Rethinking School Budgets
Aligning your Budget to the Strategic Plan

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Government Finance Officers Association

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.

Background & 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 (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 <u>Smarter School Spending</u>

- 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

1. Strategic Plan

Budget Process
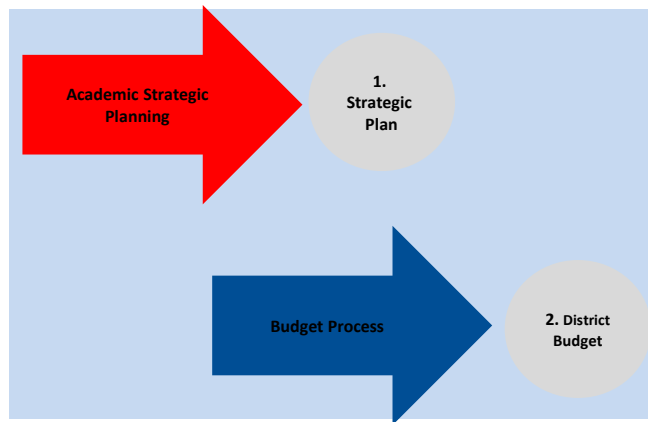
2. District Budget

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

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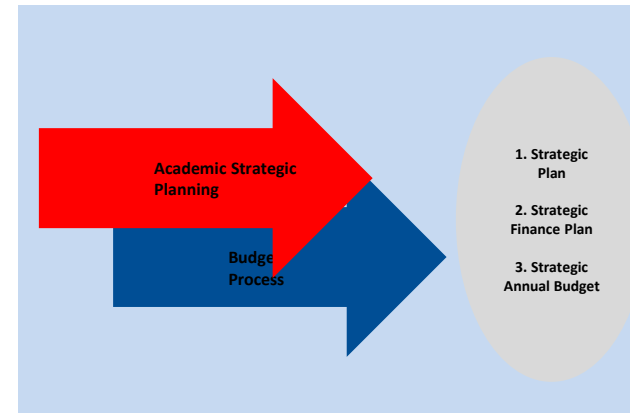
Merging these processes allows for greater alignment of district strategy and finances, and allows the district to balance financial decisions as tradeoffs for increasing strategic investments in students

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

5. Ensure Sustainability
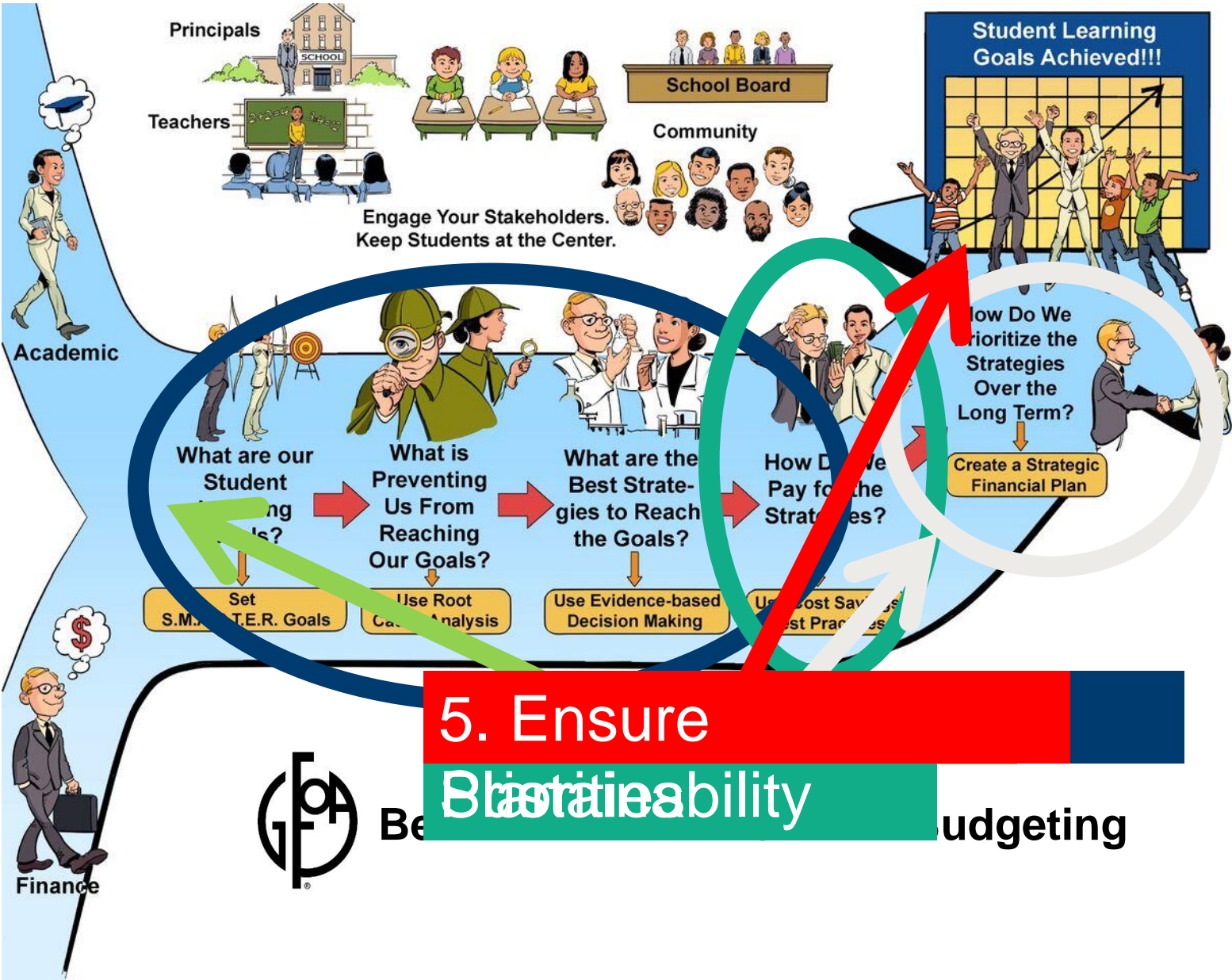
First – How to Begin

- 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:

  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

  - 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

What you expect

8 step change model by John Kotter

The truth about the journey

"The Change Curve" by Jeanie Daniel Duck
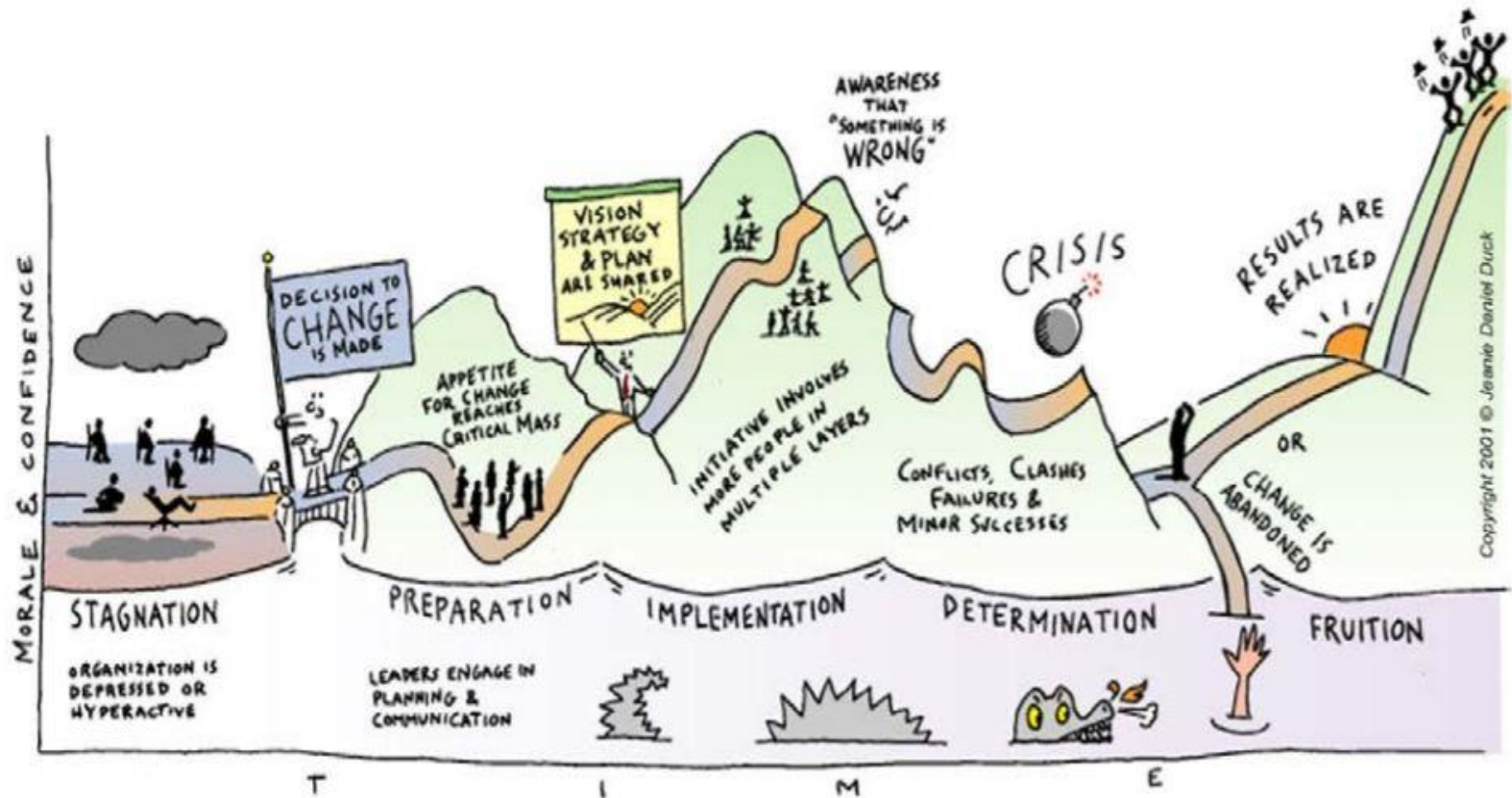
Change Curve created by Jeanie Daniel Duck from *The Change Monster* © 2001. Reprinted with Permission

Principals

Teachers

Engage Your Stakeholders.
Keep Students at the Center.

School Board

Community

Student Learning
Goals Achieved!!!

Academic

What are our
Student
Learning
Goals?

What is
Preventing
Us From
Reaching
Our Goals?

What are the
Best Strate-
gies to Reach
the Goals?

How Do We
Pay for the
Strategies?

How Do We
Prioritize the
Strategies
Over the
Long Term?

Create a Strategic
Financial Plan

Set
M.A.R.T.E.R. Goals

Use Root
Cause Analysis

Use Evidence-based
Decision Making

Use Cost Savings
Best Practices

Finance

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

Culture eats strategy for breakfast.

- Peter Drucker

SCHOOL DISTRICT OF
FORT • ATKINSON

BUDGET DATA SHEET: ALL SCHOOLS
NOVEMBER 19, 2015

ANNUAL BUILDING ALLOCATIONS

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

All Schools

$1,750,000

$1,650,000

ANNUAL UNSPENT ALLOCATION

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

Amount Unspent

$200,000

$180,000

MONTHLY SPENDING TRENDS
The following is a monthly spending trend over the past six years. The green line represents the overall trend.

Legend:
- 2009-10
- 2010-11
- 2011-12
- 2012-13
- 2013-14
- 2014-15

EXCELLENCE IN SCHOOL BUDGETING
GFOA
ALLIANCE

FORT
School District of Fort Atkinson
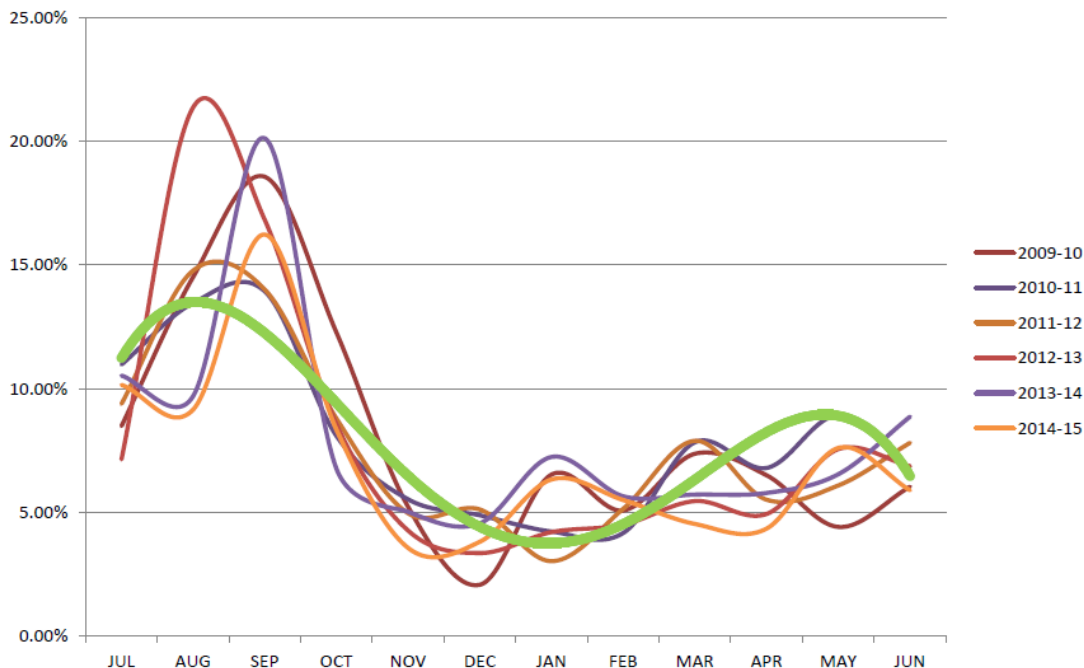
Developing Policies

- **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

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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
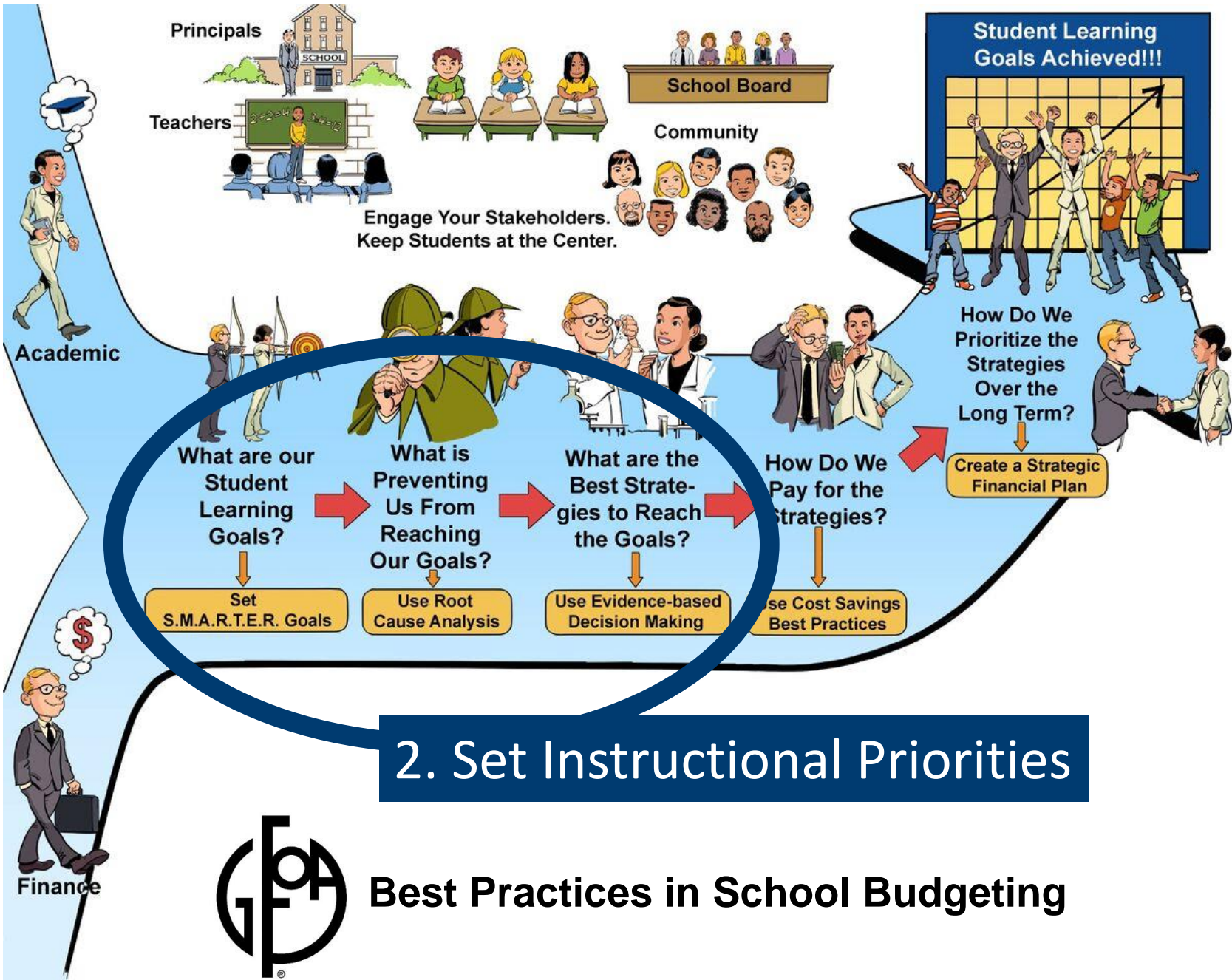
2. Set Instructional Priorities

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
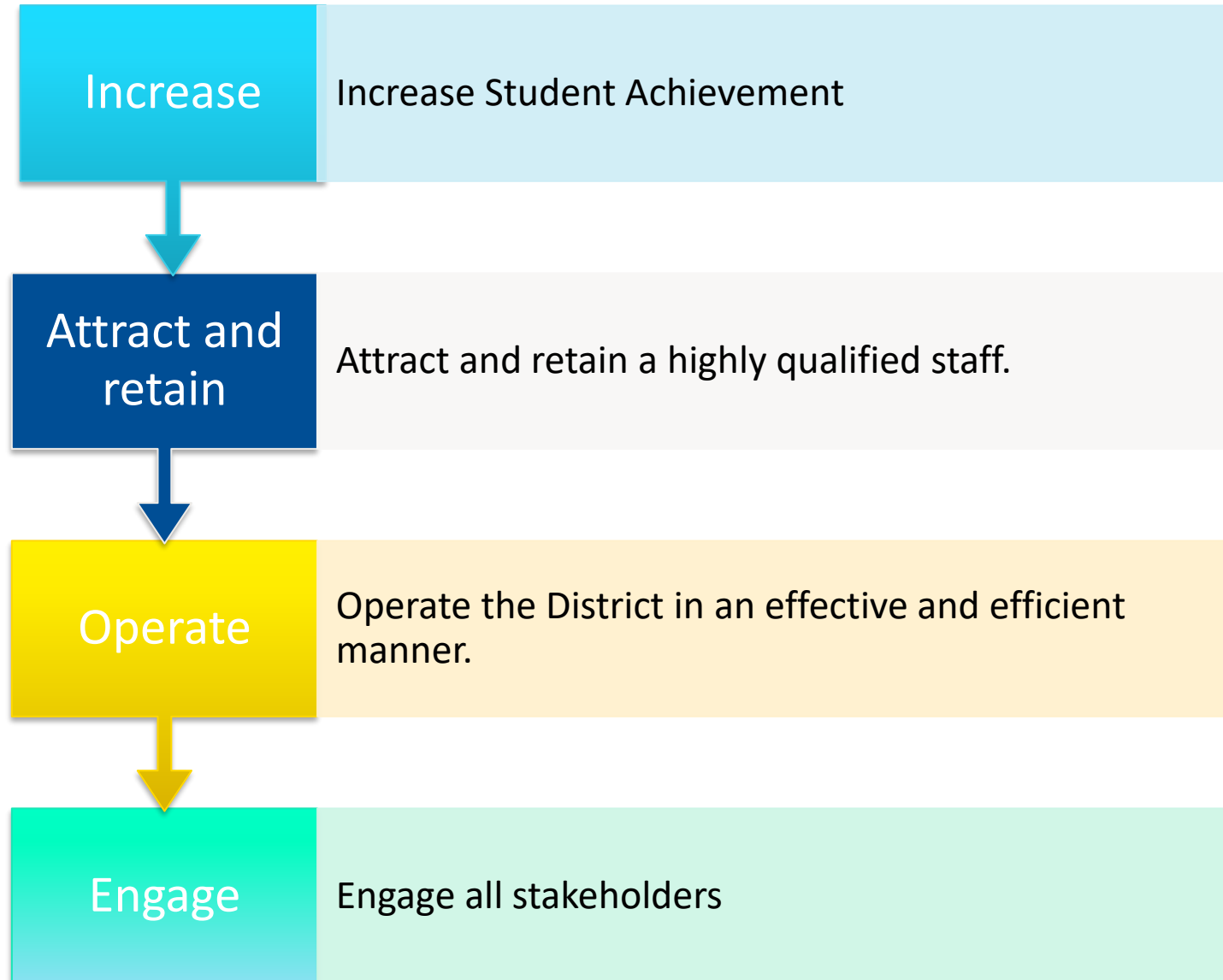
Develop SMARTER Goals

- 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

- SMARTER GOAL

- "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 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

S	M	A	R	T	E	R
Specific	**Measurable**	**Achievable**	**Relevant**	**Time-Bound**	**Engaging**	**Resourced**
Shared	Monitored	Accessible	Realistic	Time-based	Educational	Reviewed
		Attainable	Results-Oriented	Transparent	Evaluated	Readjust
		Actionable		Timely	Ethical	Rewarded
		Accountable		Time-related	Ecological	Rewarding
		Assignable			Eternal	Relationship Centered
					Evolving	Reward

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

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.

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

4. Why? The days weren't budgeted.

4. Why? Principal diverted coaches to administrative tasks.

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

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

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

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
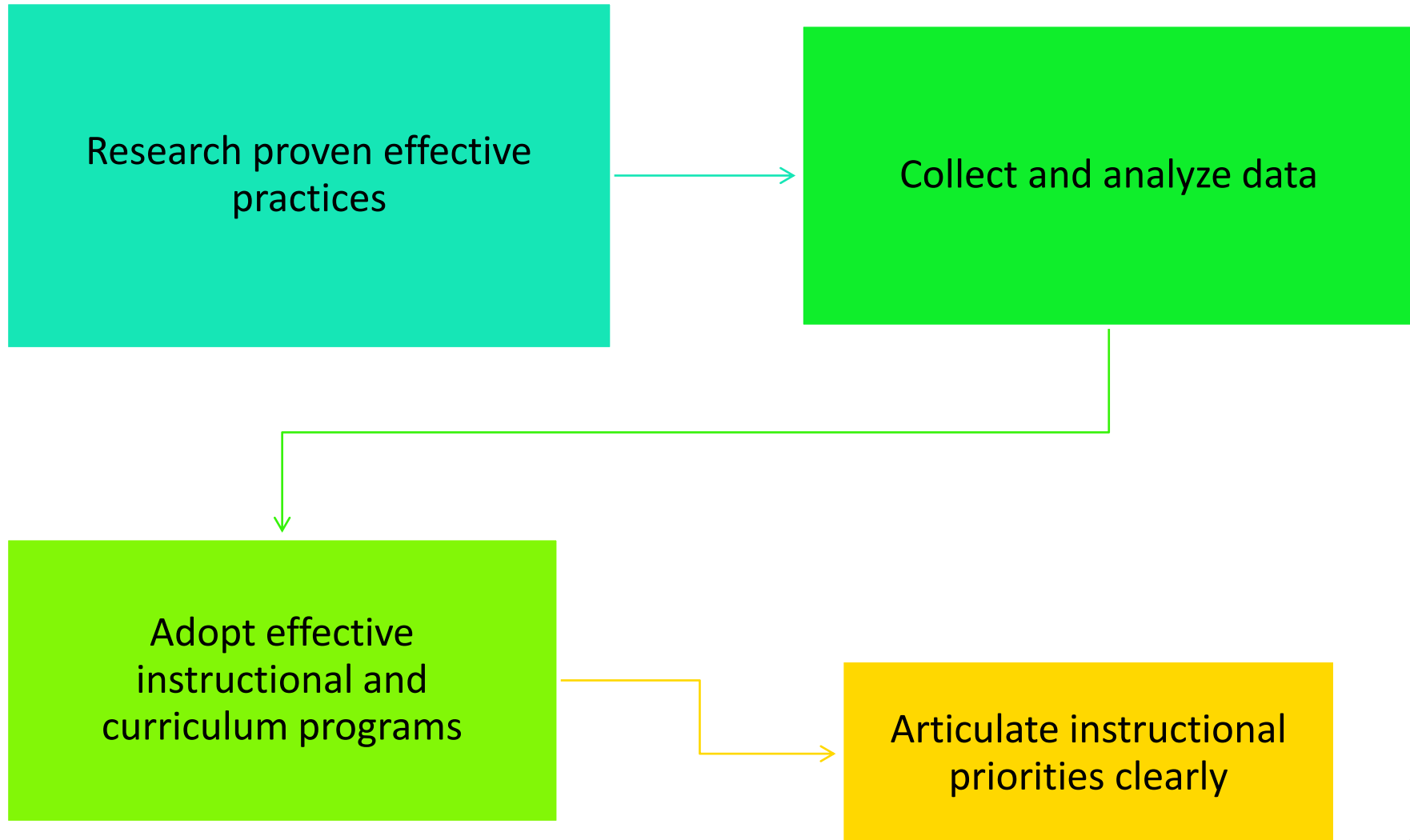
Research & Develop Potential Instructional Priorities

- 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?

Our district has a strategic plan that has been <u>translated into implementable</u> instructional priorities	We have a strategic plan but no clear priorities to implement	We have not yet formally defined our priorities or conducted a strategic planning process
❑Our district has recently conducted a comprehensive strategic planning process ❑That plan has been translated into clear instructional priorities to implement ❑The community knows about and supports these instructional priorities	❑If our district has done a strategic planning process, we have not translated that plan into discrete priorities ❑We have not communicated our priorities to the community	❑Our district does not have a set of priorities or specific initiatives that it is driving towards

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
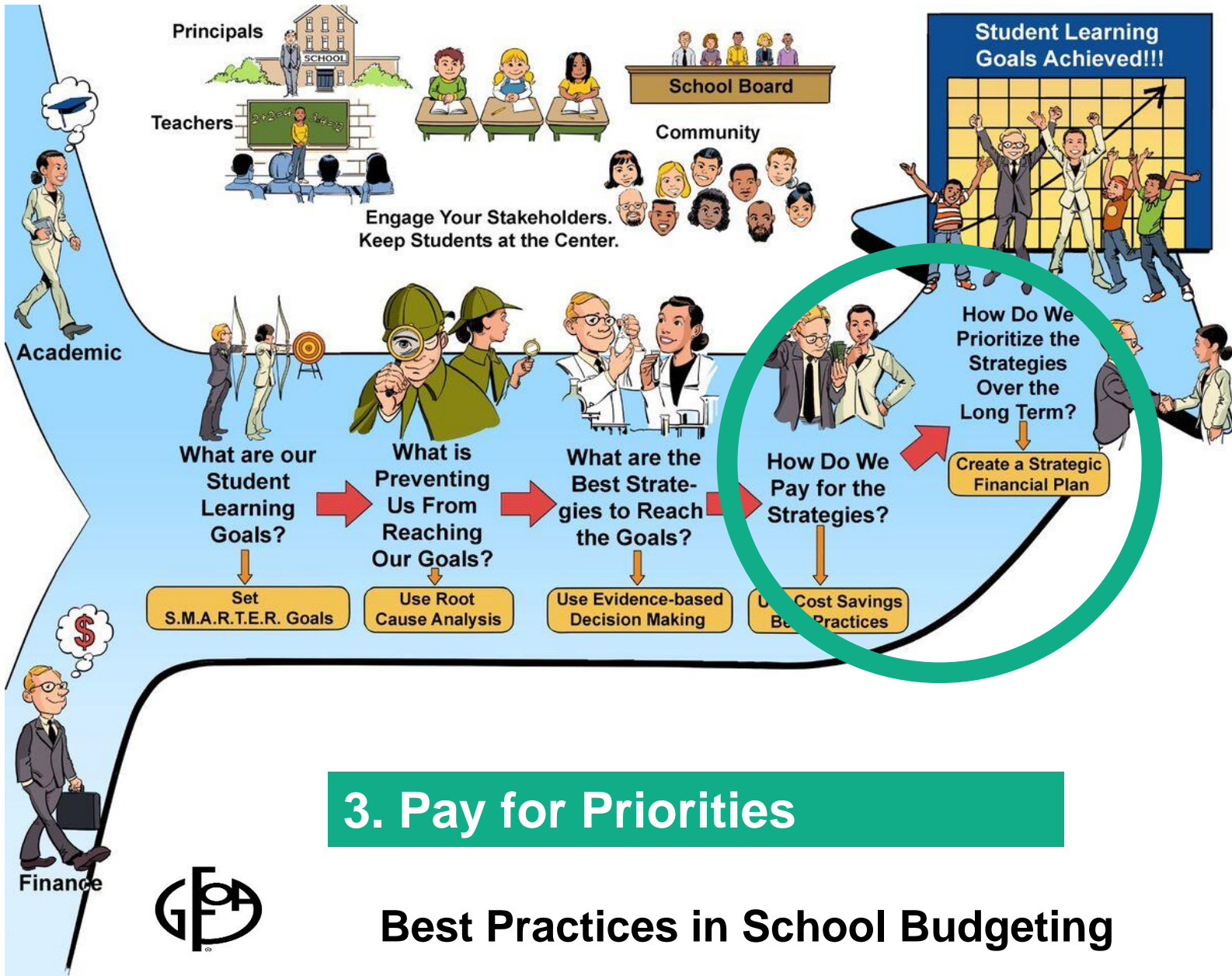
3. Pay for Priorities

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

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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
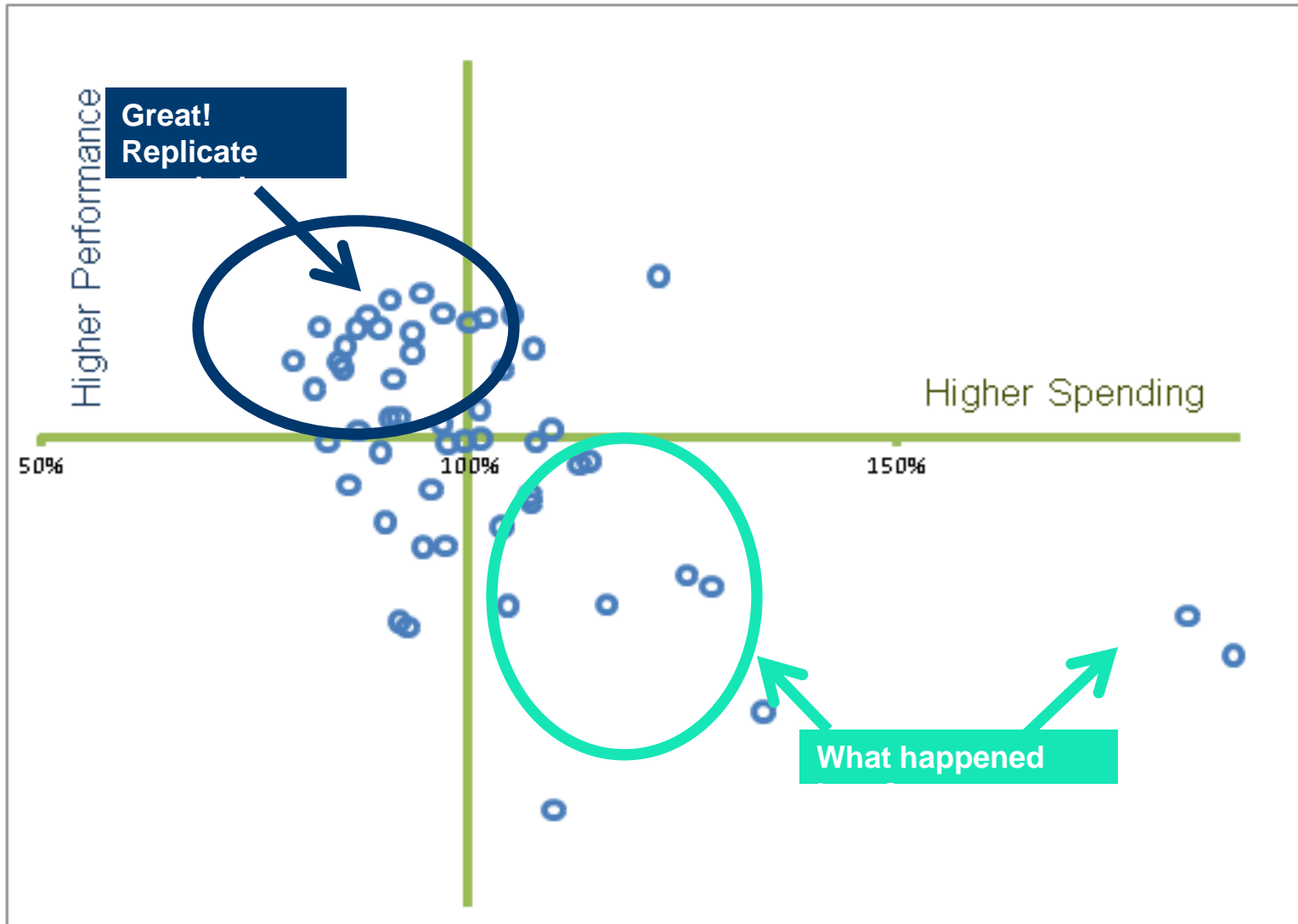
Evaluate & Prioritize Expenditures to Enact the Instructional Priorities

- 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
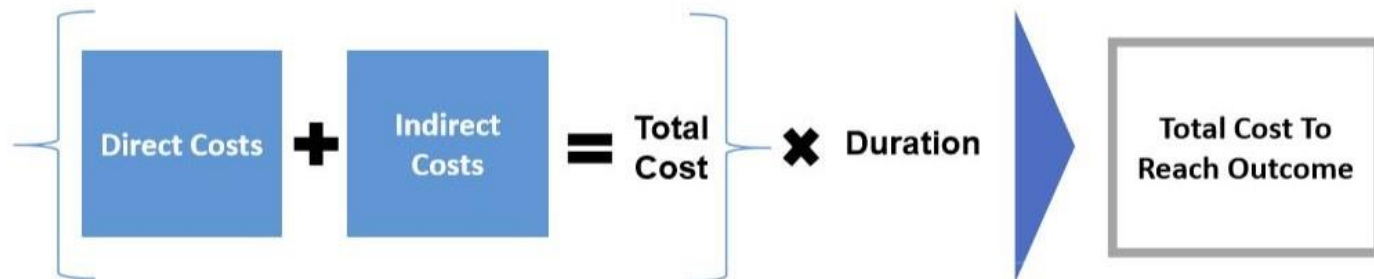
Strategic Abandonment

- "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

17	Can the district free up funds from **professional development expenditures**?	Physical Space Utilization	290
30	Can the district free up funds by managing class sizes differently at the **middle schools**?	Physical Space Utilization	240
31	Can the district free up funds by managing class sizes differently at the **high schools**?	PL	240
2	Can the district free up funds from **energy expenditures**? **FAC**	PL	230
26	Can the district free up funds associated with **teacher absences**?	PL	230
18	Can the district provide **more professional development opportunities** for core teachers at little or no additional cost?		200
11	Can the district free up funds from **speech and language therapist positions**?	Physical Space Utilization	190
29	Can the district free up funds by managing class sizes differently at the **elementary schools**?		190
3	Can the district free up funds from **maintenance services**? **FAC**	PL	180
19	Can the district **increase the impact of the coaching model** at little to no additional cost?		170
28	Can the district free up funds from **blended learning and/or online classes** and/or increase the impact at little or no additional cost?		160

4. Implement Plan

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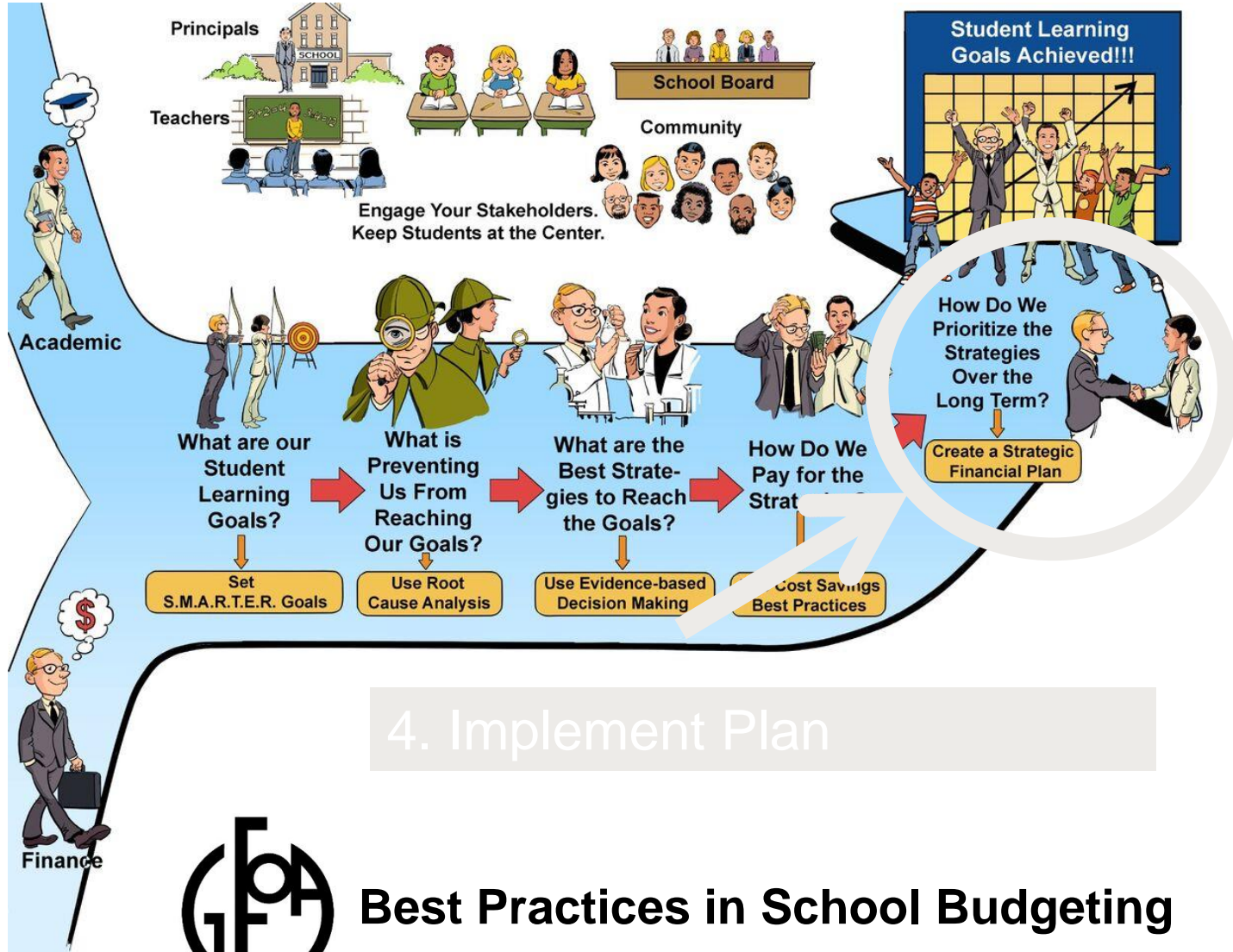
4. Implement Plan

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

Best Practices in School Budgeting
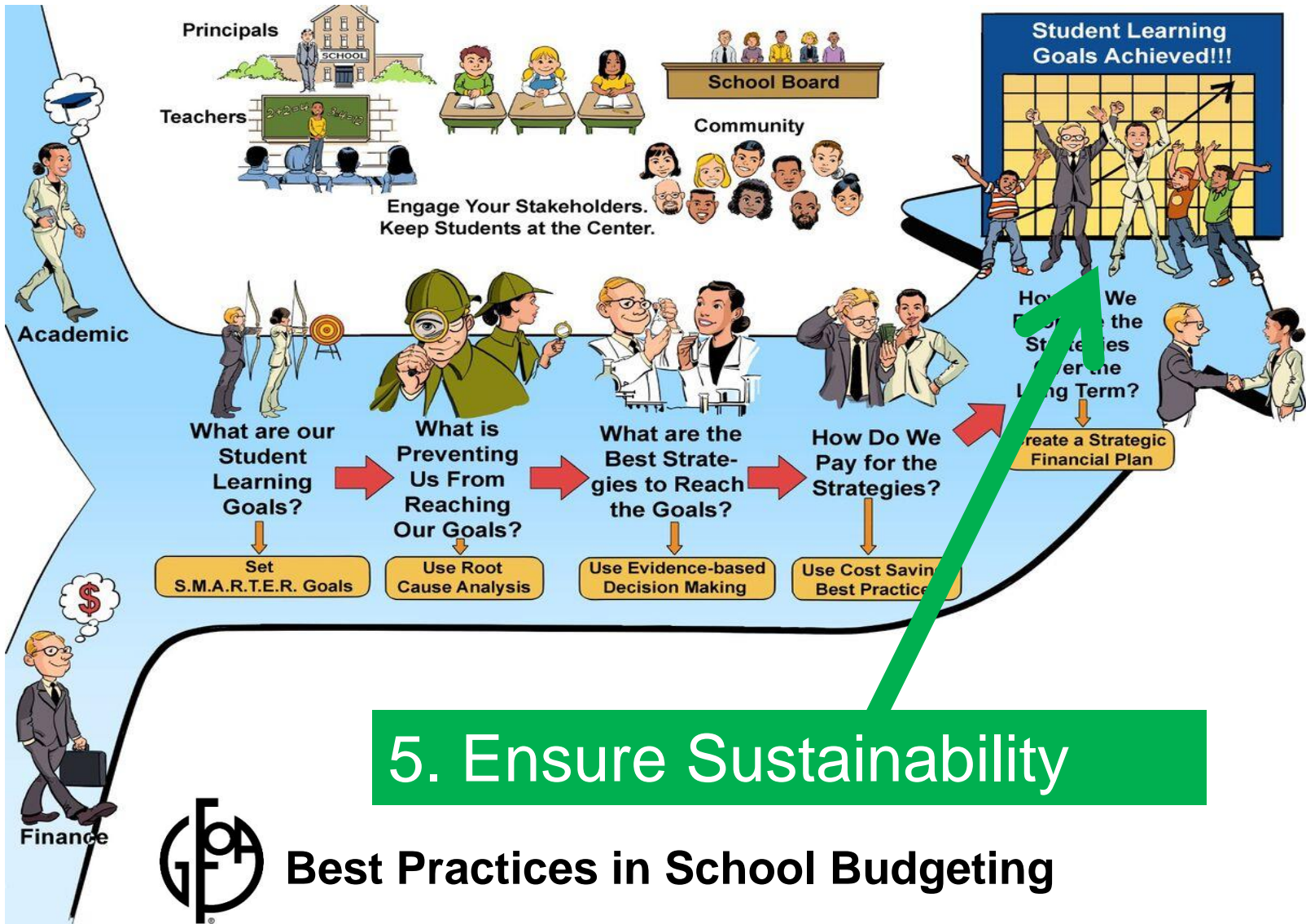
Ensure Sustainability

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
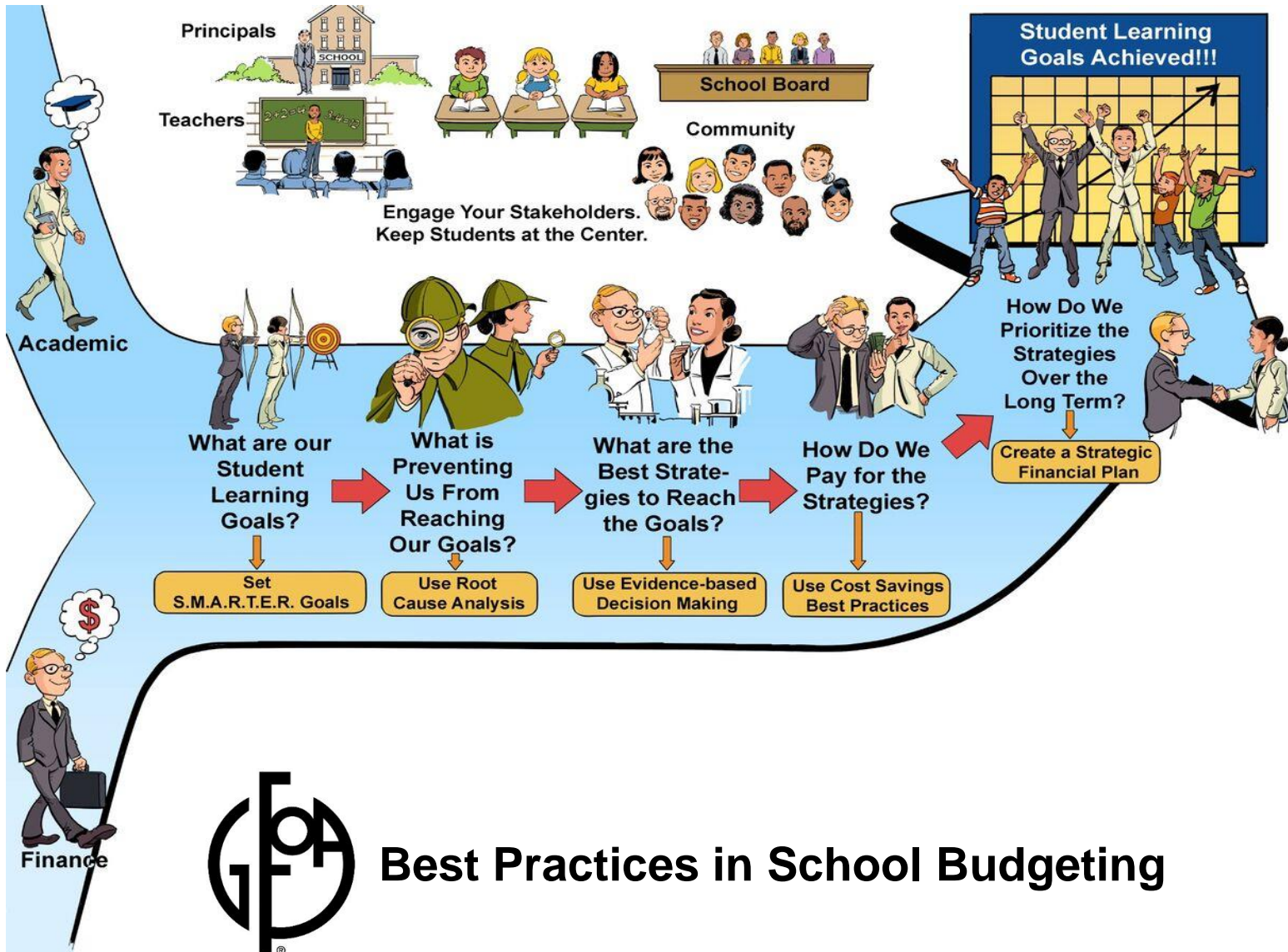
Best Practices in School Budgeting

Tips & Tools

TIPS

Go Slow to Go Fast

This is a <u>CULTURE CHANGE</u>

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](#)

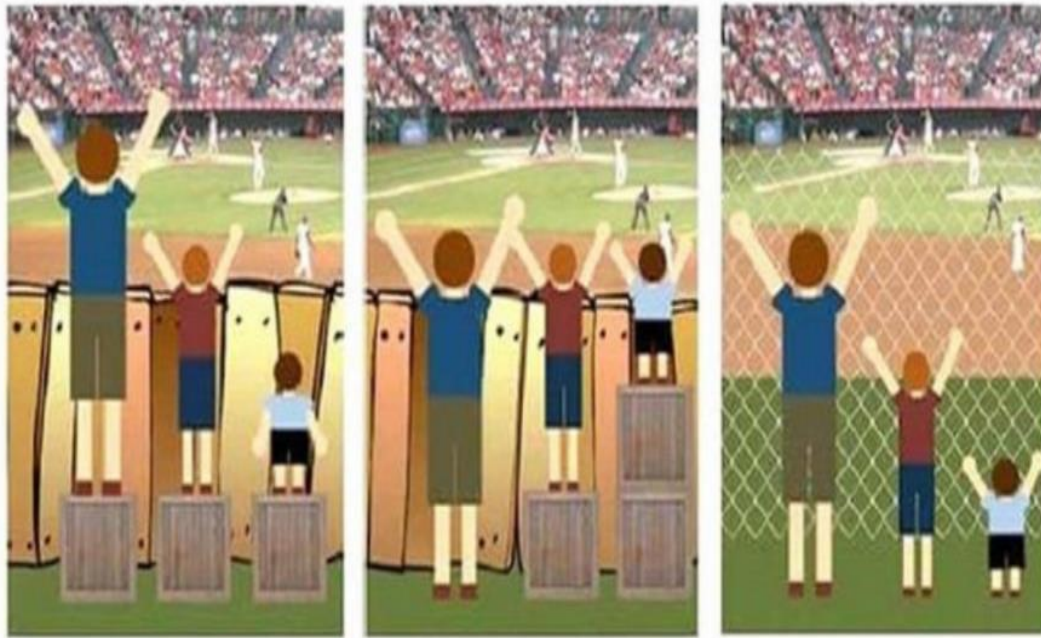[Year End Carryover Policy](#)

[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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