Rethinking School Budgets
Aligning your Budget to the Strategic Plan

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Presenters

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Learning Objectives

To learn more about the Smarter School Spending Model from GFOA and the resources available.

To relate the model to the budget process in your district and how its resources can be leveraged to support improvements in how you plan and develop your budget.
Best Practices in School Budgeting developed by GFOA in conjunction with the Smarter School Spending website with input of several districts and other experts (https://www.gfoa.org/materials/best-practices-in-school-district-budgeting)

Smarter School Spending developed in partnership with four districts working closely with consultants on their budget process (http://smarterschoolspending.org/)

Alliance for Excellence in School Budgeting is an early adopter group of over 100 districts that have joined with GFOA to aid implementation (https://www.gfoa.org/school-budgeting)
“We have always done it that way”

“Traditional” budget model

- Incremental changes in resource allocation
- Limited resources drive spending plan
- More reactionary than pro-active
- Primary focus on next year challenges than long-term strategies
Budgeting’s Future is NOW

Best Practices in School Budgeting and Smarter School Spending

- Pro-active approach
- Strategic plan drives budget with focus on student achievement rather than on limited resources
- Provides Credibility
  - Continuous improvement principles
  - Strategic financial planning
The Process Brings Together Strategic Academic Planning and the Budget Process

In many districts...
...strategic planning and budget processes happen in parallel tracks that don’t intersect:

- Academic Strategic Planning
- Budget Process

1. Strategic Plan
2. District Budget

In Smarter School Spending...
...strategic planning and the budgeting process are merged to create a process for strategic use of resources in the district:

- Academic Strategic Planning
- Budget Process

1. Strategic Plan
2. Strategic Finance Plan
3. Strategic Annual Budget

When these processes happen in isolation, a district is at risk for creating a strategic plan that cannot be funded and a budget that has no strategic basis.

Merging these processes allows for greater alignment of district strategy and finances, and allows the district to balance financial decisions as tradeoffs for increasing strategic investments in students.
Implementing the Best Practices

- It is not meant as a replacement of existing budget processes.

- The framework is intended to integrate current efforts to help move the bar forward.

- It is used to help identify areas that would benefit from process improvement.

- The process isn’t a linear path – focus on areas of most immediate benefit to gain quick wins.

- The Best Practices are a significant time and resource investment.
Focus on Student Achievement

IF your strategic focus is on academic student achievement:

- There are no winners or losers
- There are only challenges and opportunities.
- Budgets are not cut!
  - --- Available funding is repurposed.
Best Practices in School Budgeting

Focus on 5 major areas:

- Plan and Prepare
- Set Instructional Priorities
- Pay for Priorities
- Implement Plan
- Ensure Sustainability
1. Plan and Prepare
2. Set Instructional Priorities
3. Pay for Priorities
4. Implement Plan
5. Ensure Sustainability
First – How to Begin

- Emphasis on planning, setting the stage, and understanding the need.

- Focus on:
  - Collaboration
  - Framing the process
  - Determining baseline performance
  - Encouraging active engagement by all stakeholders
What are the most important steps?

- The connection of instruction and finance staff eliminates silos, strengthens relationships of departments that are critical to the success of student learning.

- The work leads to collaborative partnerships, better communication and understanding of each other's work. This has a positive impact in more than strategic planning and budget.

- Setting and agreeing to “SMARTER” Goals
What are the most important steps?

- Know your data.
  - Most districts believe that their budget is aligned to the goals and objectives outlined in their strategic plan.
  - There is a very good chance that is an incorrect statement.
  - An honest and thorough evaluation of where funds are currently being spent is essential to determining what changes to make.

- Own your data.
  - Change is essentially disrupting the status quo. Schools, as a broad generalization, do not do change well.
  - Data allows programs or processes to be evaluated by taking the emotion out of the conversation.
Procedural Fairness

Key points to include in a process based on procedural fairness:

- Decisions are based on accurate information
- A transparent and consistent set of decision-making criteria are applied to everyone equally
- All affected stakeholders are given the opportunity for input
- Mistakes are recognized and corrected

_Procedural fairness is the concept (with research from the criminal justice system) that people are often willing to accept/support decisions that aren’t in their self-interest if they perceive that the process used to reach that decision was fair, operated by rules that are consistently applied to all participants, and truly considered their views._
What you expect

1. Create urgency
2. Form a powerful coalition
3. Create a vision for change
4. Communicate the vision
5. Empower action
6. Create quick wins
7. Build on the change
8. Make it stick

Implementing & sustaining for change

Creating the climate for change

Engaging & enabling the organisation

8 step change model by John Kotter
"The Change Curve" by Jeanie Daniel Duck

1. Plan and Prepare

Best Practices in School Budgeting
1. Plan and Prepare

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

- Work together!
  - Collaboration between the academic 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.
  
  - Help to foster collaboration by establishing a governance process for the budget process
“Some will feel the focus should be more on teaching and learning, but funding teaching and learning priorities is focusing on teaching and learning.”

- Page 76

“When principals help set the priorities for the district, not just their schools, and engage in the formative research to identify the district’s needs, they are much more likely to understand, embrace, and advocate for bold budgets.”

- Page 69
Reframing Our Role

• Facilitate v. Direct
• Deeply Involve Principals in Decisions & Recommendations
• Provide the Data Needed for Others to Learn & Make Decisions
• Share Our Views Last
• Share Information & Let Their Curiosity Drive Discussions
• Encourage Professional Disagreement (Cognitive Conflict)
• Entire Admin Team Supports All Recommendations to Board of Education
Budget Data Sheet: All Schools
November 19, 2015

Annual Building Allocations

<table>
<thead>
<tr>
<th>Year</th>
<th>All Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>$1,788,226</td>
</tr>
<tr>
<td>2002-03</td>
<td>$1,788,226</td>
</tr>
<tr>
<td>2003-04</td>
<td>$1,644,980</td>
</tr>
<tr>
<td>2004-05</td>
<td>$1,643,275</td>
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<tr>
<td>2005-06</td>
<td>$1,670,070</td>
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<td>2006-07</td>
<td>$1,546,677</td>
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<td>2007-08</td>
<td>$1,549,110</td>
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<td>2008-09</td>
<td>$1,547,099</td>
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<td>2009-10</td>
<td>$1,550,027</td>
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<tr>
<td>2010-11</td>
<td>$1,528,605</td>
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<tr>
<td>2011-12</td>
<td>$1,411,114</td>
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<tr>
<td>2012-13</td>
<td>$1,403,925</td>
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<tr>
<td>2013-14</td>
<td>$1,353,304</td>
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<tr>
<td>2014-15</td>
<td>$1,354,478</td>
</tr>
<tr>
<td>2015-16</td>
<td>$1,274,005</td>
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Amount Unspent

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>$63,808</td>
<td>4.14%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$91,869</td>
<td>6.18%</td>
</tr>
<tr>
<td>2011-12</td>
<td>$89,562</td>
<td>6.37%</td>
</tr>
<tr>
<td>2012-13</td>
<td>$59,730</td>
<td>4.32%</td>
</tr>
<tr>
<td>2013-14</td>
<td>$47,656</td>
<td>3.46%</td>
</tr>
<tr>
<td>2014-15</td>
<td>$181,712</td>
<td>12.94%</td>
</tr>
<tr>
<td>Totals</td>
<td>$534,337</td>
<td>6.21%</td>
</tr>
</tbody>
</table>

Monthly Spending Trends

The following is a monthly spending trend over the past six years. The green line represents the overall trend.
Developing Policies

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

- Collecting performance data
  - Develop a well-rounded perspective on student performance
  - Ensure data is relevant, consistent and can be disaggregated

- Measuring student performance
  - Comparison against a standard of proficiency
  - Relative improvement
  - Changes over multiple years

- Data culture

- Focus on future needs
Identify a Communication 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

- An elevator speech, or elevator statement is a short description of an idea that explains the concept in a way such that any listener can understand it in a short period of time.

- Tell your story!!
  
  Or someone else will.
2. Set Instructional Priorities

Best Practices in School Budgeting
2. Set Instructional Priorities

Develop Goals

Identify Root Cause of Gap between Goal and Current State

Research and Develop Potential Instructional Priorities

Evaluate Choices amongst Instructional Priorities
“Every student will graduate college and career ready”
Generic District Strategic Goals

Increase

Increase Student Achievement

Attract and retain

Attract and retain a highly qualified staff.

Operate

Operate the District in an effective and efficient manner.

Engage

Engage all stakeholders
Develop SMARTER Goals

- SMARTER framework:
  - **S**pecific - precise outcome or result
  - **M**easureable - verifiable, ideally quantifiable
  - **A**chievable - grounded in reality
  - **R**elevant - focused on student achievement
  - **T**ime-bound - short and long-term objectives
  - **E**ngaging - reach for ambitious improvement
  - **R**esourced - finances aligned with goals
“We will increase the 3rd grade reading average”
“We will increase the 3rd grade reading average by 3 percentage points for each of the next 4 years”
“We will increase the 3rd grade reading average by 3 percentage points for each of the next 4 years by investing in scientifically based reading programs”
“We will increase the 3rd grade reading average by 3 percentage points for each of the next 4 years by investing in scientifically based reading programs at an estimated cost of $1m per year”
SMARTER GOALS

• GOAL

  “We will increase the 3rd grade reading average”

• SMARTER GOAL

  “We will increase the 3rd grade reading average by 3 percentage points for each of the next 4 years by investing in scientifically based reading programs at an estimated cost of $1m per year”
A google search of “SMARTER GOALS” produced the following variations of the goals.

<table>
<thead>
<tr>
<th>S</th>
<th>M</th>
<th>A</th>
<th>R</th>
<th>T</th>
<th>E</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific</td>
<td>Measurable</td>
<td>Achievable</td>
<td>Relevant</td>
<td>Time-Bound</td>
<td>Engaging</td>
<td>Resourced</td>
</tr>
<tr>
<td>Shared</td>
<td>Monitored</td>
<td>Accessible</td>
<td>Realistic</td>
<td>Time-based</td>
<td>Educational</td>
<td>Reviewed</td>
</tr>
<tr>
<td></td>
<td>Attainable</td>
<td>Results-Oriented</td>
<td>Transparent</td>
<td>Evaluated</td>
<td>Readjust</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Actionable</td>
<td>Timely</td>
<td>Ethical</td>
<td>Rewarded</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accountable</td>
<td>Time-related</td>
<td>Ecological</td>
<td>Rewarding</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assignable</td>
<td></td>
<td>Eternal</td>
<td>Relationship Centered</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Evolving</td>
<td>Reward</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Importance of Goal Setting

- **SMARTER Goals**
  - Provide the framework to implement and support budgetary decisions.
  - Establish the Key Performance Indicators (KPI’s) to be collected to allow evaluation and assessment.
  - Provide data driven credibility to the evaluation process.
Identify Root Cause of Gap between Goal and Current State

Rationale for root cause analysis

• Move beyond addressing symptom level solutions
• Find underlying cause of issue
• Process should involve different perspectives – not only to assist analysis - but also develop a broad base of support to implement solutions

Possible techniques

• 5 Whys
• Cause and Effect Diagrams
Example: 5 Whys

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

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.
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

- Research proven effective practices
- Collect and analyze data
- Adopt effective instructional and curriculum programs
- Articulate instructional priorities clearly
Research & Develop Potential Instructional Priorities

▪ What is an Instructional Priority?
  ▪ Strategy for overcoming identified problems and achieving stated academic goals
▪ Research on Proven Effective Practices
▪ Articulate Instructional Priorities
How far along is your district in creating instructional priorities?

<table>
<thead>
<tr>
<th>Our district has a strategic plan that has been translated into implementable instructional priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>❑ Our district has recently conducted a comprehensive strategic planning process</td>
</tr>
<tr>
<td>❑ That plan has been translated into clear instructional priorities to implement</td>
</tr>
<tr>
<td>❑ The community knows about and supports these instructional priorities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>We have a strategic plan but no clear priorities to implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>❑ If our district has done a strategic planning process, we have not translated that plan into discrete priorities</td>
</tr>
<tr>
<td>❑ We have not communicated our priorities to the community</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>We have not yet formally defined our priorities or conducted a strategic planning process</th>
</tr>
</thead>
<tbody>
<tr>
<td>❑ Our district does not have a set of priorities or specific initiatives that it is driving towards</td>
</tr>
</tbody>
</table>

Priorities Fully Developed  Development of Priorities Required
Evaluate Choices between Instructional Priorities

**Identify the Options under Consideration**
- Research into leading practices and development of guiding practices
- Analyzing the environment, goal setting and root cause analysis
- Stakeholder input

**Describe Options Available to Evaluate Effectively**
- Reduce the number of options
- Make consequences of choices concrete
- Categorize
- Structure the order of options to ease into decision making
Evaluate Choices between Instructional Priorities

▪ Communicate that consequences do exist
  ▪ Potential impact on student learning
  ▪ Long-term affordability
  ▪ Feasibility of implementation
  ▪ Level of stakeholder support

▪ Engage the public the evaluation process to identify pressure points
  ▪ Pressures for less effective practices
  ▪ Pressures caused by changing demographics
  ▪ Pressures for equity
  ▪ Pressures for job preservation
  ▪ Pressures for lower taxes
3. Pay for Priorities

Best Practices in School Budgeting
3. Pay for Priorities

APPLYING COST ANALYSIS TO THE BUDGET PROCESS

EVALUATE & PRIORITIZE USE OF RESOURCES TO ENACT THE INSTRUCTIONAL PRIORITIES
Apply Cost Analysis to the Budget

Staffing analysis

- Use Actual Compensation and include all staff

Cost of service analysis

- Fully loaded cost of compensation
- Per unit costs
- Cost effectiveness measures
  - Cost per outcome
  - Relative cost per outcome
  - Academic return on investment (A-ROI)
Relative Cost Per Outcome

Great! Replicate

What happened
Evaluate & Prioritize Expenditures to Enact the Instructional Priorities

- Finding resources
  - Increasing Revenues, sunset existing programs, operational efficiencies

- Weighing trade-offs
  - Consistency, transparency, data

- Overcoming constraints
  - Funding limitations, legal issues, culture, contracts

- Assessing Academic Return on Investment
What is Academic Return On Investment (A-ROI)?

• Academic ROI is a translation of the ROI concept into the education world as a way to measure the amount of academic outcome achieved for a given amount of investment made.

• The practice of scientifically evaluating the cost-effectiveness of academic programs / strategies and then deciding on where to allocate resources accordingly.
Why Academic Return On Investment (A-ROI)?

• Academic ROI is taking on a growing role in school decision making as limited resources continue to be a problem and as school administrators are faced with an ever increasing set of purchasing options from which to choose.

Increase in Student Learning (Investment) x Number of Students Served

Total Costs
Strategic Abandonment

○ “The Art of Letting Go”

○ To put it simply, strategic abandonment is the art of letting go. It’s a process of closely examining all active plans, projects, and initiatives and determining whether they are making a lasting impact or should be deliberately stopped.
Strategic Abandonment

Study Outcome Possibilities = Expand, Maintain, Redesign, Combine, Sunset
## Cost Savings Options

<table>
<thead>
<tr>
<th>Question</th>
<th>Code</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can the district free up funds from professional development expenditures?</td>
<td>PL</td>
<td>290</td>
</tr>
<tr>
<td>Can the district free up funds by managing class sizes differently at the middle schools?</td>
<td>PL</td>
<td>240</td>
</tr>
<tr>
<td>Can the district free up funds by managing class sizes differently at the high schools?</td>
<td>PL</td>
<td>240</td>
</tr>
<tr>
<td>Can the district free up funds from energy expenditures?</td>
<td>FAC</td>
<td>230</td>
</tr>
<tr>
<td>Can the district free up funds associated with teacher absences?</td>
<td>PL</td>
<td>230</td>
</tr>
<tr>
<td>Can the district provide more professional development opportunities for core teachers at little or no additional cost?</td>
<td>FAC</td>
<td>200</td>
</tr>
<tr>
<td>Can the district free up funds from speech and language therapist positions?</td>
<td>PL</td>
<td>190</td>
</tr>
<tr>
<td>Can the district free up funds by managing class sizes differently at the elementary schools?</td>
<td>PL</td>
<td>190</td>
</tr>
<tr>
<td>Can the district free up funds from maintenance services?</td>
<td>FAC</td>
<td>180</td>
</tr>
<tr>
<td>Can the district increase the impact of the coaching model at little to no additional cost?</td>
<td>FAC</td>
<td>170</td>
</tr>
<tr>
<td>Can the district free up funds from blended learning and/or online classes and/or increase the impact at little or no additional cost?</td>
<td>FAC</td>
<td>160</td>
</tr>
</tbody>
</table>
Best Practices in School Budgeting

4. Implement Plan
4. Implement Plan

- Develop a Strategic Financial Plan
- Develop a plan of action
- Allocate Resources to Individual School Sites
- Develop Budget Presentation
Strategic Financial Plan Framework

- 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
Develop a Plan of Action

The following elements should be included in the Plan of Action for Instructional Priorities:

- **Focus on:**
  - How the Priorities will be funded
  - Actions intended to implement Priorities
  - Actions intended to fund Priorities
  - Sources of evidence that action is occurring
  - Guidance on critical resourcing assumptions
  - Process for review and adjustment
Allocate Resources to Individual School Sites

- Districts, particularly those with multiple school sites, need to have a clear and transparent method for allocating resources to each school site.

- GFOA does not advocate a specific method, but the following slides offer guidelines for the two main methodologies, including:
  - Staffing Ratio allocations
  - Weighted Student Funding methods
5. Ensure Sustainability
Ensure Sustainability

Put the Strategies into Practice

- Monitor Strategy Implementation
  - Assign responsibility for implementation
  - Develop timeline and milestones
  - Develop progress reporting process

Evaluate Results

Evaluate Interim Results throughout the Year
Best Practices in School Budgeting
TIPS

Go Slow to Go Fast
This is a CULTURE CHANGE
This is a Model, Not a “Boxed” Program
Not Plug & Play
It Will Be Messy!
Use Samples from Other Districts
Have Conversations With Your Board About the Model Through Policy Development

TOOLS

SSS Recommended Policies
GFOA Financial Policies
Year End Carryover Policy
Year End Carryover Request Form
Criteria for Carryover Request Eval
SDFA Budget Principles
EQUALITY

EQUITY
Fostering a Barrier-Free Environment

Where Students Have Equality of Opportunity
Resources

Smarter School Spending

• Free resources – including case studies, district examples, templates, etc  www.smarterschoolspending.org
• GFOA Best Practices
  • http://www.gfoa.org/best-practices
• Alliance for Excellence in School Budgeting
  • Peer-to-peer group to support budget/planning process improvement
  • May 24, 2023 – Portland OR
  • November 2-3, 2023 in Chicago

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