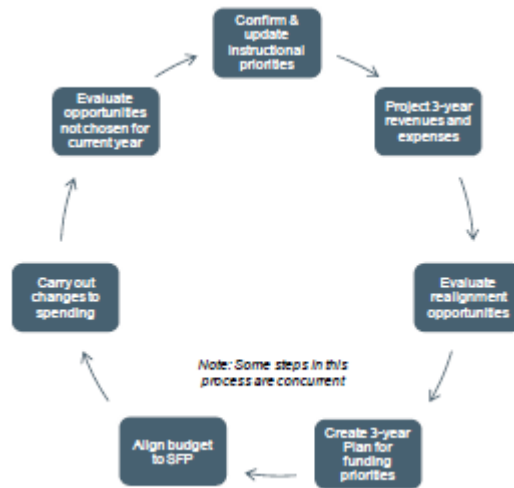
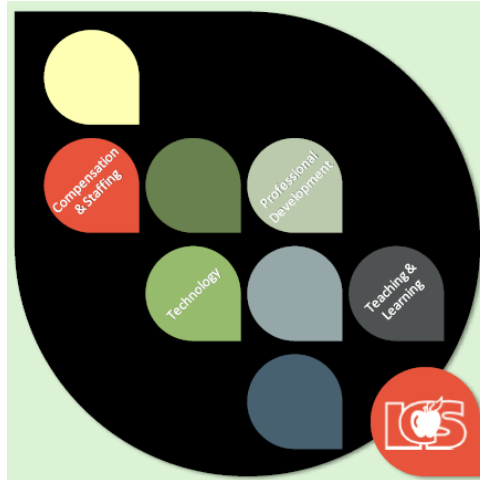


More Details on Strategic Plan

- The following elements should be included in the Strategic Financial Plan, at minimum:
 - Reference to District's Strategic Plan
 - Goals for the District
 - Description of the Instructional Priorities
 - Evaluation criteria for student outcomes
 - Funding of Instructional Priorities
 - Long-term forecasts
 - Analysis of scalability to impact
 - Review trigger



Lake County's Strategic Plan



In order to balance the 2016-2017 budget and fund the instructional priorities, the district will take action to realign approximately \$7.6 million

Realignment Opportunities	
	2016-17
Shift of expenses out of general fund (\$M)	
Capital expenditures	2.5
Realignments within general fund (\$M)	
High school schedule	4.7
Consolidated purchasing	0.6
IDEA funding (non-recurring)	0
Maintenance: lawn care	0
Management discretion	0.5
Transportation	0.3
Administrative salaries	0.4
Athletics transportation	0.1
Clerical	TBD
Guidance Counselors	TBD
Additional Savings	
Self-funding Prof. Development	1.3
Total Savings	10.4

Investment Opportunities	
Area	2016-17
Baseline (\$M)	
Surplus (gap)	(1.3)
IP Costs (\$M)	
Roll forward from previous year	2.5
ELL and Struggling Students & Schools	(1.9)
Investment in People	(1.8)
Teacher Induction & Coaching	(0.4)
Leadership Advancement	(0.2)
Program Evaluation & Innovation	(0.2)
Pers. Learning (Teachers/Leaders)	(1.0)
Pers. Learning (Students)	(1.8)
Total: Priorities only	(7.3)
Addition: HS Testing/Super	(0.5)
Addition: Academic Tutors	(0.8)
Addition: IB Planning	(0.2)
Total including baseline gap	(7.6)

With the 2016-17 balanced budget as described, \$4.0 M in 2017-2018 and \$6.6M in 2018-19 remain as budget gaps to be filled

Options currently being evaluated to fill the future budget deficits:

- School models: Examine magnet school models, Collegiate H.S., School Choice, CTE Academies, etc.
- IDEA efficiencies: Pursue additional reimbursements and evaluate efficiencies of staffing placement; ongoing study needed for any changes, data available supports current status
- District staffing: Examine roles and responsibilities of district-level positions
- Central Office for district staff: Explore costs and efficiencies gained from a centralized location for district departments



Develop a Plan of Action

- Taking the steps to ensure Instructional Priorities are successful
- The following elements should be included in the Plan of Action:
 - Instructional Priorities
 - How the Priorities will be funded
 - Actions intended to implement and fund Priorities
 - Sponsorship structure
 - Sources of evidence that action is occurring
 - Process for review and adjustment



Allocate Resources to Individual School Sites

- Districts, particularly those with multiple schools sites, need to have a clear and transparent method for allocating resources to each school site
- GFOA does not advocate a specific method between staffing ratio and Weighted Student Funding methods, but ensure:
 - Use of current enrollment
 - Supported by solid rationale
 - Transparent



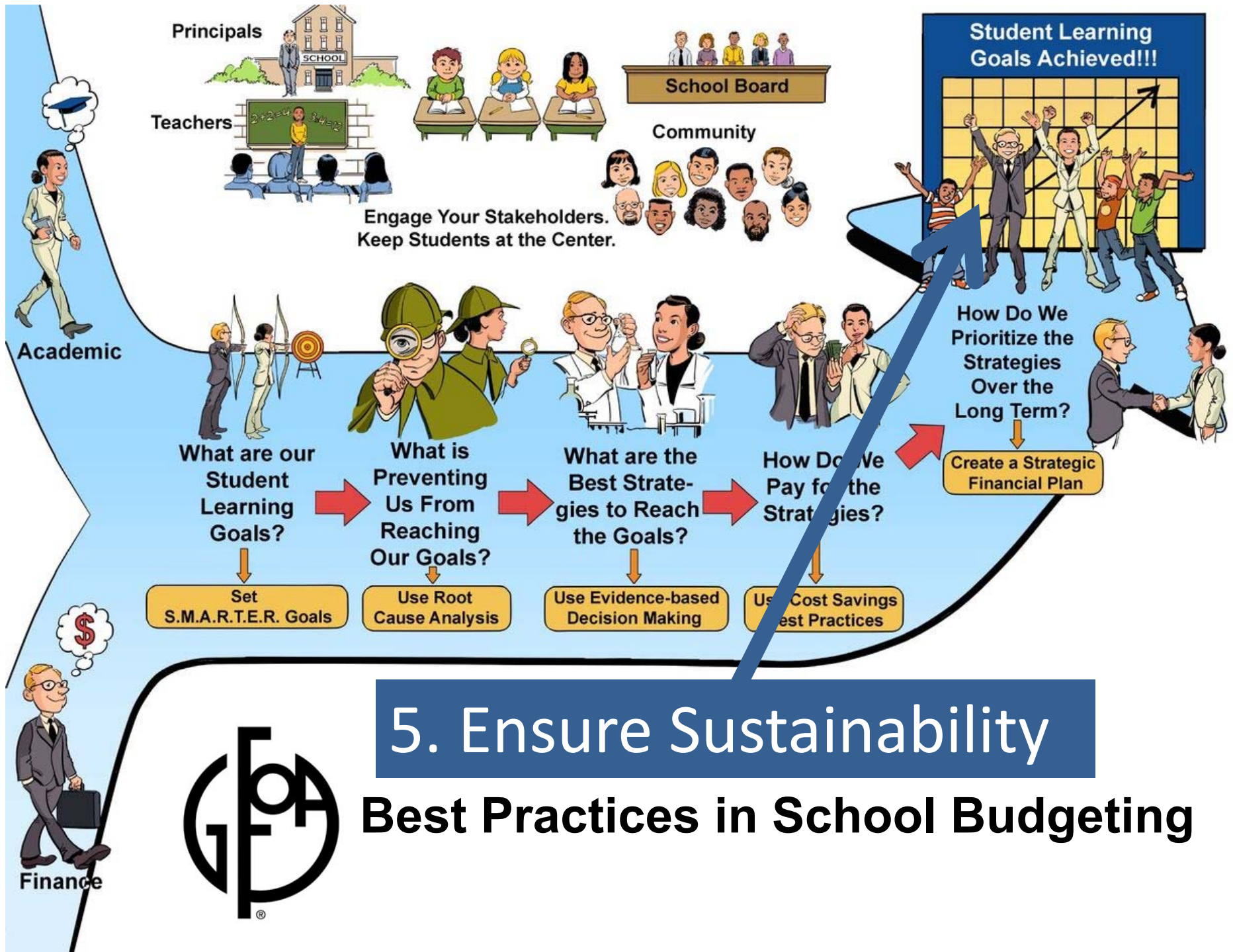
Develop Budget Presentation

- Fundamental Organization of the Budget:
 - The Challenges
 - Goals – remember SMARTER framework
 - Strategies and programs
 - Financial Plan
 - Risks to long-range financial sustainability
- Telling the district's story
- Use as a communication device



Budget Presentation – Other Areas to Include

- Long-Range Financial Sustainability:
 - Long-range enrollment projections
 - Long-range financial projections
 - Risk analysis
- Additional Special Issues/Considerations:
 - Include all funds
 - Demonstrate transparency in spending
 - Use true program accounting judiciously
 - **Provide context**





5. Ensure Sustainability

- A. Put the Strategies into Practice and Evaluate Results
- Monitor Strategy Implementation
 - Evaluate Interim Results throughout the Year



Possible Next Steps

- GFOA is recruiting for the second iteration of the **Alliance for Excellence in School Budgeting** in implementing the Best Practices in School Budgeting
 - Kick off mid 2016
 - Benefits of participating in the 'Early Adopter' group include:
 - Hands on meetings
 - Access to 'eLearning' modules on each of Best Practices in School Budgeting
 - If interested, apply at: <http://www.gfoa.org/alliance-excellence-school-budgeting>
- Upcoming 2 day trainings available week of July 18th in Columbus, OH





More about the GFOA

- 18,000 member non-profit organization serving state and local financial professionals across the US and Canada
- Provide best practices and guidelines on a broad array of financial related topics, including:
 - Accounting & Financial Reporting
 - Budgeting & Financial Planning
 - Debt Management
 - Financial Management
 - Pension & Benefit Administration
 - Technology
 - Treasury Management
- Also, provide consulting services on broad array of topics and other award programs for financial reporting, including audits



Questions?

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